

# Notes to the Financial Statements

## 1 General information

New World Development Company Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in property investment and development, contracting, provision of services (including property and facility 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.

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

These financial statements have been approved for issue by the Board of Directors on 10 October 2006.

## 2 Basis of preparation

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

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

### (a) The adoption of new/revised HKFRS

For the year ended 30 June 2005, the Group early adopted HKFRS 3 “Business combinations”, Hong Kong Accounting Standard (“HKAS”) 36 “Impairment of assets” and HKAS 38 “Intangible assets”. With effect from 1 July 2005, the Group adopted all the remaining new and revised HKFRS that are currently in issue and effective for the accounting periods commencing on or after 1 January 2005 and also early adopted the amendment to HKAS 21 “The effects of changes in foreign exchange rates – Net investment in a foreign operation” which is effective for the accounting periods commencing on or after 1 January 2006.

The following is a summary of the material changes in the principal accounting policies or presentation of financial statements as a result of the adoption of these new or revised HKFRS.

- (i) *HKAS 1 Presentation of financial statements*  
The adoption of HKAS 1 has affected the presentation of minority interests, share of after-tax results of jointly controlled entities and associated companies and other disclosures.
- (ii) *HKAS 17 Leases*  
The adoption of HKAS 17 has resulted in change in accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The upfront prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement.

In respect of property held for/under development, the amortisation of leasehold land and land use rights is included as part of the costs of the property under development in the course of property development. In all other cases, the amortisation charge is recognised in the income statement.

In previous years, leasehold land and land use rights were accounted for at cost or fair value less accumulated depreciation and impairment. This change in accounting policy has been applied retrospectively.

# Notes to the Financial Statements

## 2 Basis of preparation *(continued)*

### (a) The adoption of new/revised HKFRS *(continued)*

#### (iii) *HKAS 32 Financial instruments: Disclosures and presentation and HKAS 39 Financial instruments: Recognition and measurement*

The adoption of HKAS 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities. HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis.

In previous years, the Group classified its long term investments, other than subsidiaries, associated companies and jointly controlled entities under other investments. Other investments held for non-trading purpose were stated at fair value at the balance sheet date. Changes in fair value of individual investment were dealt with as a movement in the investment revaluation reserve until the investment was sold or determined to be impaired in value. Upon disposal, the gain or loss representing the difference between net sales proceeds and the carrying amount of the relevant investment, together with any surplus or deficit transferred from the investment revaluation reserve, was dealt with in the income statement.

The Group is required to split the carrying value of its convertible bond into equity and liability components in accordance with HKAS 32. The liability component is initially recognised at its fair value which is determined by using a market interest rate for an equivalent non-convertible bond and subsequently carried at amortised cost until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option which is recognised and included in shareholders' equity as reserve net of income tax effects. The notional interest expense calculated is charged to the income statement. This change in accounting policy has been applied retrospectively.

#### (iv) *HKAS 40 Investment properties*

The adoption of revised HKAS 40 has resulted in a change in accounting policy of which the changes in fair value of investment properties are recognised in the income statement. In previous years, increases in valuation of investment properties were credited to the property revaluation reserve; decreases were first set off against earlier revaluation surpluses on a portfolio basis and thereafter charged to the income statement.

The Group has applied the relevant transitional provisions under HKAS 40 and elected to apply HKAS 40 from 1 July 2005 onwards. As a result, property revaluation reserve as at 1 July 2005 of HK\$11,791.6 million has been transferred to the retained profits. Comparative information has not been restated.

In addition, HKAS 40 has removed the 15% benchmark for determining the significance of the portion of property held for own use. Accordingly, the property held for own use, previously recognised as investment properties, has been reclassified as property, plant and equipment and leasehold land and land use rights under HKAS 16 "Property, plant and equipment" and HKAS 17 "Leases" respectively. This change in accounting policy has been applied retrospectively.

#### (v) *HK-Int 2 The appropriate accounting policies for hotel properties*

Hong Kong Interpretation 2 requires owner-operated hotel properties to be classified as property, plant and equipment in accordance with HKAS 16. The Group has adopted the cost model and the change in accounting policy has been applied retrospectively. The land portion is accounted for in accordance with HKAS 17.

In previous years, hotel properties were stated at their open market value based on an annual professional valuation at the balance sheet date. No depreciation was provided on hotel properties held on leases of more than 20 years. Increases in valuation of hotel properties were credited to the property revaluation reserve; decreases were first set off against earlier revaluation surpluses and thereafter charged to the income statement.

#### (vi) *HK (SIC)-Int 21 Income taxes – Recovery of revalued non-depreciated assets*

The adoption of Hong Kong (SIC) Interpretation 21 has resulted in a change in accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from the recovery of the carrying amount of that asset through use. In previous years, the carrying amount of that asset was expected to be recovered through sale.

#### (vii) *HKFRS 2 Share-based payments*

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 30 June 2005, the provision of share options to employees did not result in an expense in the income statement. Effective on 1 July 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options which were granted after 7 November 2002 and had not yet vested on 1 July 2005 was expensed retrospectively in the income statement of the respective periods.

# Notes to the Financial Statements

## 2 Basis of preparation *(continued)*

### (b) Change in accounting policy

In prior years, when handset and mobile subscription services were sold at a package with handset subsidies offered to customers, consideration would be allocated to handset sales and mobile subscription service using the relative fair value model. Accordingly, the portion allocated to handset sales was recognised as sales upon delivery of goods, and the remaining amount allocated to mobile subscription services was amortised on a straight line basis over the contract period. Handset subsidies were capitalised and amortised on a straight-line basis over the same contract period.

During the year, the Group changed its accounting policy to expense handset subsidies as incurred. The directors consider that the new accounting policy involves less subjective judgement and estimates. The change in accounting policy has been applied retrospectively.

### (c) Increase/(decrease) on the consolidated profit for the year ended 30 June 2006 on the adoption of HKFRS and change in accounting policy

	HKAS 1 HK\$m	HKAS 17 HK\$m	HKAS 40 and HK (SIC)- Int 21 HK\$m	HK-Int 2 HK\$m	HKAS 32 HK\$m	HKFRS 2 HK\$m	Change in accounting policy for handset subsidies HK\$m	Total HK\$m
Turnover	-	-	-	-	-	-	3.3	3.3
Cost of sales	-	3.7	-	-	-	-	(16.5)	(12.8)
Gross profit	-	3.7	-	-	-	-	(13.2)	(9.5)
Other (charge)/gains	-	3.9	-	-	43.7	-	101.3	148.9
Administrative expenses	-	-	-	-	-	(5.9)	-	(5.9)
Other operating expenses	-	(101.7)	(44.5)	(91.7)	-	-	-	(237.9)
Fair value changes on investment properties	-	-	1,462.9	-	-	-	-	1,462.9
Operating profit before financing costs and income	-	(94.1)	1,418.4	(91.7)	43.7	(5.9)	88.1	1,358.5
Financing costs	-	-	-	-	(19.1)	-	-	(19.1)
Financing income	-	-	-	-	1.6	-	-	1.6
Operating profit	-	(94.1)	1,418.4	(91.7)	26.2	(5.9)	88.1	1,341.0
Share of results of								
Associated companies	(155.9)	(3.8)	83.1	(5.1)	0.2	-	-	(81.5)
Jointly controlled entities	(341.4)	(0.5)	82.5	(8.5)	-	-	-	(267.9)
Profit before taxation	(497.3)	(98.4)	1,584.0	(105.3)	26.4	(5.9)	88.1	991.6
Taxation	497.3	4.4	(246.5)	25.7	(6.9)	-	-	274.0
Profit for the year	-	(94.0)	1,337.5	(79.6)	19.5	(5.9)	88.1	1,265.6
Attributable to:								
Shareholders of the Company	-	(96.2)	1,218.4	(36.3)	31.1	(3.9)	51.1	1,164.2
Minority interests	-	2.2	119.1	(43.3)	(11.6)	(2.0)	37.0	101.4
	-	(94.0)	1,337.5	(79.6)	19.5	(5.9)	88.1	1,265.6
Earnings per share								
Basic and diluted (HK\$)	-	(0.03)	0.34	(0.01)	0.01	-	0.01	0.32

# Notes to the Financial Statements

## 2 Basis of preparation *(continued)*

### (c) Increase/(decrease) on the consolidated profit for the year ended 30 June 2005 on the adoption of HKFRS and change in accounting policy

	HKAS 1 HK\$m	HKAS 17 HK\$m	HKAS 40 HK\$m	HK-Int 2 HK\$m	HKAS 32 HK\$m	HKFRS 2 HK\$m	Change in accounting policy for handset subsidiaries HK\$m	Total HK\$m
Turnover	-	-	-	-	-	-	(41.9)	(41.9)
Cost of sales	-	6.2	-	-	-	-	(25.5)	(19.3)
Gross profit	-	6.2	-	-	-	-	(67.4)	(61.2)
Administrative expenses	-	-	-	-	-	(13.8)	-	(13.8)
Other operating expenses	-	(66.8)	(65.8)	(104.4)	-	-	-	(237.0)
Operating profit before financing costs and income	-	(60.6)	(65.8)	(104.4)	-	(13.8)	(67.4)	(312.0)
Financing costs	-	-	-	-	(43.0)	-	-	(43.0)
Operating profit	-	(60.6)	(65.8)	(104.4)	(43.0)	(13.8)	(67.4)	(355.0)
Share of results of								
Associated companies	(121.1)	(3.2)	(0.2)	(6.4)	-	-	-	(130.9)
Jointly controlled entities	(243.0)	(2.0)	(0.8)	(17.2)	-	-	-	(263.0)
Profit before taxation	(364.1)	(65.8)	(66.8)	(128.0)	(43.0)	(13.8)	(67.4)	(748.9)
Taxation	364.1	7.4	-	6.2	4.6	-	-	382.3
Profit for the year	-	(58.4)	(66.8)	(121.8)	(38.4)	(13.8)	(67.4)	(366.6)
Attributable to:								
Shareholders of the Company	-	(58.9)	(65.9)	(73.5)	(30.5)	(7.8)	(48.8)	(285.4)
Minority interests	-	0.5	(0.9)	(48.3)	(7.9)	(6.0)	(18.6)	(81.2)
	-	(58.4)	(66.8)	(121.8)	(38.4)	(13.8)	(67.4)	(366.6)
Earnings per share								
Basic and diluted (HK\$)	-	(0.02)	(0.02)	(0.02)	(0.01)	-	(0.01)	(0.08)

# Notes to the Financial Statements

## 2 Basis of preparation *(continued)*

(d) Increase/(decrease) on the consolidated balance sheet as at 30 June 2006 on the adoption of HKFRS and change in accounting policy

	HKAS 17 HK\$m	HKAS 32 HK\$m	HKAS 40 HK\$m	HK-Int 2 HK\$m	HK (SIC)- Int 21 HK\$m	Change in accounting policy for handset subsidiaries HK\$m	Total HK\$m
Investment properties	-	-	(1,445.9)	-	-	-	(1,445.9)
Property, plant and equipment	(2,108.8)	-	67.6	(8,391.7)	-	-	(10,432.9)
Leasehold land and land use rights	1,293.9	-	486.5	699.8	-	-	2,480.2
Properties held for/under development	(1,223.9)	-	-	-	-	-	(1,223.9)
Interests in associated companies	(33.4)	-	(0.8)	(21.0)	(93.2)	(31.2)	(179.6)
Interests in jointly controlled entities	(14.4)	(0.9)	(7.3)	(102.5)	-	-	(125.1)
Deferred tax assets	13.5	-	-	18.3	-	-	31.8
Properties held for sale	(76.6)	-	-	-	-	-	(76.6)
Debtors and prepayments	-	(22.4)	-	-	-	-	(22.4)
	(2,149.7)	(23.3)	(899.9)	(7,797.1)	(93.2)	(31.2)	(10,994.4)
Long term borrowings	-	(55.9)	-	-	-	-	(55.9)
Deferred tax liabilities	(7.6)	8.3	-	(199.9)	2,545.7	-	2,346.5
	(7.6)	(47.6)	-	(199.9)	2,545.7	-	2,290.6
Net assets	(2,142.1)	24.3	(899.9)	(7,597.2)	(2,638.9)	(31.2)	(13,285.0)
Shareholders' funds	(2,100.9)	(3.6)	(883.8)	(5,618.2)	(2,537.4)	(18.1)	(11,162.0)
Minority interests	(41.2)	27.9	(16.1)	(1,979.0)	(101.5)	(13.1)	(2,123.0)
Total equity	(2,142.1)	24.3	(899.9)	(7,597.2)	(2,638.9)	(31.2)	(13,285.0)

# Notes to the Financial Statements

## 2 Basis of preparation *(continued)*

### (d) Increase/(decrease) on the consolidated balance sheet as at 30 June 2005 and 1 July 2005 on the adoption of HKFRS and change in accounting policy

	HKAS 17 HK\$m	HKAS 32 HK\$m	HKAS 40 HK\$m	HK-Int 2 HK\$m	HK (SIC)- Int 21 HK\$m	Change in accounting policy for handset subsidies HK\$m	Total HK\$m	Opening adjustments as at 1 July 2005		Total HK\$m
								HKAS 40 HK\$m	HKAS 39 HK\$m	
Investment properties	-	-	(1,838.4)	-	-	-	(1,838.4)	1,310.9	-	(527.5)
Property, plant and equipment	(2,015.6)	-	214.2	(8,238.1)	-	-	(10,039.5)	-	136.8	(9,902.7)
Leasehold land and land use rights	1,311.4	-	737.5	708.0	-	-	2,756.9	-	-	2,756.9
Properties held for/under development	(1,139.4)	-	-	-	-	-	(1,139.4)	-	-	(1,139.4)
Interests in associated companies	(28.3)	-	(0.7)	(15.9)	(93.2)	-	(138.1)	-	-	(138.1)
Interests in jointly controlled entities	(13.9)	-	(6.7)	(94.0)	-	-	(114.6)	-	(1.2)	(115.8)
Deferred tax assets	6.9	-	-	19.0	-	-	25.9	-	-	25.9
Other non-current assets	-	-	-	-	-	-	-	-	23.5	23.5
Available-for-sale financial assets	-	-	-	-	-	-	-	-	906.8	906.8
Properties held for sale	(78.4)	-	-	-	-	-	(78.4)	-	-	(78.4)
Other investments	-	-	-	-	-	-	-	(1,109.0)	(794.3)	(1,903.3)
Held-to-maturity investments	-	-	-	-	-	-	-	-	33.1	33.1
Derivative financial assets	-	-	-	-	-	-	-	-	10.3	10.3
Debtors and prepayments	-	(20.3)	-	-	-	(34.9)	(55.2)	-	(2.1)	(57.3)
	(1,957.3)	(20.3)	(894.1)	(7,621.0)	(93.2)	(34.9)	(10,620.8)	201.9	312.9	(10,106.0)
Creditors and accrued charges	-	-	-	-	-	84.4	84.4	-	-	84.4
Long term borrowings	-	(141.8)	-	-	-	-	(141.8)	-	-	(141.8)
Derivative financial instruments	-	-	-	-	-	-	-	-	63.8	63.8
Deferred tax liabilities	(9.6)	20.3	-	(187.8)	2,432.7	-	2,255.6	-	-	2,255.6
	(9.6)	(121.5)	-	(187.8)	2,432.7	84.4	2,198.2	-	63.8	2,262.0
Net assets	(1,947.7)	101.2	(894.1)	(7,433.2)	(2,525.9)	(119.3)	(12,819.0)	201.9	249.1	(12,368.0)
Shareholders' funds	(1,906.3)	33.0	(873.0)	(5,494.5)	(2,430.5)	(86.4)	(10,757.7)	201.9	238.5	(10,317.3)
Minority interests	(41.4)	68.2	(21.1)	(1,938.7)	(95.4)	(32.9)	(2,061.3)	-	10.6	(2,050.7)
Total equity	(1,947.7)	101.2	(894.1)	(7,433.2)	(2,525.9)	(119.3)	(12,819.0)	201.9	249.1	(12,368.0)

# Notes to the Financial Statements

## 2 Basis of preparation *(continued)*

### (e) Effect on the Company balance sheet as at 30 June 2005 and 2006 on the adoption of HKFRS

As at 30 June 2005 and 2006, the adoption of HKAS 17 has resulted in an increase in leasehold land of HK\$0.5 million, a decrease in property, plant and equipment of HK\$0.1 million and an increase in retained profits of HK\$0.4 million. The adoption of the remaining HKFRS did not have material impact to the Company balance sheets as at 30 June 2005 and 2006.

### (f) Standards, amendments and interpretations to published standards which are not yet effective

Certain new standards, amendments and interpretations to published standards that are mandatory for accounting periods beginning on or after 1 January 2006 or later periods but which the Group has not yet adopted, are as follows:

Effective for the year ending 30 June 2007

HKAS 19 Amendment	Employee benefits – Actuarial gains and losses, group plans and disclosures
HKAS 39 Amendment	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 Amendment	The fair value option
HKAS 39 and HKFRS 4 Amendments	Financial instruments: Recognition and measurement and insurance contracts – Financial guarantee contracts
HKFRS 1 and 6 (Amendment)	First-time adoption of Hong Kong Financial Reporting Standards and exploration for and evaluation of mineral resources
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS - Int 4	Determining whether an arrangement contains a lease
HKFRS - Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK (IFRIC) - Int 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment
HK (IFRIC) - Int 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK (IFRIC) - Int 8	Scope of HKFRS 2
HK (IFRIC) - Int 9	Reassessment of embedded derivatives

Effective for the year ending 30 June 2008

HKAS 1 Amendment	Capital disclosures
HKFRS 7	Financial instruments: disclosures

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

## 3 Principal accounting policies

### (a) Consolidation

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

#### (i) Subsidiaries

A company is a subsidiary if the Group, directly or indirectly, 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.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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 interests. The excess of the cost of acquisition over the fair value of the 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 income statement.

Intra group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

# Notes to the Financial Statements

## 3 Principal accounting policies *(continued)*

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

#### (i) Subsidiaries *(continued)*

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the share of net assets attributable to the Group together with any goodwill carried in the balance sheet.

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

#### (ii) Associated companies

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

Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. Investments in associated companies include goodwill (net of any accumulated impairment loss) identified on acquisition.

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

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the interest in the associated companies held by the Group. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Company's investments in associated companies are 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.

#### (iii) Joint ventures

##### (1) Jointly controlled entities

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

Interests in jointly controlled entities are stated at cost plus the share of post-acquisition results and reserves and goodwill on acquisition less provision for impairment losses. The share of post-acquisition results and reserves is based on the relevant profit sharing ratios which vary according to the nature of the jointly controlled entities set out as follows:

##### Equity joint ventures

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

##### Co-operative joint ventures

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

##### Companies limited by shares

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

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

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



# Notes to the Financial Statements

## 3 Principal accounting policies *(continued)*

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

#### (iii) Joint ventures *(continued)*

##### (2) Jointly controlled operations

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

#### (iv) Minority interests

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

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary being acquired.

