

Notes to the Financial Statements

1 GENERAL INFORMATION

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

The 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.

These financial statements have been approved by the Board of Directors on 11 October 2007.

2 BASIS OF PREPARATION

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

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

(a) Adoption of new or revised standards

For the year ended 30 June 2006, the Group early adopted the amendment to Hong Kong Accounting Standard 21 “The effects of changes in foreign exchange rates — Net investment in a foreign operation”. For the year ended 30 June 2007, the Group has adopted all the remaining new standards, amendments and interpretations that are effective for the accounting periods beginning on or after 1 January 2006. However, the adoption of these new standards does not have any significant change to the accounting policies or any significant effect on results and financial position of the Group.

(b) Standards, amendments and interpretations which are not yet effective

The following new standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2007 or later periods but which the Group has not early adopted:

Effective for the year ending 30 June 2008

HKAS 1 Amendment	Presentation of financial statements — capital disclosures
HKFRS 7	Financial instruments: disclosures
HK(IFRIC)–Int 10	Interim financial reporting and impairment
HK(IFRIC)–Int 11	HKFRS 2 — Group and treasury share transactions

Effective for the year ending 30 June 2009

HK(IFRIC)–Int 12	Service concession arrangements
HK(IFRIC)–Int 13	Customer loyalty programmes
HK(IFRIC)–Int 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction

2 BASIS OF PREPARATION (Continued)

(b) Standards, amendments and interpretations which are not yet effective

(Continued)

Effective for the year ending 30 June 2010

HKFRS 8	Operating segments
HKAS 23 (Revised)	Borrowing costs

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

The principal accounting policies adopted for the preparation of these financial statements, which have been consistently applied to all the years presented, are set out as below:

(a) Consolidation

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

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and 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.

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.

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Consolidation (Continued)

(ii) Joint ventures

(1) Jointly controlled entities

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

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, using the straight line method, 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.

Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(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.

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Consolidation (Continued)

(iii) Associated companies

An associated company is a company other than a subsidiary and a jointly controlled entity, in which the 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 receivable, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the 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.

(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, jointly controlled entities or associated companies at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of jointly controlled entities and associated companies is included in interests in jointly controlled entities and associated companies respectively. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of all or part of an entity include the carrying amount of goodwill relating to the entity sold.

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

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Intangible assets (Continued)

(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 twenty 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) Trademark and licences

Trademark has a finite useful life and is carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademark over their estimated useful lives.

Licences with indefinite lives are tested for impairment annually either individually or at the cash-generating units. Such licences are not amortised.

(iv) Development costs

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

(c) 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.

(d) 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.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If a property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gives rise to a reversal of the previous impairment loss, the write-back is recognised in the income statement.

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment

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

(i) Assets under construction

All direct and indirect costs relating to the construction of property, plant and equipment, including borrowing costs during the construction period are capitalised as the costs of the assets.

(ii) Depreciation

No depreciation is provided on assets under construction.

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. 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.

(f) 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.

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Investments

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) *Loans and receivable*

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

Regular purchases and sales of investments are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction cost are expensed in the income statement. 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 receivable and held-to-maturity investments are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the income statement in the financial period in which they arise. Changes in the fair value of available-for-sale financial assets are recognised in 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 financial assets. Changes in the fair value of monetary financial assets denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the financial asset and other changes in the carrying amount of the financial asset. The translation differences on monetary financial assets are recognised in the income statement; translation differences on non-monetary financial assets are recognised in equity.

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Investments (Continued)

The fair values of listed investments are based on current bid prices. If the market for a financial asset is not active and for unlisted financial assets, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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 classified as available-for-sale are not reversed through the income statement.

(h) Properties for/under development

Properties 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.

(i) Completed properties for sale

Completed properties 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.

(j) 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 (r)(iii), less provision for anticipated losses and progress payments received and receivable.

(k) Trade and other receivable

Trade and other receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, which 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 receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the receivable is impaired. 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 original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the provision is recognised in the income statement. When a receivable is uncollectible, it is written off against the allowance account for receivable. Subsequent recoveries of amounts previously written off are credited in the income statement.

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Cash and cash equivalents

Cash and bank balances 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. Bank overdrafts are shown within borrowings under current liabilities in the balance sheet.

(m) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(n) 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.