### (b) Intangible assets

#### (i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the attributable 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 interests 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 an entity include the carrying amount of goodwill relating to the entity sold.

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

#### (ii) Licences and software

Expenditure on acquired licenses 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.

#### (iii) 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 their estimated useful lives, but not more than 5 years.

### (c) Revenue recognition

Revenue is shown net of revenue reducing factors, such as sales tax, returns, rebates and discounts and allowances for credit. 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

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

#### (ii) Property sales

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) 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.

#### (iv) Service fee

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

#### (v) Infrastructure operations

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

# Notes to the Financial Statements

## 3 Principal accounting policies (continued)

### (c) Revenue recognition (continued)

#### (vi) Telecommunication services

Telecommunication service revenue is recognised when service is rendered and is based on the usage of the digital mobile radio telecommunication network and facilities. Telecommunication revenue in respect of standard service plans billed in advance at year end is deferred and recognised when service is rendered. Revenue received in advance for the provision of telecommunication services using prepaid cards is deferred and amortised based on the actual usage by customers. Revenue from sale of telecommunication equipment and accessories is recognised when goods are delivered and title has passed.

#### (vii) Department store operation

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

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

#### (viii) Hotel and restaurant operations

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

#### (ix) Interest

Interest is recognised on a time proportion basis using the effective interest method.

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

#### (x) Dividend

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

### (d) 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 outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The finance charges are charged to the income statement over the lease periods.

Assets held under finance leases are depreciated on the basis described in note (g)(ii) below.

#### (ii) Operating leases

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

### (e) Leasehold land and land use rights

The upfront prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In the course of property development, the amortisation is included as part of the costs of the property under development.

### (f) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

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

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is determined by professional valuation conducted as at the balance sheet date. Changes in fair value are recognised in the income statement.

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

# Notes to the Financial Statements

## 3 Principal accounting policies *(continued)*

### (g) Property, plant and equipment

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

#### (i) Assets under construction

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

#### (ii) 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 property, plant and equipment is calculated to write off their cost or carrying value less accumulated impairment losses to their estimated residual values over their estimated useful lives or, if shorter, the relevant finance lease periods, using the straight-line method. Estimated useful lives are summarised as follows:

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

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

### (h) Impairment of non-financial 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. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. An impairment loss is recognised in the income statement for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped as cash-generating units for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

### (i) Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every balance sheet date.

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

# Notes to the Financial Statements

## 3 Principal accounting policies *(continued)*

### (i) Investments *(continued)*

#### (ii) Loans and receivables

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

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

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

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

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

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

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of available-for-sale financial assets, a significant or prolonged decline in the fair value of the asset below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

### (j) Properties held for/under development

Properties held for/under development comprise prepayments for leasehold land and land use rights, development expenditure and borrowing costs capitalised. In the course of property development, the amortisation charge of leasehold land and land use rights is included as part of the costs of the property under development.

### (k) Completed properties held for sale

Completed properties held for sale are initially measured at the carrying amount of the property at the date of reclassification from properties under development. Subsequently, the prepaid leasehold land component is stated at cost less accumulated amortisation and impairment losses; the building component is carried at the lower of cost and net realisable value. The amortisation of leasehold land is recognised in the income statement. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

### (l) Stocks and contracts in progress

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 (c)(iii) above, less provision for anticipated losses and progress payments received and receivable.

# Notes to the Financial Statements

## 3 Principal accounting policies *(continued)*

### (m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount of the assets and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

### (n) 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.

### (o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not 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.

### (p) 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 financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

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

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

### (q) 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 financial statements. However, if the deferred taxation arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Taxation rates enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled 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.

### (r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and is recognised in equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

# Notes to the Financial Statements

## 3 Principal accounting policies *(continued)*

### (s) Borrowing costs

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

### (t) Employee benefits

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

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

#### (ii) *Bonus plans*

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

#### (iii) *Defined contribution schemes*

Contributions to defined contribution 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*

Defined benefit costs under defined benefit schemes and long service payments, which are assessed using the projected unit credit method, are charged to the income statement. Under this method, plan assets are measured at fair value and defined benefit obligations are measured as the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the balance sheet date based on Exchange Fund Notes, which have terms to maturity approximating the terms of the related liability. The actuarial gains and losses to the extent of the amount in excess of 10.0% of the greater of the present value of the plan obligations and the fair value of plan assets are recognised in the income statement over the expected average remaining service lives of the participating employees.

#### (v) *Share-based compensation*

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

### (u) Foreign currencies

#### (i) *Functional and presentation currency*

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

#### (ii) *Transactions and balances*

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

# Notes to the Financial Statements

## 3 Principal accounting policies *(continued)*

### (u) Foreign currencies *(continued)*

#### (iii) Group companies

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

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings are taken to equity. When a foreign operation is sold, exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### (v) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The gain or loss on the remeasurement to fair value is accounted for immediately in the income statement.

### (w) Insurance contracts

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

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

### (x) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

In accordance with the internal financial reporting of the Group, 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, property, plant and equipment, investment properties, financial assets, other assets, properties under development/held for sale/development, stocks and receivables. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings. Capital expenditure comprises additions to intangible assets, investment properties and property, plant and equipment, including those resulting from acquisitions of subsidiaries.

### (y) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period when the dividends become obligations of the Company.

## 4 Financial risk management

### (a) Policy

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

The Group generally obtains long term financing at the Group level to on-lend or contribute as equity to its subsidiaries, associated companies and joint controlled entities to meet their funding needs in order to provide more cost-efficient financing.

### (b) Interest rate risk

The interest rate risk of the Group relates principally to floating rate loans which will be affected by fluctuation of prevailing market interest rates. To mitigate the risk, the Group has maintained fixed and floating rate debts. The Group also enters into interest rate swaps to hedge the floating rate risk.

# Notes to the Financial Statements

## 4 Financial risk management *(continued)*

### (c) Currency risk

The currency risk of the Group is primarily attributable to the net investments in foreign operations located in Southeast Asia and Mainland China. The Group has no significant foreign exchange risk in Southeast Asia currencies due to insignificant investment. For investments in Mainland China, the Group seeks to finance these investments by Renminbi borrowings. The Group monitors foreign exchange exposure and will consider to enter into forward foreign exchange contracts to reduce the exposure should the need arises.

### (d) Credit risk

The credit risk of the Group mainly arises from rental, other trade and service receivables. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies in each of its core businesses.

### (e) Liquidity risk

It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities.

The Group also maintains undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements.

### (f) Fair value estimation

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

- (i) Listed investments are stated at market prices. The quoted market price used for financial assets held by the Group is the bid price at the balance sheet date. Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market is not active.
- (ii) The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.
- (iii) The carrying value of bank balances, debtors and receivables, creditors, short-term borrowings and provision are assumed to approximate their fair values due to the short-term maturities of these assets and liabilities.
- (iv) The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows.

All financial instruments are carried at amounts not materially different from their fair values as at balance sheet date.

## 5 Critical accounting estimates and judgements

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

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

### (a) Valuation of investment properties

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

### (b) Classification of investment properties and property, plant and equipment

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Property, plant and equipment generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.



# Notes to the Financial Statements

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

### (c) Impairment of assets

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

The Group determines whether an investment is impaired by evaluating the duration and extent to which the fair value of an investment is less than its cost. This evaluation is subject to changes in factors such as industry and sector performance, changes in technology and operational and financing cash flow.

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

### (d) Impairment of properties held for/under development and for sale

The Group assesses the carrying amounts of properties held for/under development and for sale according to their estimated net realisable value based on assessment of the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

### (e) Financial guarantees and tax indemnity

The Group assesses at each balance sheet date the liabilities under insurance contracts, using current estimates of future cash flows.

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

In respect of the tax indemnity provided to its non-wholly owned subsidiary, the Group makes estimates on the project costs for the development of the relevant properties and the potential exposure to the relevant PRC tax liabilities based on an estimation of the future market condition and economic environment. The future cash flows cannot be reliably estimated and therefore will impact the amount of provision that may be required and the future determination of the ultimate amount of taxation payable. Such provision will be made in the period when the outcome of the potential liabilities can be reliably determined.

### (f) Income taxes

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

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

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

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

# Notes to the Financial Statements

## 6 Turnover and segment information

	2006 HK\$m	Restated 2005 HK\$m
Rental	1,096.4	946.4
Property sales	5,325.5	3,377.8
Contracting	7,508.0	5,419.1
Provision of service	3,544.4	3,553.2
Infrastructure operations	308.1	239.5
Telecommunication services	2,297.6	2,563.2
Department store operations	1,357.1	1,120.4
Hotel and restaurant operations	2,052.1	1,845.8
Others	421.0	473.8
	<b>23,910.2</b>	19,539.2

The Group is organised into property investment, property development, service, infrastructure, telecommunications, department stores, hotel operations and others (including media and technology businesses) segments.

### (a) Primary reporting format-business segments

	Property investment HK\$m	Property development HK\$m	Service HK\$m	Infra- structure HK\$m	Telecom- munications HK\$m	Department stores HK\$m	Hotel operations HK\$m	Others HK\$m	Eliminations HK\$m	Con- solidated HK\$m
<b>Year 2006</b>										
External sales	1,096.4	5,325.5	11,052.4	308.1	2,297.6	1,357.1	2,052.1	421.0	-	23,910.2
Inter-segment sales	182.0	-	1,236.7	-	62.4	-	-	-	(1,481.1)	-
Total turnover	1,278.4	5,325.5	12,289.1	308.1	2,360.0	1,357.1	2,052.1	421.0	(1,481.1)	23,910.2
Segment results	662.6	1,060.4	303.6	119.8	(102.9)	107.4	442.1	50.5	-	2,643.5
Other (charge)/gains	4.3	(162.6)	30.8	(54.5)	759.5	(9.9)	(31.0)	(2,300.5)	-	(1,763.9)
Unallocated corporate expenses										(556.0)
Fair value changes on investment properties										1,462.9
Operating profit before financing costs and income										1,786.5
Financing costs										(1,115.0)
Financing income										541.2
Operating profit										1,212.7
Share of results of										
Associated companies	231.3	(15.9)	108.9	369.9	27.7	-	2.0	(67.1)	-	656.8
Jointly controlled entities	312.6	469.4	328.9	597.0	-	-	(18.6)	(53.1)	-	1,636.2
Profit before taxation										3,505.7
Taxation										(892.6)
Profit for the year										2,613.1
Segment assets	23,989.4	30,229.0	7,041.2	2,291.4	1,631.6	2,477.5	2,276.1	3,748.5	-	73,684.7
Interests in associated companies	2,232.8	1,132.2	1,386.7	1,802.4	2,267.6	-	353.6	209.4	-	9,384.7
Interests in jointly controlled entities	4,054.2	8,971.2	3,800.9	5,185.1	-	-	896.3	434.0	-	23,341.7
Deferred tax assets										106.6
Cash and bank balances										7,642.9
Total assets										114,160.6

# Notes to the Financial Statements

## 6 Turnover and segment information (continued)

### (a) Primary reporting format-business segments (continued)

	Property investment HK\$m	Property development HK\$m	Service HK\$m	Infra- structure HK\$m	Telecom- munications HK\$m	Department stores HK\$m	Hotel operations HK\$m	Others HK\$m	Eliminations HK\$m	Con- solidated HK\$m
<b>Year 2006 (continued)</b>										
Segment liabilities	416.5	5,875.1	4,737.3	367.2	622.0	1,320.5	932.5	1,433.0	-	15,704.1
Gross borrowings										24,489.3
Current and deferred tax liabilities										4,602.7
Total liabilities										44,796.1
Capital expenditure	226.3	282.4	114.8	-	241.5	214.1	53.9	79.2	-	1,212.2
Depreciation and amortisation	39.2	96.7	112.8	96.0	332.9	131.5	176.7	37.0	-	1,022.8
Impairment charge and provision	22.4	177.6	30.0	173.0	216.0	9.9	35.6	2,667.8	-	3,332.3
<b>Year 2005 (Restated)</b>										
External sales	946.4	3,377.8	8,972.3	239.5	2,563.2	1,120.4	1,845.8	473.8	-	19,539.2
Inter-segment sales	190.3	-	1,067.7	-	52.0	-	-	39.2	(1,349.2)	-
Total turnover	1,136.7	3,377.8	10,040.0	239.5	2,615.2	1,120.4	1,845.8	513.0	(1,349.2)	19,539.2
Segment results	579.4	825.0	(79.1)	41.1	19.8	104.3	350.2	(8.8)	-	1,831.9
Other (charge)/gains	0.9	310.9	-	2,114.7	(87.0)	(3.2)	65.5	(578.7)	-	1,823.1
Unallocated corporate expenses										(431.7)
Operating profit before financing costs and income										3,223.3
Financing costs										(707.3)
Financing income										368.8
Operating profit										2,884.8
Share of results of										
Associated companies	83.3	41.8	154.8	227.7	-	-	(0.2)	(104.6)	-	402.8
Jointly controlled entities	78.2	324.1	287.7	637.0	-	-	(54.3)	(43.7)	-	1,229.0
Profit before taxation										4,516.6
Taxation										(515.3)
Profit for the year										4,001.3
Segment assets	21,284.0	27,704.7	6,389.1	2,502.1	2,845.8	2,153.4	2,428.5	5,419.5	-	70,727.1
Interests in associated companies	2,198.2	1,086.6	1,355.0	1,142.5	-	-	351.0	216.1	-	6,349.4
Interests in jointly controlled entities	3,172.9	9,013.2	3,313.1	5,256.9	-	-	997.8	726.0	-	22,479.9
Deferred tax assets										290.1
Cash and bank balances										12,118.7
Total assets										111,965.2

# Notes to the Financial Statements

## 6 Turnover and segment information *(continued)*

### (a) Primary reporting format-business segments *(continued)*

	Property investment HK\$m	Property development HK\$m	Service HK\$m	Infra- structure HK\$m	Telecom- munications HK\$m	Department stores HK\$m	Hotel operations HK\$m	Others HK\$m	Eliminations HK\$m	Con- solidated HK\$m
<b>Year 2005 (Restated) <i>(continued)</i></b>										
Segment liabilities	430.2	5,855.2	4,082.5	397.0	998.4	890.6	841.5	621.4	-	14,116.8
Gross borrowings										27,849.9
Current and deferred tax liabilities										4,239.2
Total liabilities										46,205.9
Capital expenditure	138.5	-	66.8	23.1	240.8	94.9	46.7	24.5	-	635.3
Depreciation and amortisation	39.2	97.5	124.0	83.4	375.7	103.7	173.5	31.5	-	1,028.5
Impairment charge and provision	-	110.9	-	86.5	-	3.0	16.5	665.3	-	882.2

### (b) Secondary reporting format-geographical segments

	Turnover HK\$m	Segment assets HK\$m	Capital expenditure HK\$m
<b>Year 2006</b>			
Hong Kong and Southeast Asia	19,143.7	50,556.3	456.5
Mainland China	4,766.5	23,085.7	755.7
North America	-	42.7	-
	<b>23,910.2</b>	<b>73,684.7</b>	<b>1,212.2</b>
<b>Year 2005 (Restated)</b>			
Hong Kong and Southeast Asia	15,208.1	49,951.0	405.4
Mainland China	4,331.1	20,729.2	229.9
North America	-	46.9	-
	19,539.2	70,727.1	635.3

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.

## 7 Other income

	2006 HK\$m	2005 HK\$m
Dividend income from investments in		
Listed shares	11.7	10.6
Unlisted shares	23.8	22.1
	<b>35.5</b>	<b>32.7</b>

# Notes to the Financial Statements

## 8 Other (charge)/gains

	2006 HK\$m	2005 HK\$m
Impairment loss on		
Associated companies	(14.9)	(6.8)
Available-for-sale financial assets	(133.2)	–
Deposits paid for joint ventures	(161.4)	–
Intangible assets	(42.5)	(11.8)
Jointly controlled entities	(30.0)	(133.3)
Loans receivable	(1,060.6)	(107.5)
Other investments	–	(558.8)
Deposit for proposed investments	(1,531.2)	(28.9)
Properties held for/under development	(2.6)	(7.2)
Property, plant and equipment, leasehold land and land use rights	(340.7)	(14.9)
Loss on deemed disposal of interests in subsidiaries	(207.7)	(270.2)
Gain on deemed disposal of interests in a subsidiary	82.4	–
Net profit on disposal of		
Associated companies	317.4	–
Available-for-sale financial assets	–	361.3
Jointly controlled entities	17.3	1,112.7
Land use rights and properties	22.7	–
Subsidiaries	1,048.2	731.4
Write down of stocks to net realisable value	(15.2)	(13.0)
Write back of provision for		
Advance to an investee company	60.5	19.9
Associated companies	12.9	87.4
Debtors	–	67.9
Jointly controlled entities	25.9	38.8
Properties held for/under development	–	102.7
Insurance compensation received	–	74.0
Excess of fair value of net assets acquired over the cost of acquisition of		
Additional interests of subsidiaries	–	332.5
Subsidiaries	32.1	46.9
Additional interests of jointly controlled entities	103.4	–
Profit on redemption of convertible bonds	48.0	–
Fair value gain on financial assets at fair value through profit or loss	5.3	–
	<b>(1,763.9)</b>	1,823.1

## 9 Financing costs

	2006 HK\$m	Restated 2005 HK\$m
Interest on bank loans and overdrafts		
Wholly repayable within five years	1,113.0	704.6
Not wholly repayable within five years	17.5	–
Interest on finance leases wholly repayable within five years	3.9	6.0
Interest on convertible bonds wholly repayable within five years	23.9	43.0
Interest on loans from minority shareholders		
Wholly repayable within five years	33.0	19.0
Not wholly repayable within five years	5.2	4.8
Fair value gain on financial instruments	(5.0)	–
Total borrowing costs incurred	<b>1,191.5</b>	777.4
Interest capitalised as cost of		
Property, plant and equipment	(10.0)	(9.3)
Properties under development	(66.5)	(60.8)
	<b>1,115.0</b>	707.3

# Notes to the Financial Statements

## 10 Operating profit

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

	2006 HK\$m	Restated 2005 HK\$m
Crediting		
Gross rental income from investment properties	907.8	778.0
Outgoings	(288.5)	(298.8)
	<b>619.3</b>	479.2
Charging		
Auditors' remuneration		
Audit services	43.9	37.4
Non-audit services	12.7	9.5
Cost of inventories sold	5,152.8	4,017.1
Depreciation		
Leased property, plant and equipment	35.9	16.4
Owned property, plant and equipment	850.1	846.9
Amortisation of leasehold land and land use rights ( <i>Note</i> )	136.8	165.2
Operating lease rental expense		
Land and buildings	619.5	481.2
Other equipment	10.0	8.4
Staff costs ( <i>Note 15a</i> )	3,227.0	3,126.7
Foreign exchange loss, net	96.9	3.3

*Amortisation of leasehold land and land use rights is stated after amount capitalised in properties held for development, properties under development and assets under construction of HK\$32.9 million, HK\$142.7 million and HK\$6.6 million (2005: HK\$22.4 million, HK\$151.3 million and HK\$3.2 million) respectively.*

## 11 Taxation

	2006 HK\$m	Restated 2005 HK\$m
Hong Kong profits tax	315.8	381.5
Overseas taxation	174.6	40.0
Underprovisions in prior years	99.8	16.8
Deferred taxation relating to fair value changes on investment properties	275.8	–
Deferred taxation relating to temporary differences	26.6	77.0
	<b>892.6</b>	515.3

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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.

Share of taxation of associated companies and jointly controlled entities for the year ended 30 June 2006 of HK\$155.9 million and HK\$341.4 million (2005: HK\$121.1 million and HK\$243.0 million) respectively are included in the income statement as share of results of associated companies and jointly controlled entities.

# Notes to the Financial Statements

## 11 Taxation (continued)

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

	<b>2006</b> <b>HK\$m</b>	Restated 2005 HK\$m
Profit before taxation and share of results of associated companies and jointly controlled entities	<b>1,212.7</b>	2,884.8
Calculated at a taxation rate of 17.5% (2005: 17.5%)	<b>212.2</b>	504.8
Effect of different taxation rates in other countries	<b>58.7</b>	4.4
Income not subject to taxation	<b>(537.1)</b>	(548.1)
Expenses not deductible for taxation purposes	<b>851.8</b>	414.7
Tax losses not recognised	<b>150.1</b>	194.1
Temporary differences not recognised	<b>31.7</b>	(33.7)
Tax exemption granted	<b>(14.0)</b>	(17.4)
Utilisation of previously unrecognised tax losses	<b>(54.3)</b>	(104.8)
Others	<b>193.5</b>	101.3
Taxation charge	<b>892.6</b>	515.3

## 12 Profit attributable to shareholders

Profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK\$2,140.1 million (2005: HK\$1,361.2 million).

## 13 Dividends

	<b>2006</b> <b>HK\$m</b>	2005 HK\$m
Interim dividend of HK\$0.13 (2005: HK\$0.10) per share	<b>473.1</b>	346.7
Final dividend proposed of HK\$0.20 (2005: HK\$0.20) per share	<b>732.8</b>	698.3
	<b>1,205.9</b>	1,045.0
Of which the following were settled by the issue of scrip:		
Interim dividend	<b>277.5</b>	198.4
Final dividend	*	428.7

\* Full amount had been set aside from retained profits for the 2006 proposed final dividend on the basis that all shareholders would elect to receive cash being the alternative to their entitlements to the scrip dividends.

At a meeting held on 10 October 2006, the Directors recommended a final dividend of HK\$0.20 per share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 30 June 2007.

## 14 Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to shareholders of HK\$1,059.8 million (2005: HK\$2,702.7 million, as restated) and the weighted average number of 3,557.8 million (2005: 3,461.9 million) shares in issue during the year.

# Notes to the Financial Statements

## 15 Staff costs

### (a) Staff costs

	2006 HK\$m	Restated 2005 HK\$m
Wages, salaries and other benefits	3,071.8	2,966.7
Pension costs – defined benefits plans ( <i>Note bi</i> )	–	0.4
Pension costs – defined contribution plans ( <i>Note bij</i> )	149.3	145.8
Share options granted ( <i>Note c</i> )	5.9	13.8
	<b>3,227.0</b>	3,126.7

Staff costs include directors' remuneration other than the benefits in kind from the exercise of share options.

### (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

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

	2006 HK\$m	2005 HK\$m
The amounts recognised in the balance sheet were as follows:		
Present value of funded obligations	(72.6)	(73.7)
Fair value of plan assets	114.2	102.5
	<b>41.6</b>	28.8
Unrecognised actuarial gains	(20.2)	(9.4)
Retirement benefit assets ( <i>Note 28</i> )	<b>21.4</b>	19.4
Net expenses recognised in the income statement, under administrative expenses, were as follows:		
Current service cost	3.9	3.8
Interest cost	2.6	3.1
Expected return on plan assets	(6.5)	(6.3)
Net actuarial gains recognised	–	(0.2)
Total, included in staff costs ( <i>Note a</i> )	–	0.4
Movements in the retirement benefit assets were as follows:		
At the beginning of the year	19.4	17.3
Net expenses recognised in the income statement	–	(0.4)
Contributions paid	2.0	2.5
At the end of the year	<b>21.4</b>	19.4
The principal actuarial assumptions used were as follows:		
Discount rate	5.0%	3.8%
Expected rate of return on plan assets	7.0%	5.0% to 7.0%
Expected rate of future salary increases	4.0%	3.0% to 4.0%

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



# Notes to the Financial Statements

## 15 Staff costs (continued)

### (b) Retirement benefit costs (continued)

#### (i) Defined contribution plans

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

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

The amount charged to the income statement in respect of these schemes was HK\$149.3 million (2005: HK\$145.8 million) after netting off forfeited contribution of HK\$12.4 million (2005: HK\$12.2 million). Forfeited contributions available to reduce future contributions amounted to HK\$0.1 million (2005: HK\$0.1 million).

### (c) Share options

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

Details of share options are as follows:

Grantor	Date of grant	Exercise price HK\$	Number of share options					30 June 2006	Note
			1 July 2005	Granted	Adjusted	Exercised	Lapsed		
NWCL	5 February 2001 to 24 April 2006	0.912 to 3.915	65,866,500	5,650,400	-	(57,535,000)	(1,364,600)	12,617,300	(i)
NWSH	21 July 2003	3.711	14,679,656	-	471,402	(12,559,250)	(42,871)	2,548,937	(ii)
NWMH	8 February 2002 to 8 April 2005	1.260 to 2.440	3,194,000	-	-	-	(78,000)	3,116,000	(iii)

(i) Except for the 1,400,000 share options with exercise price of HK\$2.300 per share which are divided into 2 tranches and exercisable within a period of 2 years commencing on the expiry of 1 month after the dates on which the options were accepted, all the outstanding share options are 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.

The fair value of options granted during the year determined using the Binomial Model was HK\$6.9 million. The significant inputs to the model was share price ranging from HK\$2.300 to HK\$3.875 at the grant dates, exercise prices ranging from HK\$2.300 to HK\$3.915, volatility of the share price ranging from 52% to 53%, expected life of options of 2 and 5 years, expected dividend yield of 0%, risk-free interest rate ranging from 3.18% to 4.50% and suboptimal exercise factor of 1.55 times of the exercise prices (which accounts for the early exercise behaviour of the option holders). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of NWCL over the past 5 years.

(ii) The share options are exercisable on or before 20 July 2008. Exercise price was adjusted from HK\$3.719 to HK\$3.711 during the year.

(iii) The share options were exercisable on or before 31 December 2010.

# Notes to the Financial Statements

## 16 Emoluments of Directors and senior management

Details of the emoluments of the Directors are as follows:

	2006 HK\$m	Restated 2005 HK\$m
Fees	3.4	3.9
Salaries and other emoluments	25.9	18.0
Contributions to retirement benefit schemes	1.5	1.3
Benefits in kind of share options	34.5	11.0
	<b>65.3</b>	34.2

Benefits in kind of 2.5 million (2005: 3.4 million) share options under the share option scheme of NWSH ("NWSH Share Option") and 33.9 million (2005: 2.3 million) 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 (2005: four) 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 (2005: four) highest paid individuals were HK\$10.4 million and HK\$11.8 million (2005: HK\$8.8 million and HK\$8.0 million) and HK\$24.1 million and HK\$28.0 million (2005: HK\$2.2 million and HK\$0.1 million) for NWSH Share Option and NWCL Share Option respectively.

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

### For the year ended 30 June 2006

Name of Directors	Fees HK\$m	Salaries, allowances and benefits in kind HK\$m	Bonus HK\$m	Retirement schemes contributions HK\$m	Share options benefits HK\$m	Total HK\$m
Dr. Cheng Yu-Tung	0.3	-	-	-	-	0.3
Dr. Cheng Kar-Shun, Henry	0.5	13.9	1.2	0.6	28.8	45.0
Lord Sandberg, Michael	0.3	-	-	-	-	0.3
Dr. Sin Wai-Kin, David	0.2	-	-	-	-	0.2
Mr. Cheng Yue-Pui	0.2	-	-	-	-	0.2
Mr. Liang Chong-Hou, David	0.2	-	-	-	-	0.2
Mr. Yeung Ping-Leung, Howard	0.3	-	-	-	-	0.3
Dr. Cha Mou-Sing, Payson	0.3	-	-	-	-	0.3
Mr. Cheng Kar-Shing, Peter	0.2	2.5	0.3	0.3	5.3	8.6
Mr. Leung Chi-Kin, Stewart	0.2	3.8	0.6	0.3	-	4.9
Mr. Chow Kwai-Cheung	0.2	3.1	0.5	0.3	0.4	4.5
Mr. Ho Hau-Hay, Hamilton	0.1	-	-	-	-	0.1
Mr. Lee Luen-Wai, John	0.3	-	-	-	-	0.3
Mr. Liang Cheung-Biu, Thomas	0.1	-	-	-	-	0.1
Total	3.4	23.3	2.6	1.5	34.5	65.3

# Notes to the Financial Statements

## 16 Emoluments of Directors and senior management *(continued)* For the year ended 30 June 2005

Name of Directors	Fees HK\$m	Salaries, allowances and benefits in kind HK\$m	Bonus HK\$m	Retirement schemes contributions HK\$m	Share options benefits HK\$m	Total HK\$m
Dr. Cheng Yu-Tung	0.3	–	–	–	–	0.3
Dr. Cheng Kar-Shun, Henry	0.7	8.3	0.6	0.5	7.2	17.3
Lord Sandberg, Michael	0.3	–	–	–	–	0.3
Dr. Sin Wai-Kin, David	0.2	–	–	–	–	0.2
Mr. Cheng Yue-Pui	0.2	–	–	–	–	0.2
Mr. Liang Chong-Hou, David	0.2	–	–	–	–	0.2
Mr. Yeung Ping-Leung, Howard	0.2	–	–	–	–	0.2
Dr. Cha Mou-Sing, Payson	0.3	–	–	–	–	0.3
Mr. Cheng Kar-Shing, Peter	0.2	2.3	0.2	0.2	2.3	5.2
Mr. Leung Chi-Kin, Stewart	0.3	3.3	0.3	0.3	0.8	5.0
Mr. Chow Kwai-Cheung	0.2	2.8	0.2	0.3	0.7	4.2
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
<b>Total</b>	<b>3.9</b>	<b>16.7</b>	<b>1.3</b>	<b>1.3</b>	<b>11.0</b>	<b>34.2</b>

Fees paid to Independent Non-executive Directors amounted to HK\$1.2 million (2005: HK\$1.2 million). There were no other emoluments paid to Independent Non-executive Directors.

The five individuals whose emoluments were the highest in the Group for the year include one Director (2005: one Director) whose emoluments are reflected above. The emoluments payable to the remaining four (2005: four) senior management during the year are as follows:

	<b>2006 HK\$m</b>	2005 HK\$m
Salaries and other emoluments	<b>14.2</b>	9.7
Contributions to retirement benefit schemes	<b>1.0</b>	0.7
Benefits in kind of share options	<b>39.8</b>	8.1
	<b>55.0</b>	18.5

The emoluments to the senior management fell within the following bands:

	<b>Number of senior management</b>	
	<b>2006</b>	2005
Emolument band (HK\$)		
5,000,001 – 5,500,000	–	1
6,500,001 – 7,000,000	–	1
7,500,001 – 8,000,000	–	1
8,000,001 – 8,500,000	–	1
9,500,001 – 10,000,000	<b>1</b>	–
11,000,001 – 11,500,000	<b>1</b>	–
12,500,001 – 13,000,000	<b>1</b>	–
21,000,001 – 21,500,000	<b>1</b>	–
	<b>4</b>	4

During the year, the Group did not pay the Directors or the five highest paid individuals any inducement to join or upon joining the Group, or as compensation for loss of office. No Directors waived or agreed to waive any emoluments during the year.

# Notes to the Financial Statements

## 17 Investment properties

	Group		Company	
	2006 HK\$m	Restated 2005 HK\$m	2006 HK\$m	2005 HK\$m
At the beginning of the year, as restated	<b>18,984.8</b>	16,209.7	<b>33.1</b>	27.5
Opening adjustments	<b>1,401.1</b>	–	–	–
At the beginning of the year, as adjusted	<b>20,385.9</b>	16,209.7	<b>33.1</b>	27.5
Translation differences	<b>84.5</b>	–	–	–
Acquisition of subsidiaries	<b>3.9</b>	–	–	–
Additions	<b>9.1</b>	61.5	–	–
Transfer from property, plant and equipment, leasehold land and land use rights	<b>357.0</b>	295.1	–	–
Transfer from assets under construction upon completion	<b>701.6</b>	–	–	–
Transfer from properties under development	<b>140.3</b>	53.7	–	–
Transfer to properties held for sale	–	(228.1)	–	–
Disposals	–	(71.3)	–	–
Fair value changes	<b>1,462.9</b>	2,664.2	<b>3.4</b>	5.6
At the end of the year	<b>23,145.2</b>	18,984.8	<b>36.5</b>	33.1

The investment properties were revalued at 30 June 2006 by independent, professionally qualified valuers, Savills (Hong Kong) Limited, Vigers Hong Kong Limited and Knight Frank Petty. Valuations were based on market value.

The aggregate net book value of investment properties pledged for the Group's loans and borrowings amounted to HK\$9,951.4 million (2005: HK\$7,266.0 million, as restated).

Investment properties include buildings held under finance leases of which the carrying amount is HK\$58.0 million (2005: Nil). The minimum lease payments have been paid in full at the inception of the leases.

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

	2006 HK\$m	Restated 2005 HK\$m
In Hong Kong:		
Leases of over 50 years	<b>8,595.5</b>	8,077.8
Leases of between 10 to 50 years	<b>11,427.2</b>	9,272.3
Lease of less than 10 years	<b>106.0</b>	–
Outside Hong Kong:		
Leases of over 50 years	<b>89.1</b>	49.6
Leases of between 10 to 50 years	<b>2,927.4</b>	1,585.1
	<b>23,145.2</b>	18,984.8

The Company's interests in investment properties are held on leases of over 50 years in Hong Kong.

# Notes to the Financial Statements

## 18 Property, plant and equipment

	Group					
	Buildings HK\$m	Toll roads, bridges and port facilities HK\$m	Telecom- munication equipment and systems HK\$m	Other assets HK\$m	Assets under construction HK\$m	Total HK\$m
Cost						
At 30 June 2005, as restated	3,355.7	2,161.9	4,433.6	5,073.4	734.7	15,759.3
Opening adjustment	-	-	-	-	136.8	136.8
At 1 July 2005, as adjusted	3,355.7	2,161.9	4,433.6	5,073.4	871.5	15,896.1
Translation differences	27.5	56.0	-	42.2	15.6	141.3
Acquisition of subsidiaries	147.1	-	-	23.4	-	170.5
Disposal of subsidiaries	-	(195.5)	(2,307.0)	(286.6)	(32.4)	(2,821.5)
Additions	1.7	-	219.8	425.1	260.7	907.3
Transfer to investment properties, leasehold land and land use rights	(39.2)	-	-	(1.6)	(19.3)	(60.1)
Transfer to investment properties upon completion	-	-	-	-	(701.6)	(701.6)
Disposals	(389.8)	(0.3)	(6.5)	(173.3)	(7.1)	(577.0)
At 30 June 2006	3,103.0	2,022.1	2,339.9	5,102.6	387.4	12,955.0
Accumulated depreciation and impairment						
At 1 July 2005, as adjusted	1,101.4	397.3	2,982.8	3,667.6	8.9	8,158.0
Translation differences	4.8	9.5	-	21.4	0.2	35.9
Disposal of subsidiaries	-	(9.7)	(1,436.6)	(223.6)	-	(1,669.9)
Impairment	-	172.9	157.8	10.0	-	340.7
Depreciation	95.0	96.0	298.0	397.0	-	886.0
Transfer to investment properties, leasehold land and land use rights	(35.9)	-	-	(1.2)	-	(37.1)
Disposals	(320.5)	(0.1)	(0.2)	(146.0)	-	(466.8)
At 30 June 2006	844.8	665.9	2,001.8	3,725.2	9.1	7,246.8
Net book value						
At 30 June 2006	2,258.2	1,356.2	338.1	1,377.4	378.3	5,708.2

# Notes to the Financial Statements

## 18 Property, plant and equipment (continued)

	Group					
	Buildings HK\$m	Toll roads, bridges and port facilities HK\$m	Telecom- munication equipment and systems HK\$m	Other assets HK\$m	Assets under construction HK\$m	Total HK\$m
<b>Cost</b>						
At 1 July 2004, as restated	3,358.5	2,364.3	4,498.3	4,914.5	226.1	15,361.7
Translation differences	(0.2)	–	–	(0.9)	–	(1.1)
Disposal of subsidiaries	–	(202.4)	–	(8.2)	–	(210.6)
Additions	26.2	–	208.5	228.4	110.7	573.8
Transfer from/(to) investment properties and leasehold land and land use rights	20.3	–	(271.0)	304.2	(310.6)	(257.1)
Transfer from properties held for sale/deposits	–	–	–	–	726.2	726.2
Disposals	(49.1)	–	(2.2)	(364.6)	(17.7)	(433.6)
<b>At 30 June 2005</b>	<b>3,355.7</b>	<b>2,161.9</b>	<b>4,433.6</b>	<b>5,073.4</b>	<b>734.7</b>	<b>15,759.3</b>
<b>Accumulated depreciation and impairment</b>						
At 1 July 2004, as restated	1,011.6	358.6	2,811.9	3,448.5	7.5	7,638.1
Translation differences	–	–	–	(0.5)	–	(0.5)
Disposal of subsidiaries	–	(38.0)	–	(3.6)	–	(41.6)
Depreciation	105.9	76.7	338.3	342.4	–	863.3
Impairment	4.3	–	–	3.0	1.4	8.7
Transfer (to)/from investment properties and leasehold land and land use rights	(9.4)	–	(166.1)	175.5	–	–
Disposals	(11.0)	–	(1.3)	(297.7)	–	(310.0)
<b>At 30 June 2005</b>	<b>1,101.4</b>	<b>397.3</b>	<b>2,982.8</b>	<b>3,667.6</b>	<b>8.9</b>	<b>8,158.0</b>
<b>Net book value</b>						
<b>At 30 June 2005</b>	<b>2,254.3</b>	<b>1,764.6</b>	<b>1,450.8</b>	<b>1,405.8</b>	<b>725.8</b>	<b>7,601.3</b>

# Notes to the Financial Statements

## 18 Property, plant and equipment *(continued)*

	<b>Company</b>
	<b>Other assets</b>
	<b>HK\$m</b>
Cost	
At 1 July 2004, 30 June 2005, 1 July 2005 and 30 June 2006	<b>3.3</b>
Accumulated depreciation	
At 1 July 2004, 30 June 2005, 1 July 2005 and 30 June 2006	<b>3.3</b>
Net book value	
At 30 June 2006 and 2005	<b>–</b>
(a) The aggregate net book value of assets pledged as securities for loans amounted to HK\$1,203.2 million (2005: HK\$1,257.9 million, as restated) (Note 38).	
(b) The net book value of property, plant and equipment includes telecommunication equipment and systems and other assets, which are held under finance leases amounting to HK\$140.4 million (2005: HK\$298.5 million) and HK\$0.2 million (2005: HK\$0.1 million) respectively.	
(c) Depreciation of HK\$493.2 million (2005: HK\$527.8 million, as restated) has been expensed in cost of sales, HK\$334.9 million (2005: HK\$271.7 million, as restated) in other operating expenses and HK\$57.9 million (2005: HK\$63.8 million) in administrative expenses.	
(d) Other assets include interactive television network system and equipment bought from PrediWave Corporation amounting to HK\$619.2 million, which are the subject of the NWTMT Complaint (Note 47). 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 of HK\$619.2 million was made against these assets in previous years.	