(o) 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, jointly controlled entities and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) 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 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.

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.

(q) Convertible bonds

(i) *Convertible bonds with equity component*

Convertible bonds that can be converted to equity share capital at the option of the holders, where the number of shares that would be issued on conversion and the value of the consideration that would be received do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible bonds is determined using a market interest rate for an equivalent non-convertible bond. The remainder of the proceeds is allocated to the conversion option as equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity. The equity component is recognised in equity, net of any tax effects.

When the bond is converted, the relevant equity component and the carrying amount of the liability component at the time of conversion are transferred to share capital and share premium for the shares issued. When the bond is redeemed, the relevant equity component is transferred to retained profit.

(ii) *Convertible bonds without equity component*

All other convertible bonds which do not exhibit the characteristics mentioned in (i) above are accounted for as hybrid instruments consisting of an embedded derivative and a host debt contract.

At initial recognition, the embedded derivative of the convertible bonds is accounted for as derivative financial instruments and is measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as a liability under the contract. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability under the contract.

The derivative component is subsequently carried at fair value and changes in fair value are recognised in the income statement. The liability under the contract is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity.

When the bond is converted, the carrying amount of the liability under the contract together with the fair value of the relevant derivative component at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the bond is redeemed, any difference between the redemption amount and the carrying amounts of both components is recognised in the income statement.

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Revenue recognition

Revenue comprises the fair value of the consideration for the sale of goods and services rendered in the ordinary course of the activities of the Group. Revenue is shown net of sales tax, returns, rebates and discounts, allowances for credit and other revenue reducing factors.

Revenue is recognised when the amount can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activities have been resolved. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(i) Rental

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

(ii) Property sales

Sale of properties is recognised when the risks and rewards of the properties are passed to the purchasers. Deposits and instalments received on properties sold prior to their completion are included under 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 and port operations

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

(vi) Telecommunication services

Telecommunication service revenue is recognised when service is rendered and is based on the usage of the digital mobile radio telecommunication network and facilities. Telecommunication revenue in respect of standard service plans billed in advance at the balance sheet date 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. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) **Revenue recognition** (Continued)

(x) **Dividend**

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

(s) **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 (e)(ii) above.

(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.

(t) **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.

(u) **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.

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(u) **Employee benefits** (Continued)

(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 over the remaining vesting period, with a corresponding adjustment to equity.

(v) **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.

Translation differences on non-monetary financial assets held at fair value through profit or loss is reported as part of the fair value gain or loss. Translation differences on non-monetary available-for-sale financial assets are included in equity.

(iii) **Group companies**

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

- (1) assets and liabilities for each balance sheet presented are translated at the exchange rate ruling at the date of that balance sheet;
- (2) income and expenses for each income statement are translated at average exchange rates; and
- (3) 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 exchange rate ruling at the balance sheet date.

(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.

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(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, properties for sale, properties for 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 financial period when the dividends become legal and constructive obligations of the Company.

4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

(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 to on-lend or contribute as equity to its subsidiaries, jointly controlled entities and associated companies to meet their funding needs in order to provide more cost-efficient financing.

(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.

(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.

4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

(Continued)

(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 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.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

(Continued)

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.

(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 based on estimates of the extent and timing of future cash flows using applicable discount rates. The final outcome of the recoverability and cash flows of these receivables will impact the amount of impairment required.

(d) Impairment of properties for development, properties under development and properties for sale

The Group assesses the carrying amounts of properties 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 Mainland China 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 financial period when the outcome of the potential liabilities can be reliably determined.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**(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 current tax and deferred tax provisions in the financial period in which such determination is made.

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

(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.

(h) Share-based payments

The fair value of options granted is appraised by independent professional valuers based on the various assumptions on volatility, life of options, dividend paid out rate and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair value of the share options at the date of grant.