# Notes to the Financial Statements

## 19 Leasehold land and land use rights

	Group		Company	
	2006 HK\$m	Restated 2005 HK\$m	2006 HK\$m	Restated 2005 HK\$m
In Hong Kong:				
Leases of over 50 years	654.9	674.9	0.5	0.5
Leases of between 10 to 50 years	641.2	784.4	-	-
Outside Hong Kong:				
Leases of over 50 years	26.5	20.8	-	-
Leases of between 10 to 50 years	1,154.7	1,273.5	-	-
Leases of less than 10 years	2.9	3.3	-	-
	<b>2,480.2</b>	2,756.9	<b>0.5</b>	0.5
At the beginning of the year	<b>2,756.9</b>	2,535.3	<b>0.5</b>	0.5
Translation differences	22.6	-	-	-
Additions	6.9	-	-	-
Acquisition of subsidiaries	114.5	-	-	-
Transfer (to)/from investment properties and property, plant and equipment	(334.0)	288.4	-	-
Disposals	(31.5)	-	-	-
Impairment	-	(6.2)	-	-
Amortisation	(55.2)	(60.6)	-	-
At the end of the year	<b>2,480.2</b>	2,756.9	<b>0.5</b>	0.5

The Group's and the Company's interests in leasehold land and land use rights represent prepaid operating lease payments.

Bank borrowings are secured on leasehold land and land use rights with an aggregate carrying amount of HK\$828.3 million (2005: HK\$833.5 million, as restated) (Note 38).



# Notes to the Financial Statements

## 20 Intangible assets

	Group			Total HK\$m
	Goodwill HK\$m	Licences and software HK\$m	Development costs HK\$m	
Cost				
At 1 July 2004	127.4	401.2	5.8	534.4
Disposal of partial interests in subsidiaries	(45.3)	–	(1.3)	(46.6)
Acquisition of additional interests in subsidiaries	35.8	–	–	35.8
At 1 July 2005	<b>117.9</b>	<b>401.2</b>	<b>4.5</b>	<b>523.6</b>
Additions	–	–	<b>8.5</b>	<b>8.5</b>
Acquisition of subsidiaries	<b>66.0</b>	–	–	<b>66.0</b>
Acquisition of additional interests in subsidiaries	<b>171.9</b>	–	–	<b>171.9</b>
Disposal of interest in a subsidiary	<b>(56.0)</b>	–	–	<b>(56.0)</b>
At 30 June 2006	<b>299.8</b>	<b>401.2</b>	<b>13.0</b>	<b>714.0</b>
Accumulated amortisation and impairment				
At 1 July 2004	–	401.2	0.4	401.6
Impairment	7.7	–	4.1	11.8
At 1 July 2005	<b>7.7</b>	<b>401.2</b>	<b>4.5</b>	<b>413.4</b>
Impairment	<b>42.5</b>	–	–	<b>42.5</b>
At 30 June 2006	<b>50.2</b>	<b>401.2</b>	<b>4.5</b>	<b>455.9</b>
Net book amount				
At 30 June 2006	<b>249.6</b>	–	<b>8.5</b>	<b>258.1</b>
At 30 June 2005	110.2	–	–	110.2

Licences and software are purchased from PrediWave and are relating to billing system for PrediWave's interactive television, video-on-demand and the Technology, which are the subject of the NWTMT Complaint (Note 47). As a result of the NWTMT Complaint, the Directors decided to discontinue the use of the Technology in launching the interactive television services in the PRC, and accordingly, a full impairment charge of HK\$401.2 million was made against the assets in previous years.

# Notes to the Financial Statements

## 20 Intangible assets (continued)

### Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units identified according to country of operation and business segment. 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 best estimates of growth rates and discount rates.

A segment-level summary of the goodwill allocation is set out below.

	2006			2005		
	Hong Kong and Southeast Asia HK\$m	Mainland China HK\$m	Total HK\$m	Hong Kong and Southeast Asia HK\$m	Mainland China HK\$m	Total HK\$m
Property development	-	73.7	73.7	-	-	-
Service and infrastructure	175.9	-	175.9	39.3	-	39.3
Telecommunications	-	-	-	56.0	-	56.0
Others	-	-	-	-	14.9	14.9
	<b>175.9</b>	<b>73.7</b>	<b>249.6</b>	95.3	14.9	110.2

## 21 Subsidiaries

	2006 HK\$m	2005 HK\$m
Unlisted shares		
At cost	4,909.9	4,909.9
Provision for impairment	(552.7)	(552.7)
	<b>4,357.2</b>	4,357.2
Listed shares in Hong Kong, at cost	<b>22,640.8</b>	20,811.9
	<b>26,998.0</b>	25,169.1
Amounts due from subsidiaries less provision	<b>36,057.5</b>	35,294.9
	<b>63,055.5</b>	60,464.0
Amounts due to subsidiaries	<b>(21,577.0)</b>	(21,651.9)
	<b>41,478.5</b>	38,812.1
Market value of listed shares	<b>15,685.9</b>	10,919.8

The amounts receivable and payable are unsecured, interest free, have no fixed repayment terms, and their carrying amounts are not materially different from their fair values.

Details of principal subsidiaries are given in note 50.

# Notes to the Financial Statements

## 22 Interests in associated companies

	Group		Company	
	2006 HK\$m	Restated 2005 HK\$m	2006 HK\$m	2005 HK\$m
Group's share of net assets				
Listed shares in Hong Kong	904.1	865.3	–	–
Unlisted shares	4,599.2	2,545.0	6.8	1.6
	<b>5,503.3</b>	3,410.3	<b>6.8</b>	1.6
Goodwill	1,127.4	103.5	–	–
Amounts due from associated companies less provision (Note a)	3,159.7	3,116.2	59.4	18.4
Amounts due to associated companies (Note b)	(405.7)	(280.6)	(19.8)	(35.6)
	<b>2,754.0</b>	2,835.6	<b>39.6</b>	(17.2)
	<b>9,384.7</b>	6,349.4	<b>46.4</b>	(15.6)
Market value of listed shares	698.7	472.3	–	–

(a) Amounts due from associated companies are analysed as follows:

	2006 HK\$m	2005 HK\$m
Interest bearing		
Fixed rates (Note i)	100.4	344.5
Variable rates (Note ii)	165.1	20.2
Non-interest bearing (Note iii)	2,894.2	2,751.5
	<b>3,159.7</b>	3,116.2

(i) Fixed rates represent interest rates ranging from 5.8% to 8.0% (2005: 5.8% to 8.0%) per annum.

(ii) Variable rates represent interest rates ranging from HIBOR plus 0.58% to Prime Rate offered by banks in Hong Kong (2005: Prime Rate offered by banks in Hong Kong) per annum.

(iii) The amounts included HK\$59.4 million (2005: HK\$18.4 million) due to the Company.

The amounts receivable are unsecured and have no fixed terms of repayment. Their carrying amounts are not materially different from their fair values.

(b) The amounts payable are unsecured, interest free and have no fixed terms of repayment. The carrying amounts of amounts payable are not materially different from their fair values.

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

	2006 HK\$m	2005 HK\$m
Revenues	21,421.0	2,741.7
Profit for the year	656.8	402.8
Non-current assets	9,583.2	7,189.2
Current assets	3,217.9	2,201.6
Non-current liabilities	(4,197.5)	(4,184.9)
Current liabilities	(3,100.3)	(1,795.6)
Net assets	<b>5,503.3</b>	3,410.3

(d) Details of principal associated companies are given in note 51.

# Notes to the Financial Statements

## 23 Interests in jointly controlled entities

	Group		Company	
	2006 HK\$m	Restated 2005 HK\$m	2006 HK\$m	2005 HK\$m
Equity joint ventures				
Group's share of net assets	492.5	567.4	-	-
Goodwill on acquisition	2.2	2.2	-	-
Amounts due from joint ventures less provision ( <i>Note a</i> )	83.4	218.9	-	-
Amounts due to joint ventures ( <i>Note b</i> )	(58.6)	(82.3)	-	(5.7)
	519.5	706.2	-	(5.7)
Co-operative joint ventures				
Cost of investment less provision	6,928.3	5,573.3	-	-
Goodwill on acquisition	15.9	15.9	-	-
Share of undistributed post-acquisition results	27.6	(432.0)	-	-
Amounts due from joint ventures less provision ( <i>Note a</i> )	7,863.6	8,620.0	-	-
Amounts due to joint ventures ( <i>Note b</i> )	(967.9)	(288.3)	-	-
	13,867.5	13,488.9	-	-
Companies limited by shares				
Group's share of net assets	3,649.6	3,088.6	-	-
Goodwill on acquisition	132.5	132.5	-	-
Amounts due from investee companies ( <i>Note a</i> )	5,637.8	5,161.8	217.6	192.7
Amounts due to investee companies ( <i>Note b</i> )	(557.1)	(589.9)	-	-
	8,862.8	7,793.0	217.6	192.7
Deposits paid for joint ventures ( <i>Note c</i> )	91.9	491.8	-	-
	23,341.7	22,479.9	217.6	187.0

# Notes to the Financial Statements

## 23 Interests in jointly controlled entities *(continued)*

(a) Amounts due from jointly controlled entities are analysed as follows:

	Group	
	2006 HK\$m	2005 HK\$m
Interest bearing		
Fixed rates <i>(Note i)</i>	4,823.6	5,636.8
Variable rates <i>(Note ii)</i>	1,293.6	1,438.9
Non-interest bearing <i>(Note iii)</i>	7,467.6	6,925.0
	<b>13,584.8</b>	14,000.7

*(i) Fixed rates represent interest rates ranging from 2.0% to 12.0% (2005: 2.0% to 12.0%) per annum.*

*(ii) Variable rates represent interest rates ranging from 0.6% above HIBOR to 1.5% above Prime Rate offered by the banks in the United States of America (2005: 3-month HIBOR to 1.5% above HIBOR) per annum.*

*(iii) The amounts included HK\$217.6 million (2005: HK\$192.7 million) due to the Company.*

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

The carrying amounts of the amounts due from jointly controlled entities are not materially different from their fair values.

(b) The amounts due to jointly controlled entities are unsecured, interest free and repayable on demand.

The carrying amounts of the amounts due to jointly controlled entities are not materially different from their fair values.

(c) This represents advances 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) The Group's share of revenues, results, assets and liabilities of jointly controlled entities are as follows:

	2006 HK\$m	2005 HK\$m
Revenues	7,894.0	6,965.6
Profit for the year	1,636.2	1,229.0
Non-current assets	18,229.6	20,029.7
Current assets	20,895.2	12,400.9
Non-current liabilities	(16,434.7)	(13,914.8)
Current liabilities	(11,592.1)	(9,718.5)
Net assets	11,098.0	8,797.3

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

# Notes to the Financial Statements

## 24 Available-for-sale financial assets and other investments

### (a) Available-for-sale financial assets

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Equity securities				
Unlisted shares, at fair value (Note i)	2,212.4	–	29.4	–
Listed shares, at market value				
Hong Kong	386.7	–	–	–
Overseas	422.5	–	–	–
Debt securities				
Unlisted debentures and convertible bonds, at fair value	40.1	–	–	–
	<b>3,061.7</b>	–	<b>29.4</b>	–

### (b) Other investments

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Equity securities				
Unlisted shares, at fair value (Note i)	–	770.5	–	47.2
Listed shares, at market value				
Hong Kong	–	353.4	–	–
Overseas	–	270.0	–	–
Debt securities				
Unlisted debentures and convertible bonds, at fair value	–	127.3	–	–
	–	1,521.2	–	47.2
Investments in joint property development projects at cost less provision and amortisation	–	1,808.4	–	–
Loan to investee companies (Note ii)	–	304.2	–	–
Provision (Note ii)	–	(304.2)	–	–
	–	3,329.6	–	47.2

(i) Unlisted equity securities include the equity investments in the PrediWave Companies, which are the subject of the NWTMT Compliant (Note 47). 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 in previous year.

(ii) A full provision was made against the loans to the PrediWave Companies which are the subject of the NWTMT Compliant (Note 47).

# Notes to the Financial Statements

## 25 Held-to-maturity investments

	Group	
	2006 HK\$m	2005 HK\$m
Debt securities		
Unlisted debentures	31.1	–

## 26 Properties held for development

	Group	
	2006 HK\$m	Restated 2005 HK\$m
Land cost	5,837.4	6,127.7
Development cost	2,641.0	2,597.0
	<b>8,478.4</b>	8,724.7
Provision	<b>(1,185.7)</b>	(1,174.8)
	<b>7,292.7</b>	7,549.9
The carrying value of properties is analysed as follows:		
In Hong Kong:		
Leases of over 50 years	26.9	346.0
Leases of between 10 to 50 years	2,820.5	3,196.7
Outside Hong Kong:		
Freehold	47.5	44.7
Leases of over 50 years	2,888.9	2,431.0
Leases of between 10 to 50 years	1,508.9	1,531.5
	<b>7,292.7</b>	7,549.9

## 27 Deferred taxation

	Group	
	2006 HK\$m	Restated 2005 HK\$m
At the beginning of the year	3,086.9	2,337.5
Translation differences	15.1	5.1
Disposal of subsidiaries	156.2	(5.3)
Deferred taxation charged to income statement (Note 11)	302.4	77.0
Taxation charged to property revaluation reserve	–	588.9
Taxation credited to convertible bond capital reserve	(18.9)	–
Acquisition of subsidiaries	97.3	83.7
At the end of the year	<b>3,639.0</b>	3,086.9

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%).

# Notes to the Financial Statements

## 27 Deferred taxation (continued)

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

### Deferred tax liabilities

	Accelerated tax depreciation		Revaluation of properties		Income from sales of properties		Fair value adjustments on acquisition		Other items		Total	
	Restated		Restated				Restated		Restated		Restated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
At the beginning of the year	(1,595.2)	(1,562.7)	(1,718.3)	(1,129.4)	(80.8)	(38.7)	(190.4)	(119.3)	(43.8)	(54.7)	(3,628.5)	(2,904.8)
Translation differences	(15.6)	-	(3.9)	-	(2.3)	-	(4.5)	-	7.4	(4.5)	(18.9)	(4.5)
Disposal of subsidiaries	86.6	5.3	-	-	-	-	-	-	-	-	86.6	5.3
(Charged)/credited to income statement	(63.7)	(37.8)	(245.6)	-	41.5	(42.1)	-	12.6	(7.4)	15.4	(275.2)	(51.9)
Charged to property revaluation reserve	-	-	-	(588.9)	-	-	-	-	-	-	-	(588.9)
Credited to convertible bond capital reserve	-	-	-	-	-	-	-	-	18.9	-	18.9	-
Acquisition of subsidiaries	-	-	-	-	-	-	(97.3)	(83.7)	-	-	(97.3)	(83.7)
At the end of the year	(1,587.9)	(1,595.2)	(1,967.8)	(1,718.3)	(41.6)	(80.8)	(292.2)	(190.4)	(24.9)	(43.8)	(3,914.4)	(3,628.5)

### Deferred tax assets

	Provisions		Accelerated accounting depreciation		Tax losses		Unrealised intra-group profit		Other items		Total	
	Restated		Restated		Restated		Restated		Restated		Restated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
At the beginning of the year	21.9	12.2	3.6	6.2	394.4	430.3	58.0	58.0	63.7	60.6	541.6	567.3
Translation differences	-	-	-	-	3.8	-	-	-	-	(0.6)	3.8	(0.6)
Disposal of subsidiaries	(2.2)	-	(2.3)	-	(238.3)	-	-	-	-	-	(242.8)	-
Credited/(charged) to income statement	-	9.7	(1.3)	(2.6)	(35.5)	(35.9)	-	-	9.6	3.7	(27.2)	(25.1)
At the end of the year	19.7	21.9	-	3.6	124.4	394.4	58.0	58.0	73.3	63.7	275.4	541.6

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, were shown in the consolidated balance sheet:

	Group	
	2006	Restated 2005
	HK\$m	HK\$m
Deferred tax assets	106.6	290.1
Deferred tax liabilities	(3,745.6)	(3,377.0)
	(3,639.0)	(3,086.9)

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\$9,230.2 million (2005: HK\$8,415.7 million, as restated) to carry forward for offsetting against future taxable income. These tax losses have no expiry dates except for the tax losses of HK\$480.5 million (2005: HK\$480.3 million) which will expire at various dates up to and including 2011 (2005: 2010).



# Notes to the Financial Statements

## 28 Other non-current assets

	Group	
	2006 HK\$m	Restated 2005 HK\$m
Deposits for proposed investments (Note a)	29.8	38.0
Retirement benefit assets (Note 15bi)	21.4	19.4
Long term receivables (Note b)	873.6	963.2
Restricted bank balances (Note 34)	706.9	752.8
Loans to investee companies (Note c)	304.2	304.2
Provision for loans to investee companies (Note c)	(304.2)	(304.2)
Others	49.6	53.0
	<b>1,681.3</b>	1,826.4

### (a) Deposits for proposed investments

	Group	
	2006 HK\$m	2005 HK\$m
Cost less provision		
Deposits for the Network	–	1,531.2
Others	29.8	38.0
	<b>29.8</b>	1,569.2
Amounts within one year included in current assets	–	(1,531.2)
	<b>29.8</b>	38.0

In 2002, New World TMT Limited (“NWTMT”), a wholly owned subsidiary, entered into an option agreement (the “Option Agreement”) with a company established in the PRC (the “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 two years from the date of the Option Agreement at a consideration of approximately HK\$2,563.0 million. Under the Option Agreement, NWTMT paid approximately HK\$1,531.2 million as deposits for the Network.

In 2002, NWTMT also made a loan of HK\$600.0 million (Note b) to the PRC Entity to finance the completion of the ancillary facilities of the Network. The loan is unsecured and carries interest at 3.0% per annum. Under the loan agreement, NWTMT has the option to apply any part of the loan as further deposit for the Acquisition.