6 TURNOVER AND SEGMENT INFORMATION

	2007 HK\$m	2006 HK\$m
Rental	1,210.3	1,096.4
Property sales	2,916.7	5,325.5
Contracting	10,030.5	7,508.0
Provision of service	3,557.9	3,544.4
Infrastructure operations	299.5	308.1
Telecommunication services	890.0	2,297.6
Department store operations	1,704.1	1,357.1
Hotel operations	2,331.4	2,052.1
Others	344.1	421.0
	23,284.5	23,910.2

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

6 TURNOVER AND SEGMENT INFORMATION (Continued)

(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
2007										
External	1,210.3	2,916.7	13,588.4	299.5	890.0	1,704.1	2,331.4	344.1	—	23,284.5
Inter-segment	173.9	—	1,345.3	—	69.3	—	—	—	(1,588.5)	—
Turnover	1,384.2	2,916.7	14,933.7	299.5	959.3	1,704.1	2,331.4	344.1	(1,588.5)	23,284.5
Segment results	779.2	310.2	572.4	84.1	(73.1)	247.0	621.2	(106.8)	—	2,434.2
Other gains/(charge)	(18.4)	(44.6)	164.6	(23.1)	14.8	32.9	(1.9)	1,526.8	—	1,651.1
Changes in fair value of investment properties	1,263.9	—	—	—	—	—	—	—	—	1,263.9
Unallocated corporate expenses										(1,313.6)
Operating profit										4,035.6
Financing income										817.8
Financing costs										(1,173.3)
										3,680.1
Share of results of Jointly controlled entities	408.7	236.4	335.5	716.5	—	—	53.1	(86.1)	—	1,664.1
Associated companies	287.8	41.4	258.4	316.5	493.2	—	0.6	(72.1)	—	1,325.8
Profit before taxation										6,670.0
Taxation										(902.5)
Profit for the year										5,767.5
Segment assets	27,486.7	35,755.3	18,609.9	2,155.7	1,598.8	2,414.2	2,161.3	3,774.5	—	93,956.4
Interests in jointly controlled entities	3,768.6	9,471.0	3,382.8	6,222.0	—	—	831.3	617.8	—	24,293.5
Interests in associated companies	2,772.5	1,389.0	1,778.6	1,961.2	2,256.5	—	128.8	53.7	—	10,340.3
Unallocated assets										15,508.9
Total assets										144,099.1
Segment liabilities	406.9	5,811.9	8,483.8	427.3	383.6	1,333.5	747.3	1,246.4	—	18,840.7
Unallocated liabilities										46,774.6
Total liabilities										65,615.3
Capital expenditure	101.1	210.4	187.1	1.5	86.7	138.0	56.0	42.6	—	823.4
Depreciation and amortisation	38.7	129.3	110.2	87.4	84.4	155.2	158.2	41.6	—	805.0
Impairment charge and provision	—	43.8	1.0	81.1	19.4	—	—	146.9	—	292.2

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
2006										
External	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	182.0	—	1,236.7	—	62.4	—	—	—	(1,481.1)	—
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 gains/(charge)	4.3	(162.6)	30.8	(54.5)	759.5	(9.9)	(31.0)	(2,300.5)	—	(1,763.9)
Changes in fair value of investment properties	1,462.9	—	—	—	—	—	—	—	—	1,462.9
Unallocated corporate expenses										(556.0)
Operating profit										1,786.5
Financing income										541.2
Financing costs										(1,115.0)
										1,212.7
Share of results of Jointly controlled entities	312.6	469.4	328.9	597.0	—	—	(18.6)	(53.1)	—	1,636.2
Associated companies	231.3	(15.9)	108.9	369.9	27.7	—	2.0	(67.1)	—	656.8
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 jointly controlled entities	4,054.2	8,971.2	3,800.9	5,185.1	—	—	896.3	434.0	—	23,341.7
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
Unallocated assets										7,749.5
Total assets										114,160.6
Segment liabilities	416.5	5,875.1	4,737.3	367.2	622.0	1,320.5	932.5	1,433.0	—	15,704.1
Unallocated liabilities										29,092.0
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

6 TURNOVER AND SEGMENT INFORMATION (Continued)**(b) Secondary reporting format – geographical segments**

	Turnover HK\$m	Segment assets HK\$m	Capital expenditure HK\$m
2007			
Hong Kong and Southeast Asia	12,167.9	62,798.2	500.5
Mainland China	6,007.8	29,362.1	322.6
Macau	5,108.8	1,425.6	0.3
North America	—	370.5	—
	23,284.5	93,956.4	823.4
2006			
Hong Kong and Southeast Asia	16,984.3	49,943.1	452.2
Mainland China	4,766.5	23,085.7	755.7
Macau	2,159.4	613.2	4.3
North America	—	42.7	—
	23,910.2	73,684.7	1,212.2