On 23 June 2004, NWTMT requested to withdraw from the Acquisition and authorised the owners, which include the PRC Entity, of the Network (collectively the “Owners”) to identify potential investors to take over the interest of NWTMT in the Network. The Owners acknowledged the withdrawal of NWTMT and agreed on 3 September 2004 that deposits for the Network, loans and other amounts owing to NWTMT totalling approximately HK\$2,160.0 million together with accrued interest (the “Total Amount”) would be fully repaid to NWTMT by 30 November 2004. The repayment of the loan was extended under an agreement dated 26 September 2005 which provided that the Owners (i) repay the Total Amount by 30 November 2005; (ii) pledge the 70.0% interest in the Network as a security to secure their repayment; and (iii) allow NWTMT to retain its option to re-enter the Network if the repayment was not made in accordance with the agreement.

The Total Amount was not repaid by 30 November 2005 and the Owners at the time advised NWTMT that negotiations with potential investors were ongoing but subject to the completion of due diligence as well as fulfilling certain conditions imposed by the potential investors. Accordingly, NWTMT and the Owners entered into another supplemental agreement dated 22 November 2005 for the further extension of the repayment to 30 May 2006. As at 30 June 2006 and as at the date of approving these financial statements, the Total Amount remains outstanding.

Following the default in repayment, and for the purpose of assessing the recoverability of the Total Amount, NWTMT has requested the Owners to cooperate with the Group’s legal counsel to reconfirm the ownership of the Network and to arrange for a site inspection and testing of the Network, but these requests were not fulfilled. The Owners have however indicated that they are unable to repay the Total Amount unless a sale of the interest in the Network could be concluded which would provide new funds to them to enable them to repay the Total Amount.

# Notes to the Financial Statements

## 28 Other non-current assets *(continued)*

### (a) Deposits for proposed investments *(continued)*

Having been informed by the Owners of their inability to repay, the directors have considered the options available to the Group. In view of the legal complexity in transferring the Network to the Group and the significant further investments required to commission the Network, the directors concluded that it is not in the best interests of the Group to re-enter the Network. The directors have therefore decided to take vigorous actions, including the possibility of legal proceedings, against the Owners for the restitution of the Total Amount. The legal counsel of the Group also advised that legal proceedings against the Owners and enforcement of the pledge on the Network will take a long period of time.

The directors have taken into consideration the following circumstances and have concluded that a full provision of HK\$2,160.0 million be made against the Total Amount in the financial statements:

- (i) there is no repayment of the Total Amount by the Owners since the default in repayment in May 2006;
- (ii) the verbal confirmation by the Owners of their inability to repay the Total Amount and the absence of financial information in this regard;
- (iii) the allegation of the Owners that there were potential investors interested in taking over the interest in the Network from NWTMT, but which have so far not materialised;
- (iv) the timing and the amount that could be recoverable upon the sale of the interest in the Network and the present value of the future cash flows less costs to be incurred;
- (v) the complexity and the long period of time for taking legal proceedings against the Owners;
- (vi) the Owners are not co-operative in facilitating the Group to satisfactorily verify the legality, ownership and existence of the Network;
- (vii) the decline in market value of the Network based on a valuation performed by an independent professional valuer; and
- (viii) the advancement in technology which may impair the future competitiveness of the Network.

### (b) Long term receivables

	Group	
	2006 HK\$m	2005 HK\$m
Accounts receivable, net of provision	990.3	1,646.2
Other loans	232.5	261.3
	<b>1,222.8</b>	1,907.5
Amounts receivable within one year included in current assets	<b>(349.2)</b>	(944.3)
	<b>873.6</b>	963.2

The carrying amounts of long term receivables approximate their fair values.

During the year ended 30 June 2006, provision has been made against a loan of HK\$600.0 million due from the PRC Entity (Note a).

### (c) Loans to investee companies

Provision has been made against the loans to PrediWave Companies which is the subject of the NWTMT Complaint (Note 47).

# Notes to the Financial Statements

## 29 Properties under development

	Group		Company	
	2006 HK\$m	Restated 2005 HK\$m	2006 HK\$m	2005 HK\$m
Land cost	8,071.7	7,598.7	376.3	383.9
Development cost	5,849.0	5,204.2	415.0	306.1
	<b>13,920.7</b>	12,802.9	<b>791.3</b>	690.0
Provision	<b>(35.8)</b>	(269.8)	–	–
	<b>13,884.9</b>	12,533.1	<b>791.3</b>	690.0

The carrying value of properties is analysed as follows:

	Group	
	2006 HK\$m	2005 HK\$m
In Hong Kong:		
Leases of over 50 years	1,006.7	–
Leases of between 10 to 50 years	8,071.6	9,945.1
Outside Hong Kong:		
Leases of over 50 years	3,046.8	898.6
Leases of between 10 to 50 years	1,759.8	1,689.4
	<b>13,884.9</b>	12,533.1

The Company's properties under development are held on leases of between 10 to 50 years in Hong Kong.

The aggregate carrying value of properties under development pledged as securities for loans amounted to HK\$4,820.8 million (2005: HK\$4,888.0 million, as restated) (Note 38).

## 30 Properties held for sale

	Group	
	2006 HK\$m	Restated 2005 HK\$m
Land cost	1,874.5	1,757.7
Development cost	3,852.3	3,931.0
	<b>5,726.8</b>	5,688.7
Provision	<b>(859.3)</b>	(775.8)
	<b>4,867.5</b>	4,912.9

# Notes to the Financial Statements

## 30 Properties held for sale (continued)

The carrying value of properties is analysed as follows:

	2006 HK\$m	2005 HK\$m
In Hong Kong:		
Leases of over 50 years	28.0	25.7
Leases of between 10 to 50 years	3,494.4	3,096.2
Outside Hong Kong:		
Leases of over 50 years	1,125.2	1,684.7
Leases of between 10 to 50 years	219.9	106.3
	<b>4,867.5</b>	4,912.9

The aggregate carrying value of properties held for sale pledged as securities for loans amounted to HK\$2,445.1 million (2005: HK\$2,464.3 million, as restated) (Note 38).

## 31 Stocks

	Group	
	2006 HK\$m	Restated 2005 HK\$m
Raw materials	23.0	32.2
Work-in-progress	40.9	53.6
Finished goods	113.4	113.9
Merchandise	62.0	88.1
	<b>239.3</b>	287.8

Raw materials include parts for production of interactive television equipment amounting to HK\$0.3 million (2005: HK\$11.3 million), which are the subject of the NWTMT Complaint (Note 47).

## 32 Other loans receivable

Except for an amount of HK\$286.0 million which is denominated in United States dollar, other loans receivable are denominated in Hong Kong dollar. Their carrying amounts approximate their fair values.

## 33 Debtors and prepayments

- (a) The retention receivable for contracts in progress amounting to HK\$904.2 million (2005: HK\$683.3 million) has been included in debtors and prepayments.
- (b) Debtors and prepayments include trade debtors, amounts advanced to investee companies, deposits and prepayments. The Group has various credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. Sales proceeds receivable from sale of properties and retention money receivables in respect of construction and engineering services are settled in accordance with the terms of respective contracts. Ageing analysis of trade debtors is as follows:

	Group	
	2006 HK\$m	2005 HK\$m
Current to 30 days	5,094.7	3,783.2
31 to 60 days	219.1	240.8
Over 60 days	469.4	1,275.6
	<b>5,783.2</b>	5,299.6

There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers.

# Notes to the Financial Statements

## 33 Debtors and prepayments (continued)

(c) The carrying amounts of the debtors and prepayments are denominated in the following currencies:

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Hong Kong dollar	4,842.2	5,797.9	304.4	296.7
Renminbi	5,070.4	2,294.2	–	–
United States dollar	105.5	101.4	–	–
Others	493.7	68.7	–	–
	<b>10,511.8</b>	8,262.2	<b>304.4</b>	296.7

## 34 Cash and bank balances

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Cash at banks and on hand	4,430.0	2,511.3	0.8	1.7
Short-term bank deposits	3,212.9	9,607.4	–	–
Cash and bank balances	<b>7,642.9</b>	12,118.7	<b>0.8</b>	1.7
Restricted bank balances included in other non-current assets (Note 28)	(706.9)	(752.8)	–	–
Restricted bank balances included in current assets	(627.5)	(1,079.6)	–	–
Cash and cash equivalents	<b>6,308.5</b>	10,286.3	<b>0.8</b>	1.7

The effective interest rates on short-term bank deposits range from 1.4% to 5.4% (2005: 1.0% to 3.3%) per annum and these deposits have an average maturity ranging from 3 to 94 days.

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

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Hong Kong dollar	2,007.9	7,795.1	0.8	1.7
Renminbi	2,954.5	1,788.5	–	–
United States dollar	2,442.7	2,484.3	–	–
Others	237.8	50.8	–	–
	<b>7,642.9</b>	12,118.7	<b>0.8</b>	1.7

Restricted bank balances are funds which are pledged to secure certain short term loans and long term loans (Note 38).

# Notes to the Financial Statements

## 35 Amounts due from/to customers for contract works

	Group	
	2006 HK\$m	2005 HK\$m
Contract costs incurred plus attributable profits less foreseeable losses	<b>13,936.6</b>	10,990.1
Progress payments received and receivable	<b>(14,090.3)</b>	(11,029.9)
	<b>(153.7)</b>	(39.8)
Representing:		
Gross amounts due from customers for contract work	<b>296.4</b>	297.6
Gross amounts due to customers for contract work	<b>(450.1)</b>	(337.4)
	<b>(153.7)</b>	(39.8)

## 36 Share capital

	2006 Number of shares (million)	2006 HK\$m	2005 Number of shares (million)	2005 HK\$m
Authorised:				
Shares of HK\$1.00 each	<b>10,000.0</b>	<b>10,000.0</b>	10,000.0	10,000.0
Issued and fully paid:				
Shares of HK\$1.00 each				
At the beginning of the year	<b>3,491.6</b>	<b>3,491.6</b>	3,457.3	3,457.3
Issued as scrip dividends ( <i>Note a</i> )	<b>40.5</b>	<b>40.5</b>	34.3	34.3
Placement of shares ( <i>Note b</i> )	<b>107.0</b>	<b>107.0</b>	–	–
At the end of the year	<b>3,639.1</b>	<b>3,639.1</b>	3,491.6	3,491.6

(a) During the year, 40,546,918 new shares were issued at HK\$10.573 per share for the settlement of 2005 final scrip dividend.

(b) During the year, 107.0 million new shares of HK\$1.00 each were issued at HK\$11.50 per share for cash for repayment of part of the bank loans of the Group and the remaining balance for the general working capital of the Group.

# Notes to the Financial Statements

## 37 Reserves

	Group										
	Capital redemption reserve HK\$m	Share premium HK\$m	Property revaluation reserve HK\$m	Investment revaluation reserve HK\$m	Capital reserve HK\$m	General reserve HK\$m	Employees' share-based compensation reserve HK\$m	Convertible bond capital reserve HK\$m	Currency translation reserve HK\$m	Retained profits HK\$m	Total HK\$m
Balance as at 30 June 2004, as previously reported	37.7	24,596.1	15,275.4	267.5	484.0	567.4	-	-	81.5	9,773.3	51,082.9
Effect of adoption of the following HKFRS:											
HKAS 17	-	-	-	-	-	-	-	-	-	(1,241.9)	(1,241.9)
HKAS 32	-	-	-	-	-	-	-	65.1	-	(1.6)	63.5
HKAS 40	-	-	(1,272.2)	-	-	-	-	-	-	(213.0)	(1,485.2)
HK - Int 2	-	-	(3,092.5)	-	-	-	-	-	-	(1,410.9)	(4,503.4)
HKFRS 2	-	-	-	-	-	-	6.4	-	-	(6.4)	-
HK (SIC) - Int 21	-	-	(1,917.4)	-	-	-	-	-	-	-	(1,917.4)
Change in accounting policy	-	-	-	-	-	-	-	-	-	(37.7)	(37.7)
Balance at 30 June 2004, as restated	37.7	24,596.1	8,993.3	267.5	484.0	567.4	6.4	65.1	81.5	6,861.8	41,960.8
Scrip dividends	-	243.9	-	-	-	-	-	-	-	-	243.9
Investment properties revaluation surplus, net of taxation	-	-	2,614.9	-	-	-	-	-	-	-	2,614.9
Share of properties revaluation surplus, net of taxation											
Associated companies	-	-	152.4	-	-	-	-	-	-	-	152.4
Jointly controlled entities	-	-	55.8	-	-	-	-	-	-	-	55.8
Acquisition of subsidiaries	-	-	-	-	-	35.2	-	-	-	-	35.2
Release of revaluation surplus upon disposal of investment properties	-	-	(7.2)	-	-	-	-	-	-	-	(7.2)
Investment securities impairment loss charged to income statement	-	-	-	286.1	-	-	-	-	-	-	286.1
Investment securities revaluation deficit realised upon disposal	-	-	-	(166.1)	-	-	-	-	-	-	(166.1)
Investment securities revaluation deficit realised upon disposal	-	-	-	11.0	-	-	-	-	-	-	11.0
Recognition of employees' share-based payments	-	-	-	-	-	-	7.8	-	-	-	7.8
Profit attributable to shareholders	-	-	-	-	-	-	-	-	-	2,702.7	2,702.7
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)
Balance at 30 June 2005, as restated	37.7	24,840.0	11,791.6	398.5	-	629.6	14.2	65.1	77.7	9,554.1	47,408.5
Representing:											
Balance at 30 June 2005	37.7	24,840.0	11,791.6	398.5	-	629.6	14.2	65.1	77.7	8,855.8	46,710.2
2005 proposed final dividend	-	-	-	-	-	-	-	-	-	698.3	698.3
	37.7	24,840.0	11,791.6	398.5	-	629.6	14.2	65.1	77.7	9,554.1	47,408.5

# Notes to the Financial Statements

## 37 Reserves (continued)

	Group									
	Capital redemption reserve HK\$m	Share premium HK\$m	Property revaluation reserve HK\$m	Investment revaluation reserve HK\$m	General reserve HK\$m	Employees' share-based compensation reserve HK\$m	Convertible bond capital reserve HK\$m	Currency translation reserve HK\$m	Retained profits HK\$m	Total HK\$m
Balance at 30 June 2005, as previously reported	37.7	24,840.0	19,431.7	398.5	629.6	-	-	77.7	12,751.0	58,166.2
Effect of adoption of the following HKFRS:										
HKAS 17	-	-	-	-	-	-	-	-	(1,273.1)	(1,273.1)
HKAS 32	-	-	-	-	-	-	65.1	-	(32.1)	33.0
HKAS 40	-	-	(1,221.7)	-	-	-	-	-	(306.7)	(1,528.4)
HK - Int 2	-	-	(3,869.9)	-	-	-	-	-	(1,484.4)	(5,354.3)
HKFRS 2	-	-	-	-	-	14.2	-	-	(14.2)	-
HK (SIC) - Int 21	-	-	(2,548.5)	-	-	-	-	-	-	(2,548.5)
Change in accounting policy	-	-	-	-	-	-	-	-	(86.4)	(86.4)
Balance at 30 June 2005, as restated before opening adjustments	37.7	24,840.0	11,791.6	398.5	629.6	14.2	65.1	77.7	9,554.1	47,408.5
Effect of adoption of the following HKFRS:										
HKAS 39	-	-	-	348.9	-	-	-	-	(110.4)	238.5
HKAS 40	-	-	(11,791.6)	-	-	-	-	-	11,993.5	201.9
Balance at 1 July 2005, as adjusted	37.7	24,840.0	-	747.4	629.6	14.2	65.1	77.7	21,437.2	47,848.9
Scrip dividends	-	388.2	-	-	-	-	-	-	-	388.2
Placement of shares	-	1,123.5	-	-	-	-	-	-	-	1,123.5
Share placement expenses	-	(15.9)	-	-	-	-	-	-	-	(15.9)
Translation differences	-	-	-	-	-	-	-	236.8	-	236.8
Recognition of employees' share-based payments	-	-	-	-	-	3.8	-	-	-	3.8
Acquisition of subsidiaries	-	-	-	-	41.3	-	-	-	-	41.3
Change in fair value of available-for-sale financial assets	-	-	-	169.8	-	-	-	-	-	169.8
Profit attributable to shareholders	-	-	-	-	-	-	-	-	1,059.8	1,059.8
Transfer of reserves	-	-	-	-	23.8	-	-	-	(23.8)	-
Convertible bonds - equity component	-	-	-	-	-	-	(58.6)	-	-	(58.6)
Tax on equity component	-	-	-	-	-	-	10.2	-	-	10.2
2005 final dividend paid	-	-	-	-	-	-	-	-	(698.3)	(698.3)
2006 interim dividend payable	-	-	-	-	-	-	-	-	(473.1)	(473.1)
Balance as at 30 June 2006	37.7	26,335.8	-	917.2	694.7	18.0	16.7	314.5	21,301.8	49,636.4
Representing:										
Balance at 30 June 2006	37.7	26,335.8	-	917.2	694.7	18.0	16.7	314.5	20,569.0	48,903.6
2006 proposed final dividend	-	-	-	-	-	-	-	-	732.8	732.8
	37.7	26,335.8	-	917.2	694.7	18.0	16.7	314.5	21,301.8	49,636.4



# Notes to the Financial Statements

## 37 Reserves (continued)

	Company					
	Capital redemption reserve HK\$m	Share premium HK\$m	Property revaluation reserve HK\$m	Investment revaluation reserve HK\$m	Retained profits HK\$m	Total HK\$m
Balance at 30 June 2004, as previously reported	37.7	24,596.1	26.0	11.1	9,960.2	34,631.1
Effect of adoption of HKAS 17	-	-	-	-	0.4	0.4
Balance at 30 June 2004, as restated	37.7	24,596.1	26.0	11.1	9,960.6	34,631.5
Scrip dividends	-	243.9	-	-	-	243.9
Investment securities revaluation surplus	-	-	-	24.6	-	24.6
Investment properties revaluation surplus, net of taxation	-	-	5.6	-	-	5.6
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)
Balance at 30 June 2005, as restated	37.7	24,840.0	31.6	35.7	10,836.8	35,781.8
Representing:						
Balance at 30 June 2005	37.7	24,840.0	31.6	35.7	10,138.5	35,083.5
2005 proposed final dividend	-	-	-	-	698.3	698.3
	37.7	24,840.0	31.6	35.7	10,836.8	35,781.8
Balance at 30 June 2005, as previously reported	<b>37.7</b>	<b>24,840.0</b>	<b>31.6</b>	<b>35.7</b>	<b>10,836.4</b>	<b>35,781.4</b>
Effect of adoption of HKAS 17	-	-	-	-	<b>0.4</b>	<b>0.4</b>
Balance at 30 June 2005, as restated before opening adjustment	<b>37.7</b>	<b>24,840.0</b>	<b>31.6</b>	<b>35.7</b>	<b>10,836.8</b>	<b>35,781.8</b>
Effect of adoption of HKAS 40	-	-	<b>(31.6)</b>	-	<b>31.6</b>	-
Balance at 1 July 2005, as adjusted	<b>37.7</b>	<b>24,840.0</b>	-	<b>35.7</b>	<b>10,868.4</b>	<b>35,781.8</b>
Scrip dividends	-	<b>388.2</b>	-	-	-	<b>388.2</b>
Placement of shares	-	<b>1,123.5</b>	-	-	-	<b>1,123.5</b>
Share placement expenses	-	<b>(15.9)</b>	-	-	-	<b>(15.9)</b>
Change in fair value of available-for-sale financial assets	-	-	-	<b>(17.8)</b>	-	<b>(17.8)</b>
Profit for the year	-	-	-	-	<b>2,140.1</b>	<b>2,140.1</b>
2005 final dividend paid	-	-	-	-	<b>(698.3)</b>	<b>(698.3)</b>
2006 interim dividend payable	-	-	-	-	<b>(473.1)</b>	<b>(473.1)</b>
Balance at 30 June 2006	<b>37.7</b>	<b>26,335.8</b>	-	<b>17.9</b>	<b>11,837.1</b>	<b>38,228.5</b>
Representing:						
Balance at 30 June 2006	<b>37.7</b>	<b>26,335.8</b>	-	<b>17.9</b>	<b>11,104.3</b>	<b>37,495.7</b>
2006 proposed final dividend	-	-	-	-	<b>732.8</b>	<b>732.8</b>
	<b>37.7</b>	<b>26,335.8</b>	-	<b>17.9</b>	<b>11,837.1</b>	<b>38,228.5</b>

# Notes to the Financial Statements

## 38 Borrowings

	Group		Company	
	2006 HK\$m	Restated 2005 HK\$m	2006 HK\$m	2005 HK\$m
Non-current				
Secured bank loans	11,074.5	10,491.9	-	-
Unsecured bank loans	10,078.4	11,892.1	-	-
Obligation under finance leases (Note b)	5.1	38.5	-	-
	21,158.0	22,422.5	-	-
Current portion of long term borrowings	(6,794.5)	(11,718.5)	-	-
	14,363.5	10,704.0	-	-
Convertible bonds (Note c)	520.0	1,210.5	-	-
Loans from minority shareholders (Note d)	489.3	539.4	-	-
	15,372.8	12,453.9	-	-
Current				
Short term secured bank loans	388.1	906.7	-	-
Short term unsecured bank loans	490.1	1,452.4	11.3	8.0
Other unsecured loans	50.2	48.5	10.0	9.1
Loans from minority shareholders (Note d)	1,393.6	1,269.9	-	-
	2,322.0	3,677.5	21.3	17.1
Current portion of long term borrowings	6,794.5	11,718.5	-	-
	9,116.5	15,396.0	21.3	17.1
Total borrowings	24,489.3	27,849.9	21.3	17.1

(a) Maturity of bank loans is as follows:

	Group		
	Secured bank loans HK\$m	Unsecured bank loans HK\$m	Total HK\$m
<b>Year 2006</b>			
Within one year	3,048.5	4,619.1	7,667.6
In the second year	1,924.9	4,470.5	6,395.4
In the third to fifth year	6,343.2	1,478.9	7,822.1
After the fifth year	146.0	-	146.0
	11,462.6	10,568.5	22,031.1
<b>Year 2005</b>			
Within one year	4,487.4	9,555.7	14,043.1
In the second year	2,337.9	1,953.3	4,291.2
In the third to fifth year	4,409.0	1,807.5	6,216.5
After the fifth year	164.3	28.0	192.3
	11,398.6	13,344.5	24,743.1

# Notes to the Financial Statements

## 38 Borrowings (continued)

### (b) Finance lease obligations

	Group	
	2006 HK\$m	2005 HK\$m
<b>Minimum lease payments</b>		
Within one year	5.3	35.3
In the second year	–	3.9
	5.3	39.2
Future finance charges	(0.2)	(0.7)
Present value	5.1	38.5

### (c) 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 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 to 25 April 2009. Moreover, the bondholders had the right to redeem all or some only of the bonds held by them on 26 April 2006 at 99.0% of the principal amount. 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.

As a result of the issuance of new shares in NWSH for scrip dividend, the conversion price of the convertible bonds is adjusted from HK\$13.63 per share to HK\$13.18 per share with effect from 6 January 2006.

During the year, the issuer redeemed part of the convertible bonds, totalling HK\$430.0 million and the resulted gain of HK\$48.0 million was credited to the income statement. In addition, certain bondholders had elected to convert their bonds amounting to HK\$352.7 million into shares of NWSH at a conversion price of HK\$13.18.

Interest expense on the bonds was calculated using the effective interest method by applying the effective interest rate of 2.22% to the liability component.

### (d) Loans from minority shareholders

The loans of HK\$227.2 million (2005: HK\$291.8 million) are unsecured, bear interest at fixed rates ranging from 5.0% to 10.0% (2005: 5.0% to 10.0%) per annum and have repayment terms specified in the relevant agreements. The remaining loans are unsecured, interest free and have no specific repayment terms.

### (e) Effective interest rates

	2006			2005		
	Hong Kong dollar	United States dollar	Renminbi	Hong Kong dollar	United States dollar	Renminbi
Bank borrowings	4.9%	6.1%	5.7%	3.8%	5.3%	5.5%
Loans from minority shareholders	6.0%	–	5.8%	6.4%	–	5.8%
Convertible bonds	2.2%	–	–	2.2%	–	–
Other unsecured loans	4.0%	–	–	3.2%	–	–

### (f) Carrying amounts and fair values of the borrowings

The fair value of the convertible bonds at 30 June 2006 amounted to HK\$463.7 million. The fair value is calculated using cash flows discounted at a rate based on NWSH's borrowing rate of 5.94%.

The carrying amounts of other borrowings approximate their fair values.

# Notes to the Financial Statements

## 38 Borrowings (continued)

### (g) Currencies

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

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Hong Kong dollar	21,032.0	23,675.6	21.3	17.1
Renminbi	2,908.4	3,511.7	-	-
United States dollar	548.9	662.6	-	-
	24,489.3	27,849.9	21.3	17.1

### (h) The contractual repricing dates or maturity (whichever is earlier) of the interest-bearing borrowings are as follows:

	Group					Company		
	Bank loans HK\$m	Other loans HK\$m	Loans from minority shareholders HK\$m	Finance lease obligations HK\$m	Total HK\$m	Bank loans HK\$m	Other loans HK\$m	Total HK\$m
<b>Year 2006</b>								
Within one year	22,031.1	50.2	-	5.1	22,086.4	11.3	10.0	21.3
In the fifth year	-	-	81.2	-	81.2	-	-	-
After the fifth year	-	-	146.0	-	146.0	-	-	-
	22,031.1	50.2	227.2	5.1	22,313.6	11.3	10.0	21.3
<b>Year 2005</b>								
Within one year	24,743.1	48.5	-	34.7	24,826.3	8.0	9.1	17.1
In the second year	-	-	-	3.8	3.8	-	-	-
In the fifth year	-	-	98.1	-	98.1	-	-	-
After the fifth year	-	-	193.7	-	193.7	-	-	-
	24,743.1	48.5	291.8	38.5	25,121.9	8.0	9.1	17.1

## 39 Other non-current liabilities

	Group	
	2006 HK\$m	Restated 2005 HK\$m
Deferred income	167.6	176.5
Provision for long service payments	55.3	64.9
Long term accounts payable	124.3	247.4
	347.2	488.8

The carrying amount of long term accounts payable approximates their fair value.

# Notes to the Financial Statements

## 40 Creditors and accrued charges

(a) Creditors and accrued charges include trade creditors with their ageing analysis as follows:

	Group	
	2006 HK\$m	2005 HK\$m
Current to 30 days	4,231.4	3,921.7
31 to 60 days	476.2	320.8
Over 60 days	1,363.5	1,304.6
	<b>6,071.1</b>	5,547.1

(b) The carrying amounts of creditors and accrued charges are denominated in the following currencies:

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Hong Kong dollar	10,734.9	10,353.0	1,016.5	762.2
Renminbi	3,113.7	2,571.9	–	–
United States dollar	138.7	119.9	–	–
Others	213.9	19.2	–	–
	<b>14,201.2</b>	13,064.0	<b>1,016.5</b>	762.2

(c) The carrying amounts of the creditors and accrued charges approximate their fair values.

## 41 Derivative financial instruments

	Group	
	2006 Assets HK\$m	2006 Liabilities HK\$m
Interest-rate swaps	–	4.0
Forward foreign currency exchange contracts	–	1.6
	–	<b>5.6</b>

The notional aggregate principal amount of the outstanding interest-rate swap contracts at 30 June 2006 was HK\$400.0 million.

# Notes to the Financial Statements

## 42 Commitments

### (a) Capital commitments

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Contracted but not provided for				
Property, plant and equipment	371.7	652.9	-	-
A subsidiary	-	-	55.0	55.0
Jointly controlled entities	1,096.7	1,033.3	-	-
Available-for-sale financial assets	14.3	20.0	-	-
Capital contribution for proposed development projects	665.6	-	-	-
	<b>2,148.3</b>	1,706.2	<b>55.0</b>	55.0
Authorised but not contracted for				
Property, plant and equipment	14.2	169.6	-	-
Jointly controlled entities	2,824.0	-	-	-
Capital contribution for proposed development projects	108.0	-	-	-
	<b>2,946.2</b>	169.6	-	-
The Group's share of capital commitments of the jointly controlled entities not included above are as follows:				
Contracted but not provided for	501.4	121.0	-	-
Authorised but not contracted for	101.0	45.2	-	-
	<b>602.4</b>	166.2	-	-

The above capital commitments did not include commitments for purchase of property, plant and equipment and intangible assets in respect of the PrediWave Cross-Complaint (Note 47).

### (b) Commitments under operating leases

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

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Land and buildings				
In the first year	258.3	333.8	-	-
In the second to the fifth year inclusive	1,120.6	997.9	-	-
After the fifth year	4,043.8	2,968.2	-	-
	<b>5,422.7</b>	4,299.9	-	-

The Group leases various retail outlets under non-cancellable operating lease agreements. The leases have varying terms ranging from 1 to 25 years. Certain of these leases have escalation clauses and renewal rights.

# Notes to the Financial Statements

## 42 Commitments *(continued)*

### (c) Operating lease receivable

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

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
In the first year	559.6	560.8	5.9	5.9
In the second to the fifth year inclusive	606.5	562.5	6.4	12.3
After the fifth year	534.7	380.8	–	–
	<b>1,700.8</b>	1,504.1	<b>12.3</b>	18.2

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

## 43 Contingent liabilities

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Guarantees for				
Performance bonds in respect of construction contracts undertaken by the Group	1,603.4	1,322.7	514.2	514.2
Other performance bonds	204.0	220.8	85.8	77.1
Mortgage facilities for certain purchasers of properties	428.7	388.5	–	–
Guarantees for credit facilities granted to				
Subsidiaries	–	–	20,032.2	22,962.4
Associated companies	239.7	355.2	–	105.0
Jointly controlled entities	2,183.1	3,131.1	69.5	657.1
Investee companies included under available-for-sale financial assets/other investments	59.2	59.2	4.2	4.2
Share of contingent liabilities of jointly controlled entities	65.0	95.1	–	–
Indemnity to non-wholly owned subsidiaries for PRC tax liabilities	2,019.2	1,771.6	6,782.8	6,172.9
	<b>6,802.3</b>	7,344.2	<b>27,488.7</b>	30,492.9

In addition to pending litigations as referred to in note 47 to the financial statements, 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 in Hong Kong. No statement of claims setting out details of the claims against the Group have been filed.

# Notes to the Financial Statements

## 44 Notes to consolidated cash flow statement

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

	2006 HK\$m	2005 HK\$m
Operating profit	1,212.7	2,884.8
Depreciation	886.0	863.3
Amortisation	136.8	165.2
Fair value changes on investment properties	(1,462.9)	–
Impairment loss on		
Property, plant and equipment, leasehold land and land use rights	340.7	14.9
Intangible assets	42.5	11.8
Associated companies	14.9	6.8
Jointly controlled entities	30.0	133.3
Deposit paid for joint ventures	161.4	–
Available-for-sale financial assets	133.2	–
Other investments	–	558.8
Loans receivable	1,060.6	107.5
Deposit for proposed investments	1,531.2	28.9
Properties held for/under development	2.6	7.2
Loss on deemed disposal of interests in subsidiaries	207.7	270.2
Gain on deemed disposal of interests in a subsidiary	(82.4)	–
Net profit on disposal of		
Land use rights and properties	(22.7)	–
Associated companies	(317.4)	–
Jointly controlled entities	(17.3)	(1,112.7)
Available-for-sale financial assets	–	(361.3)
Subsidiaries	(1,048.2)	(731.4)
Write down of stocks to net realisable value	15.2	13.0
Write back of provision for		
Jointly controlled entities	(25.9)	(38.8)
Associated companies	(12.9)	(87.4)
Properties held for/under development	–	(102.7)
Debtors	–	(67.9)
Advance to an investee company	(60.5)	(19.9)
Net interest expenses and dividend income	538.3	305.8
Excess of the fair value of net assets acquired over the cost of acquisition of		
Additional interests of subsidiaries	–	(332.5)
Subsidiaries	(32.1)	(46.9)
Additional interests of jointly controlled entities	(103.4)	–
Profit on redemption of convertible bonds	(48.0)	–
Fair value gain on derivative financial instruments	(5.3)	–
Translation differences	0.6	–
Operating profit before working capital changes	3,075.4	2,470.0
Increase in intangible assets	(8.5)	–
Decrease/(increase) in stocks	39.8	(27.2)
Decrease/(increase) in properties held for/under development and held for sale	284.1	(949.2)
(Increase)/decrease in debtors and prepayments	(2,903.5)	957.2
Increase in other loans receivable	(194.8)	(213.7)
Increase in creditors and accrued charges	999.7	1,100.0
Increase/(decrease) in contracts in progress	113.9	(191.2)
Increase in deposits received on sale of properties	473.4	72.7
Net cash generated from operations	1,879.5	3,218.6



# Notes to the Financial Statements

## 44 Notes to consolidated cash flow statement (continued)

### (b) Acquisition of subsidiaries

	2006 HK\$m	2005 HK\$m
Net assets acquired		
Investment properties	3.9	–
Property, plant and equipment	170.5	–
Leasehold land and land use rights	114.5	–
Interests in associated companies	(21.4)	–
Interests in jointly controlled entities	(289.4)	–
Stocks	32.1	–
Properties held for development/sale	1,503.6	743.9
Debtors and prepayments	100.3	–
Cash and bank balances	63.7	0.6
Current income tax liabilities	(6.0)	–
Creditors and accrued charges	(114.4)	(92.9)
Deferred tax liabilities	(97.3)	(83.7)
Long term liabilities	(278.9)	–
Minority interests	(107.7)	–
	<b>1,073.5</b>	567.9
Interests in jointly controlled entities and available-for-sale financial assets held by the Group	<b>(503.9)</b>	(127.4)
	<b>569.6</b>	440.5
Goodwill on acquisition	<b>66.0</b>	–
Excess of the fair value of net assets acquired over the cost of acquisition of subsidiaries	<b>(32.1)</b>	(46.9)
	<b>603.5</b>	393.6
Consideration	<b>603.5</b>	393.6
Represented by:		
Cash consideration	<b>516.2</b>	124.8
Debtors and prepayments	<b>66.3</b>	–
Long term accounts payable	–	268.8
Shares of a listed subsidiary	<b>21.0</b>	–
	<b>603.5</b>	393.6

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

	2006 HK\$m	2005 HK\$m
Cash consideration	<b>(516.2)</b>	(124.8)
Cash and bank balances acquired	<b>63.7</b>	0.6
	<b>(452.5)</b>	(124.2)

# Notes to the Financial Statements

## 44 Notes to consolidated cash flow statement (continued)

### (d) Disposal of subsidiaries

	2006 HK\$m	2005 HK\$m
Net assets disposed		
Property, plant and equipment	1,151.6	169.0
Interests in associated companies	(74.5)	844.3
Deferred tax assets	164.9	–
Stocks	25.6	1.6
Properties under development	12.3	–
Debtors and prepayments	206.4	3.4
Cash and bank balances	–	4.3
Creditors and accrued charges	(443.7)	(35.1)
Loans from minority shareholders	(24.3)	–
Long term liabilities	(42.1)	(39.6)
Deferred tax liabilities	(8.7)	(5.3)
Minority interests	(4.9)	(2.1)
	962.6	940.5
Goodwill	56.0	–
Net profit on disposal of subsidiaries	1,048.2	731.4
Consideration	2,066.8	1,671.9
Represented by:		
Cash consideration	97.5	1,101.5
Debtors and prepayments	10.1	138.8
Interests in associated companies	1,959.2	–
Interests in jointly controlled entities	–	431.6
	2,066.8	1,671.9

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

	2006 HK\$m	2005 HK\$m
Cash consideration	97.5	1,101.5
Cash and bank balances disposed	–	(4.3)
	97.5	1,097.2

### (f) Non-cash transactions

The principal non-cash transaction was the issue of shares of NWSH from the conversion of convertible bonds as set out in note 38c.

# Notes to the Financial Statements

## 45 Business combinations

- (a) In January 2006, the Group acquired additional 8.0% equity interest in Jinan New World Sunshine Development Limited which is engaged in property development for a total consideration of HK\$21.1 million. Details of net liabilities and goodwill acquired are as follows:

	Fair value HK\$m	Acquirees' carrying amount HK\$m
Property, plant and equipment	2.3	2.3
Properties held for development	880.7	771.1
Debtors and prepayments	28.4	28.4
Properties held for sale	25.7	25.7
Cash and bank balances	36.3	36.3
Creditors and accrued charges	(45.8)	(45.8)
Amounts due to jointly controlled entities	(289.4)	(289.4)
Deferred tax liabilities	(36.1)	–
Current income tax liabilities	(6.0)	(6.0)
Long term borrowings	(259.6)	(259.6)
	<b>336.5</b>	<b>263.0</b>
Minority interests	(52.9)	
Interest held by the Group as jointly controlled entities	(293.9)	
Net liabilities acquired	(10.3)	
Purchase consideration	(21.1)	
Goodwill	(31.4)	

The acquired subsidiary contributed revenues of approximately HK\$2.9 million and net loss of approximately HK\$0.7 million for the period since the date of acquisition. If the acquisition had occurred on 1 July 2005, the Group's revenue would have been increased by HK\$19.8 million, and profit for the year would have been increased by HK\$1.0 million.

The goodwill can be attributable to the anticipated profitability of the acquired business.