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

	2007 HK\$m	2006 HK\$m
Dividend income from investments in		
Listed shares	15.8	11.7
Unlisted shares	36.5	23.8
	52.3	35.5

8 OTHER GAINS/(CHARGE)

	2007 HK\$m	2006 HK\$m
Write back of provision for		
Advance to an investee company	—	60.5
Loans receivable	13.8	—
Other receivable	64.8	38.8
Recovery from the PrediWave Companies (<i>Note</i>)	1,593.6	—
Excess of fair value of net assets acquired over the cost of acquisition of		
Additional interests of subsidiaries	7.4	—
Additional interests of jointly controlled entities	—	103.4
Subsidiaries	3.7	32.1
Gain on redemption of convertible bonds	—	48.0
Gain on fair value of financial assets at fair value through profit or loss	7.8	5.3
Gain on deemed disposal of interests in a subsidiary	125.7	82.4
Net profit/(loss) on disposal of		
Property, plant and equipment, leasehold land and land use rights	(25.3)	22.7
Jointly controlled entities	—	17.3
Associated companies	—	317.4
Available-for-sale financial assets	18.6	—
Financial assets at fair value through profit or loss	9.1	—
Subsidiaries	122.8	1,048.2
Partial interests in subsidiaries	9.6	—
Impairment loss on		
Property, plant and equipment	(83.9)	(340.7)
Intangible assets	(36.3)	(42.5)
Deposits paid for joint ventures	—	(161.4)
Available-for-sale financial assets	(12.0)	(133.2)
Deposits for proposed investments	(9.5)	(1,531.2)
Loans receivable	(144.3)	(1,060.6)
Other assets	—	(47.5)
Write down of stocks to net realisable value	(6.2)	(15.2)
Loss on deemed disposal of interests in subsidiaries	(8.3)	(207.7)
	1,651.1	(1,763.9)

Note:

In May 2004, New World TMT Limited ("NWTMT") filed complaints to the Superior Court of the State of California for the County of Santa Clara (the "Court") in the United States of America (the "NWTMT Complaint") against the PrediWave Companies and Mr. Tony Qu, the president and founder of the PrediWave Companies. Under the NWTMT Complaint, NWTMT alleged that, in reliance of the representations given by Mr. Tony Qu and PrediWave, NWTMT entered into various agreements with the PrediWave Companies under which the Group invested in the PrediWave Companies and placed various purchase orders for goods and services relating to the technology of video-on-demand and other digital broadcasting and related technology and added value services. The Group 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, on which full provision has been made by the Group in the previous years.

On 27 December 2006, the Court determined against Mr. Tony Qu and the PrediWave Companies with damages payable to NWTMT of over US\$2.8 billion (approximately HK\$21,840.0 million) (the "Judgement"), which includes US\$2.0 billion (approximately HK\$15,600.0 million) in punitive damages. Based on the Judgement, NWTMT sought recovery for the amount awarded from Mr. Tony Qu and the PrediWave Companies, including all their assets. Based on the best estimation of the Directors and taking into consideration of the remaining assets of PrediWave that could be recoverable by NWTMT, the Group recognised an aggregate recovery from the PrediWave litigations of HK\$1,593.6 million for the year ended 30 June 2007.

9 OPERATING PROFIT

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

	2007 HK\$m	2006 HK\$m
Gross rental income from investment properties	1,050.3	907.8
Outgoings	(311.3)	(288.5)
	739.0	619.3
Cost of inventories sold	(3,441.6)	(5,152.8)
Depreciation		
Leased property, plant and equipment	(23.4)	(35.9)
Owned property, plant and equipment	(612.1)	(850.1)
Amortisation		
Development cost	(3.6)	—
Leasehold land and land use rights (<i>Note</i>)	(165.9)	(136.8)
Operating lease rental expense		
Land and buildings	(543.9)	(619.5)
Other equipment	(8.7)	(10.0)
Staff costs (<i>Note 15(a)</i>)	(3,969.5)	(3,227.0)
Foreign exchange gain/(loss), net	16.9	(96.9)
Auditors' remuneration		
Audit services	(50.5)	(43.9)
Non-audit services	(2.6)	(12.7)

Note:

Amortisation of leasehold land and land use rights is stated after amount capitalised in properties for development, properties under development and assets under construction of HK\$66.0 million, HK\$133.6 million and Nil (2006: HK\$32.9 million, HK\$142.7 million and HK\$6.6 million) respectively.