- (b) In March 2006, the Group acquired additional 65.0% of the equity interest and related shareholder's loan of Wing Shan International Country Club Co., Ltd. ("Wing Shan"), a 27.5% owned investee company of the Group, for a consideration of HK\$456.6 million. Wing Shan is principally engaged in property development and operation of a golf club in Foshan, the PRC. Details of the net assets acquired and the excess of fair value of net assets acquired over cost of acquisition are as follows:

# Notes to the Financial Statements

## 45 Business combinations (continued)

(b) (continued)

	Fair value HK\$m	Acquirees' carrying amount HK\$m
Property, plant and equipment	102.8	102.3
Land use rights	105.4	101.0
Properties held for development	597.2	416.2
Debtors and prepayments	1.5	2.0
Cash and bank balances	0.4	0.4
Creditors and accruals	(4.6)	(4.5)
Deferred tax liabilities	(61.2)	-
	<b>741.5</b>	<b>617.4</b>
Minority interests	(42.8)	
Interest held by the Group as available-for-sale financial assets	(210.0)	
Net assets acquired	488.7	
Purchase consideration	(456.6)	
Excess of fair value of net assets acquired over cost of acquisition of interests in subsidiaries	32.1	

The acquired subsidiaries contributed revenues of approximately HK\$3.7 million and net loss of approximately HK\$2.2 million for the period since the date of acquisition. If the acquisition had occurred on 1 July 2005, the Group's revenue would have been increased by HK\$11.2 million, and profit for the year would have been decreased by HK\$6.6 million.

This acquisition resulted in an excess of fair value of net assets acquired over the cost of acquisition of interests in subsidiaries since the business combination had been accomplished through a debt restructure exercise for Wing Shan's subsidiaries. The Group was able to actively involve in the exercise and through which enabled the Group to sustain a better position in respect of ascertaining more favourable terms for the cost of acquisitions, majority of which was determined by debt restructuring cost.

- (c) In May 2006, the Group acquired 75.0% equity interest in Beijing Dongfang Huamei Real Estate Development Co., Ltd. which is engaged in property development for a consideration of HK\$38.5 million. Details of net assets acquired and goodwill were as follows:

	Fair value HK\$m	Acquirees' carrying amount HK\$m
Debtors and prepayments	11.7	11.7
Cash and bank balances	10.1	10.1
Creditors and accrued charges	(0.1)	(0.1)
	<b>21.7</b>	<b>21.7</b>
Minority interests	(12.0)	
Net assets acquired	9.7	
Purchase consideration	(38.5)	
Goodwill	(28.8)	

The acquired subsidiary contributed net loss of approximately HK\$0.9 million for the period since the date of acquisition. If the acquisition had occurred on 1 July 2005, the Group's profit for the year would have been decreased by HK\$0.9 million.

The goodwill can be attributable to the anticipated profitability of the acquired business.

# Notes to the Financial Statements

## 45 Business combinations *(continued)*

- (d) In October 2005, the Group acquired 100% interest in New World CyberBase Solutions (BVI) Limited ("NWC") through its subsidiaries is engaged in software development and system integration for a consideration of HK\$21.0 million. Details of net assets acquired and goodwill were as follows:

	Fair value HK\$m	Acquirees' carrying amount HK\$m
Investment properties	3.9	3.9
Property, plant and equipment	2.6	2.6
Debtors and prepayments	6.2	6.2
Cash and bank balances	10.7	10.7
Creditors and accrued charges	(7.9)	(7.9)
Net assets acquired	15.5	15.5
Purchase consideration	(21.0)	
Goodwill	(5.5)	

The acquired subsidiary contributed revenues of approximately HK\$16.5 million and net loss of approximately HK\$21.5 million for the period since the date of acquisition. If the acquisition had occurred on 1 July 2005, the Group's revenue would have been increased by HK\$6.4 million, and profit for the year would have been decreased by HK\$4.8 million.

With the acquisition of NWC and its subsidiaries, the Group's capability to develop value-added mobile products and services and competitiveness in the mobile telecommunication industry are enhanced. In light of the growing demand for mobile internet services in the PRC, the acquisition will also enable the Group to capitalise on the mobile internet service market in the PRC. The goodwill is attributable to the aforesaid factors.

- (e) In March 2006, the Group acquired 100% interest in Dalian Shang Li De Heat Conduction Technology Co., Ltd. which is engaged in development, production and sale of heat transfer devices and class A pressure vessel components for a consideration of HK\$66.3 million. Details of net assets acquired and goodwill were as follows:

	Fair value HK\$m	Acquirees' carrying amount HK\$m
Property, plant and equipment	62.8	62.8
Leasehold land and land use rights	9.1	9.1
Stocks	32.1	32.1
Cash and bank balances	6.2	6.2
Debtors and prepayments	52.5	52.4
Creditors and accrued charges	(56.0)	(56.0)
Bank and other borrowings	(19.3)	(19.2)
Amounts due to associated companies	(21.4)	(21.4)
Net assets acquired	66.0	66.0
Purchase consideration	(66.3)	
Goodwill	(0.3)	

The acquired subsidiary contributed revenues of approximately HK\$62.3 million and net profit of approximately HK\$3.7 million for the period since the date of acquisition. If the acquisition had occurred on 1 July 2005, the Group's revenue would have been increased by HK\$52.9 million, and profit for the year would have been decreased by HK\$6.1 million.

The goodwill has been written off to the income statement during the year.

# Notes to the Financial Statements

## 46 Related party transactions

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

	<b>2006</b> <b>HK\$m</b>	2005 HK\$m
Associated companies		
Rental income (Note a)	<b>8.1</b>	9.4
Provision of contracting work service (Note b)	–	32.9
Interest income (Note c)	<b>8.3</b>	8.1
Jointly controlled entities		
Provision of contracting work services (Note b)	<b>244.8</b>	293.7
Interest income (Note c)	<b>90.4</b>	75.5
Related companies		
Rental income (Note a)	<b>18.9</b>	17.5
Management fee expenses (Note d)	<b>85.0</b>	89.9
Accounts receivable (Note e)	–	218.0
Accounts payable (Note f)	<b>212.0</b>	–

- (a) Rental income is charged in accordance with respective tenancy agreements.
- (b) Revenue from provision of contracting work is principally charged in accordance with respective contracts.
- (c) Interest income is charged at interest rates as specified in notes 22a and 23a on the outstanding amounts.
- (d) Management fee expenses are charged at rates in accordance with relevant contracts.
- (e) The accounts receivable are unsecured, interest free and have no fixed terms of repayment.
- (f) The accounts payable are unsecured, interest free and are repayable on demand.
- (g) The balances with associated companies and jointly controlled entities are disclosed in notes 22 and 23 respectively.
- (h) No significant transactions have been entered with the Directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 16.

# Notes to the Financial Statements

## 47 Pending litigations

In May 2004, NWTMT filed complaints to the Superior Court of the State of California for the County of Santa Clara in the United States of America ("US") (the "NWTMT Complaint") against the PrediWave Companies and Mr. Tony Qu, the president and founder of the PrediWave Companies. Under the NWTMT Complaint, NWTMT alleged that, in reliance of the representations given by Mr. Tony Qu and PrediWave, NWTMT entered into various agreements with the PrediWave Companies under which the Group invested in the PrediWave Companies and placed various purchase orders for goods and services relating to the technology (the "Technology") of video-on-demand and other digital broadcasting and related technology and added value services. The Group had paid approximately HK\$5 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 agreements among the parties. Accordingly, NWTMT claimed damages for an amount to be determined at trial together with interest, rescission of all agreements, restitution of all monies obtained from the Group, punitive and exemplary damages, costs of legal proceedings and other declaratory relief and equitable relief. The total monetary amount sought by NWTMT in the lawsuit exceeds US\$700 million (approximately HK\$5,460 million).

In response to the NWTMT Complaint, PrediWave also filed in May 2004 a complaint to the District Court of the Northern District of California 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 licenses granted by PrediWave to the Group relating to the Technology totalling approximately US\$72 million (approximately HK\$564 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.

On 3 April 2006, NWTMT obtained a writ of attachment against PrediWave and an injunction against the PrediWave Companies, which imposed certain limitations on them in utilising their funds in their banks. In consequence, PrediWave filed on 14 April 2006 a voluntary petition for relief under Chapter 11 with a bankruptcy court in US whereby the writ of attachment against PrediWave was automatically lifted. A trial of the NWTMT Complaint and PrediWave Cross-Complaint was originally scheduled for 19 June 2006 but has since been rescheduled for 23 October 2006.

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

As the Directors 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 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 have therefore concluded that a full provision of HK\$3,082 million, made in the financial statements 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 financial statements for the year ended 30 June 2006.

The Directors are also 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 these financial statements.

## 48 Post balance sheet event

On 28 September 2006, the Group's listed subsidiary, NWSH, entered into a joint venture agreement to establish a sino-foreign equity joint venture enterprise in the PRC (the "JV Enterprise"). The JV Enterprise will participate in developing and operating rail container terminal and related businesses in Mainland China and the total investment cost will be approximately HK\$11,500.0 million. NWSH will have a 22.0% interest in the JV Enterprise and is required to contribute approximately HK\$900.0 million as its portion of the registered capital of the JV Enterprise's registered capital and provide financial support for any possible financing arrangement in proportion to its interest in the JV Enterprise up to approximately HK\$1,600.0 million.

## 49 Comparative figures

Certain comparative figures have been reclassified or restated to conform with the current year's presentation.

# Notes to the Financial Statements

## 50 Principal subsidiaries

As at 30 June 2006

	Share capital issued <sup>#</sup>		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
<i>Incorporated and operate in Hong Kong</i>					
Addlight Investments Limited	9,998	1	–	56	Property investment
	2 <sup>1</sup>	1	–	56	
Advance Planner Limited	100	1	40	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
auto22.com Limited	5,000,000	1	–	84	Trading of motor vehicles
The Automall Limited	10,000	1	–	84	Car park rental
Barbican Construction Company, Limited	230,000	100	–	54	Construction
	20,000 <sup>1</sup>	100	–	54	
Billionable Investment Limited	4,998	1	–	54	Investment holding
	2 <sup>1</sup>	1	100	100	
Billion Huge (International) Limited	950,001	1	–	70	Investment holding
Billion Park Investment Limited	1,000,000	1	–	57	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 management
	3,000 <sup>1</sup>	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
Cheong Yin Company Limited	30,000	100	100	100	Property investment
Cif Solutions Limited	10	100	–	54	Provision of computer software and related services
	160,000 <sup>1</sup>	100	–	54	
City Team Development Limited	1,000,000	1	–	80	Property investment
Crown Field Properties Limited	100	1	–	70	Property investment
Dragon Crest Limited	2	1	–	100	Property investment
Extensive Trading Company Limited	8,500,000	1	–	54	Trading and retail of building materials and environmental consultancy
	1,500,000 <sup>1</sup>	1	–	54	
Far East Engineering Services Limited	766,714	10	–	54	Mechanical and electrical engineering
	233,288 <sup>1</sup>	10	–	54	
Fook Hong Enterprises Company, Limited	10,000	100	100	100	Property investment
Fully H.K. Investments Limited	10,000	1	–	70	Property development
General Security (H.K.) Limited	8,402	100	–	54	Security services
	11,600 <sup>1</sup>	100	–	11	
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



# Notes to the Financial Statements

## 50 Principal subsidiaries (continued) As at 30 June 2006

	Share capital issued <sup>#</sup>		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
Grand Hyatt Hong Kong Company Limited	1,000	1	–	64	Hotel operation
	9,000 <sup>2</sup>	1	–	100	
Hamberlin Company, Limited	1,000	100	–	100	Property investment
Happy Champion Limited	2	1	100	100	Investment holding
Head Step Limited	2	1	100	100	Property investment
Hip Hing Builders Company Limited	40,000	1,000	–	54	Construction
	10,000 <sup>1</sup>	1,000	–	54	
Hip Hing Construction Company Limited	400,000	100	–	54	Construction and civil engineering
	600,000 <sup>1</sup>	100	–	54	
Hong Kong Convention and Exhibition Centre (Management) Limited	3	1	–	54	Management of HKCEC
	1 <sup>1</sup>	1	–	54	
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 <sup>1</sup>	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	–	54	Ticketing services
Honour Shares Limited	100	1	–	100	Investment holding
International Property Management Limited	450,000	10	–	54	Property management
	95,500 <sup>1</sup>	10	–	46	
Joint Profit Limited	2	1	100	100	Property investment
Kamking Limited	2	1	100	100	Property investment
Kentfull Contracting Limited	10	1	–	54	Interior decoration contracting
	5,000,000 <sup>1</sup>	1	–	54	
Kentfull Engineering Company Limited	6,000 <sup>A</sup>	1	–	54	Building construction
	4,000 <sup>B</sup>	–	–	–	
Kin Kiu Enterprises, Limited	10,000	1,000	100	100	Investment holding
King Lee Investment Company Limited	300	1,000	100	100	Investment holding
Kiu Lok Property Services (China) Limited	2	1	–	54	Property agency
	2 <sup>1</sup>	1	–	54	management and consultancy
Kiu Lok Service Management Company Limited	2	100	–	54	Property management
	1,002 <sup>1</sup>	100	–	54	
Kleaners Limited	5,000,000	1	–	54	Laundry services
Koon Soon Limited	2	1	–	100	Property investment
La Tune Limited	2	100	–	100	Property investment
Lingal Limited	1,800	1	–	70	Investment holding
	200 <sup>1</sup>	1	–	–	
Loyalton Limited	2	10	–	100	Property investment
Macdonnell Hostel Company Limited	2	1	100	100	Hostel operation
Majestic Engineering Company Limited	30,000	1,000	–	54	Mechanical and electrical engineering
Mega Choice Holdings Limited	500	1	16	80	Property investment
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	1	–	54	Laundry services
	704,000 <sup>1</sup>	1	–	54	
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 China Enterprises Projects Limited	2	1	–	100	Project management

# Notes to the Financial Statements

## 50 Principal subsidiaries (continued)

As at 30 June 2006

	Share capital issued <sup>#</sup>		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
New World Department Stores Limited	2	1	–	100	Management services to department stores
New World Development (China) Limited	2	1	–	70	Investment holding
	2 <sup>1</sup>	1	100	100	
New World Finance Company Limited	200,000	100	100	100	Financial services
New World Harbourview Hotel Company Limited	1,000	1	–	64	Hotel operation
	9,000 <sup>2</sup>	1	–	100	
New World Hotel Company Limited	40,000,000	1	–	64	Hotel operation
New World Hotel Management Limited	1	1	–	64	Hotel management
New World Insurance Management Limited	100,000	1	–	54	Insurance broking
New World Investments Limited	2	1	100	100	Property investment
New World Nominee Limited	2	100	100	100	Nominee services
New World Real Estate Agency Limited	2	1	100	100	Estate agency
New World Tacko (Xian) Limited	10,000	1	–	45	Hotel investment
New World Telephone Holdings Limited	200	1	100	100	Investment holding
New World Telecommunications Limited	9,999,998	1	–	100	Telecommunication services
	2 <sup>1</sup>	1	–	100	
New World Tower Company Limited	2	10	–	100	Property investment
Ngo Kee Construction Company Limited	270,000	100	–	54	Building and construction
	1 <sup>2</sup>	1	–	–	
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
NWS Holdings (China) Limited	1	1	–	54	Investment holding
NWS Holdings (Finance) Limited	1	1	–	54	Financing
Onfill Company Limited	2	1	100	100	Property investment
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 <sup>1</sup>	1	–	46	
Polytown Company Limited	2	10	–	54	Property investment, operation, marketing, promotion and management of HKCEC
	100,000 <sup>1</sup>	10	–	54	
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	1	–	100	Property investment
Super Memory Limited	2	1	–	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

# Notes to the Financial Statements

## 50 Principal subsidiaries (continued) As at 30 June 2006

	Share capital issued <sup>#</sup>		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
Trade Port Enterprises Limited	2	1	100	100	Investment holding
Trend Island Limited	2	1	–	70	Investment holding
True Hope Investment Limited	4,998	1	–	54	Investment holding
	2 <sup>1</sup>	1	–	100	
Trump Champion Limited	2	1	–	100	Property investment
Try Force Limited	4,998	1	–	54	Investment holding
	2 <sup>1</sup>	1	–	100	
Tsuen Wan Properties Limited	200	100	–	100	Property investment
Uniformity Security Company Limited	2	100	–	54	Security services
	2,500 <sup>1</sup>	100	–	–	
Urban Parking Limited	10,000,000	1	–	54	Carpark management
Urban Property Management Limited	49,995,498	1	–	54	Property management
	4,502 <sup>1</sup>	1	–	36	
Vibro (HK) Limited	20,000,004	3	–	54	Piling, caisson and civil engineering
Wai Hong Cleaning & Pest Control Company Limited	400,000	100	–	54	Cleaning and pest control services
Waking Builders Limited	20,000	1,000	–	54	Construction
Waygent Investment Limited	2	1	100	100	Property investment
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	Mechanical and electrical engineering
<i>Incorporated in Cayman Islands and operate in Hong Kong</i>					
New World China Land Limited	3,825,783,832	0.10	66	70	Investment holding
New World Mobile Holdings Limited	95,336,069	1	–	58	Investment holding
New World TMT Limited	952,180,007	1	–	100	Investment holding
NWS Service Management Limited	1,323,943,165	0.10	–	54	Investment holding
<i>Incorporated and operate in the Philippines</i>					
New World International Development Philippines, Inc	6,988,016	Peso100	–	27	Hotel operation

# Represented ordinary share capital, unless otherwise stated

<sup>1</sup> Non-voting deferred shares

<sup>2</sup> Non-voting preference shares

# Notes to the Financial Statements

## 50 Principal subsidiaries (continued) As at 30 June 2006

	Registered capital	Attributable interest (Note a)		Principal activities
		To the Company	To the Group	
<i>Incorporated and operate in the PRC</i>				
Beijing Dongfang Huamei Real Estate Development Co., Ltd.	Rmb50,000,000	–	53	Property development
Beijing Lingal Real Estates Development Co., Ltd.	US\$13,000,000	–	70	Property investment
Beijing Xintong Media & Cultural Development Co. Ltd.	Rmb100,000,000	–	70	Provision of advertising and media related services
Chengdu Xinyi Real Estate Development Co., Ltd.	Rmb30,000,000	–	54	Property development
Dalian New World Hotel Co., Ltd.	Rmb217,000,000	–	70	Hotel operation
Dalian New World Plaza International Co., Ltd.	Rmb58,000,000	–	62	Property investment and development
Dalian New World Tower Co., Ltd.	Rmb55,200,000	–	70	Property investment and development
Dalian Shang Li De Heat Conduction Technology Co., Limited	US\$14,500,000	–	100	Development, production and sales of heat transfer device and class A pressure vessel component
Foshan Country Club Co., Ltd.	US\$52,923,600	–	55	Operation of golf club and property development
Foshan Gaoming Xinming Bridge Company Limited (formerly Gaoming Xinming Bridge Company Limited)	Rmb60,000,000	–	16	Operation of toll bridge
Fung Seng Estate Development (Shanghai) Co., Ltd.	US\$10,000,000	–	49	Property development
Guangxi Beiliu Xinbei Highways Limited	Rmb99,200,000	–	32	Operation of toll road
Guangxi Cangwu Xincang Highways Limited	Rmb64,000,000	–	38	Operation of toll road
Guangxi Rongxian Xinrong Highways Limited	Rmb82,400,000	–	38	Operation of toll road
Guangxi Yulin Xinye Highways Limited	Rmb63,800,000	–	32	Operation of toll road
Guangxi Yulin Xinyu Highways Limited	Rmb96,000,000	–	32	Operation of toll road
Guangzhou Metropolitan Properties Co., Ltd.	HK\$140,000,000	100	100	Property investment
Guangzhou New World Properties Development Co., Ltd.	HK\$170,000,000	100	100	Property investment
Guangzhou Xin Hua Chen Real Estate Co., Ltd.	Rmb200,000,000	–	70	Property development
Guangzhou Xin Hua Jian Real Estate Co., Ltd.	Rmb244,000,000	–	70	Property development
Guangzhou Xin Sui Tourism Centre Ltd.	HK\$100,000,000	–	70	Property development
Guangzhou Xin Yi Development Limited	HK\$286,000,000	–	63	Property investment and development
Guiyang New World Real Estate Co., Ltd.	US\$33,000,000	–	70	Property development
Hip Hing Construction (China) Company Limited	HK\$50,000,000	–	54	Construction
Jinan New World Sunshine Development Ltd.	US\$29,980,000	–	51	Property development
NWS Engineering Ltd.	Rmb50,000,000	–	54	Mechanical and electrical engineering
Huamei Wealth (Beijing) Technology Co., Ltd.	Rmb40,000,000	–	70	Investment holding
Nanjing Huawei Real Estate Development Co., Ltd.	US\$12,000,000	–	64	Property development
New World Anderson (Tianjin) Development Co., Ltd.	US\$10,000,000	–	70	Property investment and development
New World China Land Investment Company Limited	US\$30,000,000	–	70	Investment holding
New World Department Store (China) Co., Ltd.	Rmb50,000,000	–	100	Department store operation
New World Department Stores Investment (China) Co., Ltd.	US\$30,000,000	–	100	Investment holding
New World Development (Wuhan) Co., Ltd.	US\$16,000,000	–	70	Property investment and development
New World (Shenyang) Property Development Limited	Rmb97,720,000	–	63	Property development
Ningbo New World Department Store Limited	Rmb40,000,000	–	100	Department store operation

# Notes to the Financial Statements

## 50 Principal subsidiaries (continued) As at 30 June 2006

	Registered capital	Attributable interest (Note a)		Principal activities
		To the Company	To the Group	
Shanghai Juyi Real Estate Development Co., Ltd.	Rmb418,862,780	–	49	Property investment
Shanghai Ramada Plaza Ltd.	US\$42,000,000	–	53	Property investment and hotel operation
Shanxi Xinda Highways Limited	Rmb49,000,000	–	49	Operation of toll road
Shanxi Xinhuang Highways Limited	Rmb56,000,000	–	49	Operation of toll road
Shenyang New World Department Store Limited	Rmb30,000,000	–	100	Department store operation
Shenyang New World Trendy Department Store Limited	Rmb21,000,000	–	100	Department store operation
Shenyang New World Hotel Co., Ltd.	Rmb229,400,000	–	70	Hotel operation
Shenzhen New World Xianglong Network Technology Company Limited	Rmb550,000,000	–	100	Exploration of wireless telecommunication network
Shenzhen New World Xianglong Technology Development Company Limited	Rmb100,000,000	–	100	Exploration of wireless telecommunication network
Shenzhen Topping Real Estate Development Co., Ltd.	HK\$182,000,000	–	63	Property development
Shenyang Trendy Property Company Limited	Rmb27,880,000	–	70	Property investment
Sun Long Communication Co., Ltd.	Rmb100,000,000	–	100	Provision of telecommunication related services
Taiyuan Xintai Highways Limited	Rmb72,120,000	–	49	Operation of toll road
Taiyuan Xinyuan Highways Limited	Rmb85,880,000	–	49	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\$15,630,000	–	95	Property investment
Wuhan New Eagle Properties Co., Limited	US\$2,830,000	–	67	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
<i>Incorporated and operate in Macau</i>				
Hip Hing Engineering (Macau) Company Limited	MOP100,000	–	54	Construction
Ngo Kee (Macau) Limited	MOP25,000	–	54	Construction
Vibro (Macau) Limited	MOP1,000,000	–	54	Construction

Note:

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

# Notes to the Financial Statements

## 50 Principal subsidiaries (continued)

As at 30 June 2006

	Share capital issued <sup>#</sup>		Percentage of equity shares held		Principal activities
	Number	Par value per share	By the Company	By the Group	
<i>Incorporated in Bermuda and operate in Hong Kong</i>					
NWS Holdings Limited	1,943,752,725	HK\$1	–	54	Investment holding
<i>Incorporated in British Virgin Islands</i>					
China Step Limited	100	US\$1	–	70	Investment holding
Eddington Holdings Limited	100	US\$1	–	82	Investment holding
Ever Brisk Limited	1	US\$1	–	70	Investment holding
Fine Reputation Incorporated	10,000	US\$1	–	100	Investment holding
Fotland Limited	1	US\$1	–	100	Investment holding
Hing Loong Limited	10,000	US\$1	–	100	Investment holding
Hinto Developments Limited	1	US\$1	–	70	Investment holding
Lotsgain Limited	100	US\$1	–	100	Investment holding
Magic Chance Limited	1	US\$1	–	70	Investment holding
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 CyberBase Solutions (BVI) Limited	1	US\$1	–	58	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 Telephone International Limited	1	US\$1	–	100	Provision of telecommunication services
New World Venture Holdings Limited	1	US\$1	–	100	Investment holding
NWSH Capital Finance Limited	1	US\$1	–	54	Issuance of convertible bonds
NWS Engineering Group Limited	50,000,000	HK\$1	–	54	Investment holding
NWS Infrastructure Bridges Limited	1	US\$1	–	54	Investment holding
NWS Infrastructure Management Limited	2	US\$1	–	54	Investment holding
NWS Ports Management Limited	2	US\$1	–	54	Investment holding
Park New Astor Hotel Limited	101	US\$1	–	100	Property investment
Power Palace Group Limited	1	US\$1	100	100	Investment holding
Radiant Glow Limited	1	US\$1	–	70	Investment holding
Sea Walker Limited	1	US\$1	100	100	Investment holding
South Scarlet Limited	1	US\$1	100	100	Hotel operation
Sparkling Rainbow Limited	1	US\$1	–	70	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	–	70	Investment holding
Teddy Bear Kingdom Holdings Limited	10,000	US\$1	–	70	Investment holding
True Blue Developments Limited	1	US\$1	–	70	Investment holding
Twin Glory Investments Limited	1	US\$1	–	70	Investment holding
Winner World Group Limited	10	US\$1	80	80	Investment holding

# Notes to the Financial Statements

## 51 Principal associated companies

As at 30 June 2006

	Share capital issued <sup>#</sup>		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
<i>Incorporated and operate in Hong Kong</i>					
Birkenhead Properties & Investments Limited	1,200,000	1	–	64	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	–	35	Investment holding
Global Winner Limited	2	1	–	50	Property investment
Pure Jade Limited	1,000	1	–	20	Property investment
Quon Hing Concrete Company Limited	200,000	100	–	27	Production and sales of concrete
Ranex Investments Limited	100	1	–	10	Property investment
Shun Tak Centre Limited	1,000'A'	100	–	29	Property investment
	450'B'	10	–	64	
	550'C'	10	–	–	
Silverland Limited	4	1	50	50	Property investment
Sun City Holdings Limited	8,000,000	1	–	21	Investment holding
Yargoan Company Limited	150,000	100	–	23	Stone quarrying
<i>Incorporated and operate in Thailand</i>					
Ploenchit Arcade Company Limited	200,000	Baht1,000	–	13	Hotel investment

# Notes to the Financial Statements

## 51 Principal associated companies (continued)

As at 30 June 2006

	Registered capital/ Share capital issued <sup>#</sup>		Percentage of equity shares held		Principal activities
	Number Amount/	Par value per share	By the Company	By the Group	
<i>Incorporated in British Virgin Islands</i>					
East Asia Secretaries (BVI) Limited	300,000,000	HK\$1	–	13	Investment holding
Faith Yard Property Limited	2	US\$1	–	35	Property investment
Fortune Star Worldwide Limited	100	US\$1	–	28	Investment holding
Grand Make International Limited	100	US\$1	–	32	Investment holding
Newton Asia Limited	2	US\$1	50	50	Property investment
Tricor Holdings Limited	7,001	US\$1	–	13	Investment holding
<i>Incorporated and operate in the PRC</i>					
Shanghai New World Huai Hai Property Development Co., Ltd.	US\$108,500,000	–	–	31	Property investment
Guangzhou Oriental Power Company Limited	Rmb990,000,000	–	–	14	Generation and supply of electricity
Guang Zhou Pearl River Power Company Limited	Rmb420,000,000	–	–	28	Generation and supply of electricity
Tianjin Five Continents International Container Terminal Co., Ltd.	Rmb1,125,000,000	–	–	10	Operation of container terminal
Beijing – Zhuhai Expressway Guangzhou – Zhuhai Northern Section Company Limited	Rmb650,953,325	–	–	8	Operation of toll road
Zhaoqing Yuezhao Expressway Co., Ltd.	Rmb818,300,000	–	–	14	Operation of toll road
<i>Incorporated in Bermuda and operate in Hong Kong</i>					
Build King Holdings Limited	781,408,494	HK\$0.10	–	12	Investment holding
Taifook Securities Group Limited (formerly Tai Fook Securities Group Limited)	1,500,000,000** 578,669,699	HK\$0.01 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

\*\* Non-voting preference shares



# Notes to the Financial Statements

## 52 Principal jointly controlled entities

As at 30 June 2006

	Registered capital	Attributable interest <sup>a</sup>		Principal activities
		To the Company	To the Group	
<b>Equity joint ventures</b>				
<i>Incorporated and operate in the PRC</i>				
ATL Logistics Centre Yantian (Shenzhen) Limited	HK\$3,500,000	–	25	Operation of cargo handling and storage facilities
Tianjin Orient Container Terminals Co. Limited (formerly 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	–	20	Hotel operation
Kunming Fulintang Pharmaceutical Co., Ltd.	Rmb80,000,000	–	52	Pharmaceutical chain stores
Xiamen New World Xiangyu Terminals Co. Ltd.	Rmb384,040,000	–	27	Container handling and storage and road freight operations
HXNW Auto Service Ltd.	Rmb66,000,000	–	35	Car dealership
Xiamen Topstar Co., Ltd.	Rmb100,000,000	–	30	Lighting products business
The Waterman Co., Limited, Shanghai	US\$19,900,000	–	37	Manufacturing and distribution of distilled water
<b>Co-operative joint ventures</b>				
<i>Incorporated and operate in the PRC</i>				
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited	Rmb580,000,000	–	14	Operation of toll road
Beijing Chong Wen-New World Properties Development Co., Ltd.	US\$192,100,000	–	49	Property investment and development
Beijing Chong Yu Real Estate Development Co., Limited	US\$171,840,000	–	49	Property investment and development
China New World Electronics Limited	US\$57,200,000	–	49	Property investment and development
Guangzhou Fong Chuen New World Property Development Co., Ltd.	Rmb330,000,000	–	42	Property investment
Guangzhou Fucheng Property Development Co., Limited	HK\$80,000,000	–	42	Property development
Guangzhou Hemsell Real Estate Development Co., Ltd.	Rmb79,597,000	–	42	Property development
Guangzhou Jixian Zhuang New World City Garden Development Limited	US\$24,000,000	–	42	Property development
Guangzhou Northring Freeway Company Limited	US\$19,255,000	–	35	Operation of toll road
Haikou New World Housing Development Limited	US\$8,000,000	–	42	Property development

# Notes to the Financial Statements

## 52 Principal jointly controlled entities *(continued)*

As at 30 June 2006

	Registered capital	Attributable interest <sup>a</sup>		Principal activities
		To the Company	To the Group	
Huishen (Yantian) Expressway Huizhou Company Limited	Rmb139,980,000	–	18	Operation of toll road
Huizhou City Huixin Expressway Company Limited	Rmb34,400,000	–	27	Investment holding and operation of toll road
Huizhou New World Housing Development Limited	Rmb80,000,000	–	44	Property development
New Bei Fang Hotel Ltd.	US\$12,000,000	–	42	Property investment
Shanghai Trio Property Development Co., Limited	US\$54,000,000	–	33	Property development
Tianjin New World Housing Development Co., Ltd.	Rmb80,000,000	–	42	Property development
Tianjin New World Properties Development Co., Ltd.	US\$12,000,000	–	49	Property development
Tangjin Expressway (Tianjin North Section)				
Tianjin Xindi Expressway Company Limited	Rmb93,688,000	–	49 <sup>ⓐ</sup>	Operation of toll road
Tianjin Xinlong Expressway Company Limited	Rmb99,400,000	–	49 <sup>ⓐ</sup>	Operation of toll road
Tianjin Xinlu Expressway Company Limited	Rmb99,092,000	–	49 <sup>ⓐ</sup>	Operation of toll road
Tianjin Xinming Expressway Company Limited	Rmb85,468,000	–	49 <sup>ⓐ</sup>	Operation of toll road
Tianjin Xinqing Expressway Company Limited	Rmb99,368,000	–	49 <sup>ⓐ</sup>	Operation of toll road
Tianjin Xinquan Expressway Company Limited	Rmb92,016,000	–	49 <sup>ⓐ</sup>	Operation of toll road
Tianjin Xinsen Expressway Company Limited	Rmb87,300,000	–	49 <sup>ⓐ</sup>	Operation of toll road
Tianjin Xinshi Expressway Company Limited	Rmb99,388,000	–	49 <sup>ⓐ</sup>	Operation of toll road
Tianjin Xinsi Expressway Company Limited	Rmb96,624,000	–	49 <sup>ⓐ</sup>	Operation of toll road
Tianjin Xintong Expressway Company Limited	Rmb99,448,000	–	49 <sup>ⓐ</sup>	Operation of toll road
Tianjin Xintuo Expressway Company Limited	Rmb99,316,000	–	49 <sup>ⓐ</sup>	Operation of toll road
Tianjin Xinxiang Expressway Company Limited	Rmb90,472,000	–	49 <sup>ⓐ</sup>	Operation of toll road
Tianjin Xinyan Expressway Company Limited	Rmb89,028,000	–	49 <sup>ⓐ</sup>	Operation of toll road
Tianjin Xinzhan Expressway Company Limited	Rmb89,392,000	–	49 <sup>ⓐ</sup>	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	–	42	Property development
Wuhan Wuxin Hotel Co., Ltd.	US\$13,500,000	–	42	Property investment
Wuxi New City Development Co., Limited	US\$10,400,000	–	26	Hotel operation

<sup>a</sup> percentage of equity interest, in the case of equity joint ventures or profit sharing percentage, in the case of co-operative joint ventures.

<sup>ⓐ</sup> Represented cash sharing ratio for the first 15 years of the joint venture period, thereafter the ratio will change to 60%.

# Notes to the Financial Statements

## 52 Principal jointly controlled entities *(continued)*

As at 30 June 2006

	Share capital issued <sup>#</sup>		Percentage of equity shares held		Principal activities
	Number	Par value per share	By the Company	By the Group	
<b>Companies limited by shares</b>					
<i>Incorporated and operate in Hong Kong</i>					
Asian Success Investments Limited	900	HK\$1	–	33	Property investment
ATL Logistics Centre Hong Kong Limited	100,000'A'	HK\$1	–	30	Operation of cargo
	20,000'B'***	HK\$1	–	43	handling and
	54,918*	HK\$1	–	–	storage facilities
ATL Logistics Centre Yantian Limited	10,000	HK\$1	–	25	Investment holding
Best Link Development Limited	20	HK\$1	–	50	Property investment
China Aerospace New World Technology Limited	30,000,000	HK\$1	–	50	Investment holding
Direct Profit Development Limited	200,000	HK\$0.05	–	12	Property investment
Far East Landfill Technologies Limited	1,000,000	HK\$1	–	25	Landfill
First Star Development Limited	100	HK\$1	–	27	Property development
Gloryland Limited	900	HK\$1	–	33	Property investment
Grace Sign Limited	1,000	HK\$1	–	30	Property investment
Istaron Limited	4	HK\$1	–	32	Investment holding
Jade Gain Enterprises Limited	100	HK\$1	–	45	Property investment
New Green Environmental Sciences Limited	10,000	HK\$1	–	27	Environmental products and services
Newfoundworld Holdings Limited	200,000	HK\$10	–	20	Investment holding
Newfoundworld Limited	200,000	HK\$10	–	20	Property investment
Ocean Champion Development Limited	10,000	HK\$1	–	50	Property investment
Poly Rising Development Limited	1	HK\$1	–	27	Property development
Sheenity Enterprises Limited	10,000	HK\$1	–	50	Property investment
Super Lion Enterprises Limited	2	HK\$1	50	50	Property investment
Supertime Holdings Limited	100	HK\$1	–	28	Property development
Tate's Cairn Tunnel Company Limited	1,100,000	HK\$0.01	–	16	Operation of toll tunnel
	600,000,000*	HK\$1	–	–	
United Asia Terminals (Yantian) Limited	52,000'A'	HK\$1	–	–	Operation of cargo
	52,000'B'	HK\$1	–	22	handling and storage
	26,000'C'	HK\$1	–	–	facilities
Wise Come Development Limited	30	HK\$1	–	40	Property investment

# Notes to the Financial Statements

## 52 Principal jointly controlled entities (continued)

As at 30 June 2006

	Share capital issued <sup>#</sup>		Percentage of equity shares held		Principal activities
	Number/ Amount	Par value per share	By the Company	By the Group	
<i>Incorporated and operate in the PRC</i>					
Fortune Leader Overseas Chinese (Daiyawan) Investment Co. Ltd.	US\$16,950,000	–	–	27	Club house and resort
Fortune Leader Overseas Chinese (Daiyawan) Real Estate Development Co. Ltd.	US\$13,880,000	–	–	41	Property development
<i>Incorporated in British Virgin Islands and operate in the PRC</i>					
Holicon Holdings Limited	2	US\$1	–	50	Property investment
Jaidan Profits Limited	2	US\$1	–	50	Property investment
Jorvik International Limited	2	US\$1	–	50	Property investment
Orwin Enterprises Limited	2	US\$1	–	50	Property investment
<i>Incorporated in British Virgin Islands</i>					
New World Liberty China Ventures Limited	1,134	US\$1	–	71	Investment holding
	100**	US\$1	–		
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	–	18	Property investment
<i>Incorporated and operate in Malaysia</i>					
Great Union Properties Sdn. Bhd.	100,000,000	M\$1	–	38	Property investment
	10,000,000 <sup>^</sup>	M\$0.10	–	38	
T & T Properties Sdn. Bhd.	9,500,000	M\$1	–	33	Property investment
<i>Incorporated in Hong Kong and operate in Macau and the PRC</i>					
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

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