10 FINANCING COSTS

	2007 HK\$m	2006 HK\$m
Interest on bank loans and overdrafts		
Wholly repayable within five years	1,301.3	1,113.0
Not wholly repayable within five years	18.9	17.5
Interest on finance leases wholly payable within five years	3.3	3.9
Interest on convertible bonds		
Wholly repayable within five years	9.7	23.9
Not wholly repayable within five years	22.0	—
Interest on loans from minority shareholders		
Wholly repayable within five years	5.9	33.0
Not wholly repayable within five years	35.0	5.2
Loss/(gain) in fair value of financial instruments	0.3	(5.0)
Total borrowing costs incurred	1,396.4	1,191.5
Interest capitalised as cost of		
Property, plant and equipment	—	(10.0)
Properties under development	(223.1)	(66.5)
	1,173.3	1,115.0

11 TAXATION

	2007 HK\$m	2006 HK\$m
Current taxation		
Hong Kong profits tax	385.3	415.6
Mainland China and overseas taxation	204.7	169.2
Mainland China land appreciation tax	117.6	5.4
Deferred taxation		
Valuation of investment properties	273.6	275.8
Temporary differences	5.6	26.6
Effect of change in tax rate	(84.3)	—
	902.5	892.6

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 3.0% to 33.0% (2006: 3.0% to 33.0%). Mainland China land appreciation tax is provided at progressive rates ranging from 30.0% to 60.0% (2006: 30.0% to 60.0%) on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land use rights and property development expenditures.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), pursuant to which the corporate income tax rates for domestic and foreign enterprises are unified at 25.0% effective from 1 January 2008. The New CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit, on which detailed measures have yet to be issued. The Group has however reassessed the amount of deferred taxation as at 30 June 2007 based on the best estimation of the applicable corporate income tax rates. The Group will continue to evaluate the impact as more detailed regulations on these areas are announced.

Share of taxation of jointly controlled entities and associated companies of HK\$273.3 million and HK\$139.9 million (2006: HK\$341.4 million and HK\$155.9 million) respectively, are included in the income statement as share of results of jointly controlled entities and associated companies.

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:

	2007 HK\$m	2006 HK\$m
Profit before taxation and share of results of jointly controlled entities and associated companies	3,680.1	1,212.7
Calculated at a taxation rate of 17.5% (2006: 17.5%)	644.0	212.2
Effect of different taxation rates in other countries	100.5	58.7
Income not subject to taxation	(542.8)	(537.1)
Expenses not deductible for taxation purposes	501.0	851.8
Tax losses not recognised	138.9	150.1
Temporary differences not recognised	47.7	31.7
Tax exemption granted	(36.9)	(14.0)
Utilisation of previously unrecognised tax losses	(74.8)	(54.3)
Effect of change in tax rate	(84.3)	—
Others	91.6	188.1
	784.9	887.2
Mainland China land appreciation tax	117.6	5.4
Taxation charge	902.5	892.6

12 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK\$675.3 million (2006: HK\$2,140.1 million).

13 DIVIDENDS

	2007 HK\$m	2006 HK\$m
Interim dividend of HK\$0.15 (2006: HK\$0.13) per share	553.8	473.1
Final dividend proposed of HK\$0.25 (2006: HK\$0.20) per share	928.3	732.8
	1,482.1	1,205.9
Of which the following were settled by the issue of scrip:		
Interim dividend	382.5	277.5
Final dividend	*	410.9

* Full amount had been set aside from retained profits for the 2007 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 11 October 2007, the Directors recommended a final dividend of HK\$0.25 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 2008.

14 EARNINGS PER SHARE

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

	2007 HK\$m	2006 HK\$m
Profit attributable to shareholders	4,312.9	1,059.8
Effect of dilutive potential shares:		
Interest expense on convertible bonds	18.2	—
Adjustment on the effect of dilution in the results of subsidiaries	(9.3)	(1.9)
	4,321.8	1,057.9
	Number of shares	
	2007	2006
Weighted average number of shares (million) for calculating basic earnings per share	3,676.1	3,557.8
Effect of dilutive potential shares:		
Convertible bonds	16.6	—
Share options	2.5	—
Weighted average number of shares (million) for calculating diluted earnings per share	3,695.2	3,557.8

15 STAFF COSTS**(a) Staff costs**

	2007 HK\$m	2006 HK\$m
Wages, salaries and other benefits	3,118.7	3,071.9
Pension costs — defined benefits plans <i>(Note (b)(i))</i>	(1.6)	—
Pension costs — defined contribution plans <i>(Note (b)(ii))</i>	138.6	149.3
Share options <i>(Note (c))</i>	713.8	5.8
	3,969.5	3,227.0

Staff costs include Directors' remuneration.

(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.

	2007 HK\$m	2006 HK\$m
The amounts recognised in the balance sheet were as follows:		
Present value of defined benefit obligations	(70.2)	(72.6)
Fair value of plan assets	135.5	114.2
	65.3	41.6
Present value of unfunded obligations	—	(0.1)
Unrecognised actuarial gains	(41.4)	(20.1)
	23.9	21.4
Retirement benefit assets <i>(Note 28)</i>	23.9	21.4

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

At the beginning of the year	72.7	73.8
Interest cost	3.2	2.6
Current service cost	3.9	3.9
Contribution by employees	1.7	2.0
Benefit paid	(8.9)	(5.3)
Net transfer in/(out)	1.4	(0.7)
Actuarial gains	(3.8)	(3.6)
	70.2	72.7
At the end of the year	70.2	72.7

15 STAFF COSTS (Continued)**(b) Retirement benefit costs** (Continued)**(i) Defined benefit plans** (Continued)

	2007 HK\$m	2006 HK\$m
The movements in the fair value of plan assets are as follows:		
At the beginning of the year	114.2	102.4
Expected return of plan assets	7.9	6.5
Contribution by employees	1.7	2.0
Contribution by the Group	0.9	2.0
Benefit paid	(8.9)	(5.3)
Net transfer in/(out)	1.4	(0.7)
Actuarial gains	18.3	7.3
At the end of the year	135.5	114.2

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

Current service cost	3.9	3.9
Interest cost	3.2	2.6
Expected return on plan assets	(7.9)	(6.5)
Net actuarial gains recognised	(0.8)	—
Total included in staff costs (Note (a))	(1.6)	—

The actual return on plan assets was HK\$26.2 million (2006: HK\$13.5 million).

	2007	2006
The principal actuarial assumptions used were as follows:		
Discount rate	5.0%	5.0%
Expected rate of return on plan assets	7.0%	7.0%
Expected rate of future salary increases	4.0%	4.0%

Fair value of the plan assets are analysed as follows:

Equity instruments	72.0%	69.5%
Debt instruments	21.2%	21.4%
Other assets	6.8%	9.1%

The fair value of the plan assets does not include amounts relating to any of the Company's own financial instruments and property occupied by, or other assets used by the Group.

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the market.

15 STAFF COSTS (Continued)**(b) Retirement benefit costs** (Continued)**(i) Defined benefit plans** (Continued)

Expected contributions to defined benefit plans for the year ending 30 June 2008 are HK\$0.2 million.

	2007 HK\$m	2006 HK\$m
Present value of defined benefit obligations	(70.2)	(72.6)
Fair value of plan assets	135.5	114.2
Surplus	65.3	41.6
Experience adjustments on defined benefit obligations	1.5	(0.4)
Experience adjustments on plan assets	18.4	6.7

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

(ii) Defined contribution plans

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

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

The amount charged to the income statement in respect of these schemes was HK\$138.6 million (2006: HK\$149.3 million) after netting off forfeited contributions of HK\$4.7 million (2006: HK\$12.4 million). Forfeited contributions available to reduce future contributions amounted to HK\$1.1 million (2006: HK\$0.1 million).

(c) Share options

The Company and its subsidiaries, New World China Land Limited ("NWCL"), NWS Holdings Limited ("NWSH"), New World Mobile Holdings Limited ("NWMH") and Taifook Securities Group Limited ("Taifook") operate share option schemes whereby options may be granted to eligible employees and Directors, to subscribe for shares of the Company, NWCL, NWSH, NWMH and Taifook respectively.

15 STAFF COSTS (Continued)

(c) Share options (Continued)

Details of share options are as follows:

Grantor	Date of grant	Exercise price HK\$	Number of share options				30 June 2007	Note
			1 July 2006	Granted	Exercised	Lapsed/ cancelled		
The Company	19 March 2007	17.756	—	136,450,000	(230,000)	—	136,220,000	(i)
NWCL	29 June 2001 to 11 July 2007	0.912 to 6.710	12,617,300	5,282,400	(4,581,800)	(1,615,800)	11,702,100	(ii)
NWSH	21 July 2003	3.711	2,548,937	—	(1,061,926)	(6,844)	1,480,167	(iii)
NWMH	8 February 2002 to 8 April 2005	1.260 to 2.440	3,116,000	—	(2,356,000)	(482,000)	278,000	(iv)
Taifook	5 September 2003 to 10 February 2006	0.94 to 1.20	40,978,000	—	(36,678,000)	(1,000,000)	3,300,000	(v)

Notes:

(i) Except for 112,300,000 share options which are exercisable from 19 March 2007 to 18 March 2012, all the outstanding options are divided into 5 tranches and exercisable from 19 March 2007, 19 March 2008, 19 March 2009, 19 March 2010 and 19 March 2011 respectively to 18 March 2012.

The fair value of the share options granted during the year was determined using the Binomial pricing model of HK\$823.9 million. The significant inputs to the model was share price of HK\$17.52 at the grant date, exercise price of HK\$17.756, risk-free interest rate of 4.098% per annum, a five-year period historical volatility of 41.2%, expected option life of 5 years, expected dividends of 1.81% and suboptimal exercise factor of 2 times of the exercise price (which accounts for the early exercise behaviour of the option holders).

(ii) Except for the 700,000 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 was determined using the Binomial Model of HK\$8.8 million (2006: HK\$6.9 million). The significant inputs to the model was share price ranging from HK\$2.865 to HK\$6.710 (2006: HK\$2.300 to HK\$3.875) at the grant dates, exercise prices ranging from HK\$2.865 to HK\$6.710 (2006: HK\$2.300 to HK\$3.915), volatility of the share of ranging from 43% to 47% (2006: 52% to 53%), expected life of options of 5 years (2006: 2 and 5 years), expected dividend yield of 0% to 1.33% (2006: 0%), risk-free interest rate ranging from 3.68% to 4.78% (2006: 3.18% to 4.50%) and suboptimal exercise factor of ranging from 1.55 to 1.74 (2006: 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.

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

(iv) The share options are exercisable on or before 31 December 2010. Upon completion of the disposal of the entire interest held by the Company in NWMH on 4 January 2007. NWMH ceased to be a subsidiary of the Group.

(v) The share options are exercisable on or before 9 August 2014.

16 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Name of Directors	Fees HK\$m	Salaries, allowances and benefits	Bonus HK\$m	Retirement schemes contributions	Share options	Total HK\$m
		in kind HK\$m		HK\$m	HK\$m	
Year ended 30 June 2007						
Dr. Cheng Yu-Tung	0.3	—	—	—	220.4	220.7
Dr. Cheng Kar-Shun, Henry	0.7	17.3	1.3	0.8	220.4	240.5
Lord Sandberg, Michael	0.3	—	—	—	1.8	2.1
Dr. Sin Wai-Kin, David	0.2	—	—	—	1.8	2.0
Mr. Cheng Yue-Pui	0.2	—	—	—	1.2	1.4
Mr. Liang Chong-Hou, David	0.2	—	—	—	1.8	2.0
Mr. Yeung Ping-Leung, Howard	0.3	—	—	—	1.8	2.1
Dr. Cha Mou-Sing, Payson	0.3	—	—	—	1.8	2.1
Mr. Cheng Kar-Shing, Peter	0.4	2.8	0.4	0.3	2.7	6.6
Mr. Leung Chi-Kin, Stewart	0.4	4.5	0.7	0.4	220.4	226.4
Mr. Chow Kwai-Cheung	0.3	3.5	0.6	0.4	2.7	7.5
Mr. Ho Hau-Hay, Hamilton	0.2	—	—	—	1.2	1.4
Mr. Lee Luen-Wai, John	0.5	—	—	—	1.8	2.3
Mr. Liang Cheung-Biu, Thomas	0.2	—	—	—	1.2	1.4
Mr. Cheng Chi-Kong, Adrian	0.2	1.3	0.1	0.2	0.8	2.6
Total	4.7	29.4	3.1	2.1	681.8	721.1

Name of Directors	Fees HK\$m	Salaries, allowances and benefits	Bonus HK\$m	Retirement schemes contributions	Share options	Total HK\$m
		in kind HK\$m		HK\$m	HK\$m	
Year ended 30 June 2006						
Dr. Cheng Yu-Tung	0.3	—	—	—	—	0.3
Dr. Cheng Kar-Shun, Henry	0.5	13.9	1.2	0.6	0.1	16.3
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	0.3	—	—	—	—	0.3
Dr. Cha Mou-Sing, Payson	0.3	—	—	—	—	0.3
Mr. Cheng Kar-Shing, Peter	0.2	2.5	0.3	0.3	—	3.3
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	—	4.1
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	0.1	30.9

16 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

Fees paid to Independent Non-executive Directors amounted to HK\$1.4 million (2006: HK\$1.2 million). Other than share options granted to Independent Non-executive Directors, there were no other emoluments paid to Independent Non-executive Directors.

The value of the share options granted to the Directors of the Company and the senior management under the share option schemes of the Company and its subsidiaries represents the fair value of these options charged to the income statement for the year in accordance with HKFRS 2. In the financial statements for the year ended 30 June 2006, the emoluments relating to the share options represent the aggregate difference between the exercise price and the market price of total share options exercised at the dates of exercise. In order to conform to the basis of disclosure in the current year, the 2006 comparatives have been restated.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three Directors (2006: two Directors) whose emoluments are reflected above. The emoluments payable to the remaining two (2006: three) individuals during the year are as follows:

	2007 HK\$m	2006 HK\$m
Salaries and other emoluments	16.3	20.9
Contributions to retirement benefit schemes	0.4	0.9
Share options	1.2	0.2
	17.9	22.0

The emoluments of the individuals fell within the following bands:

Emolument band (HK\$)	2007	2006
5,000,001 – 5,500,000	—	1
8,000,001 – 8,500,000	—	1
8,500,001 – 9,000,000	1	1
9,500,001 – 10,000,000	1	—
	2	3

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.

17 INVESTMENT PROPERTIES

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
At the beginning of the year	23,145.2	20,385.9	36.5	33.1
Translation differences	142.5	84.5	—	—
Acquisition of subsidiaries	—	3.9	—	—
Additions	94.2	9.1	—	—
Transfer from property, plant and equipment, leasehold land and land use rights	548.5	357.0	—	—
Transfer from assets under construction upon completion	—	701.6	—	—
Transfer from properties under development	1,078.8	140.3	—	—
Disposals	(21.1)	—	—	—
Change in fair value	1,263.9	1,462.9	5.5	3.4
At the end of the year	26,252.0	23,145.2	42.0	36.5

The investment properties were revalued at 30 June 2007 by independent, professionally qualified valuers, Savills Valuation and Professional Services 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\$9,651.5 million (2006: HK\$9,951.4 million) (Note 39).

Investment properties include buildings held under finance leases of which the carrying amount is HK\$61.0 million (2006: HK\$58.0 million).

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

	2007 HK\$m	2006 HK\$m
In Hong Kong:		
Leases of over 50 years	8,974.8	8,595.5
Leases of between 10 to 50 years	12,155.4	11,427.2
Leases of less than 10 years	106.0	106.0
Outside Hong Kong:		
Leases of over 50 years	100.7	89.1
Leases of between 10 to 50 years	4,915.1	2,927.4
	26,252.0	23,145.2

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

18 PROPERTY, PLANT AND EQUIPMENT

	Group					Total HK\$m
	Buildings HK\$m	Toll roads, bridges and port facilities HK\$m	Telecom- munication equipment and systems HK\$m	Other assets HK\$m	Assets under con- struction HK\$m	
Cost						
At 1 July 2006	3,103.0	2,022.1	2,339.9	5,102.6	387.4	12,955.0
Translation differences	138.3	122.2	—	110.9	2.6	374.0
Acquisition of subsidiaries	2.3	—	—	71.7	—	74.0
Disposal of subsidiaries	(3.9)	—	—	(22.7)	(15.1)	(41.7)
Additions	28.1	—	86.3	323.9	208.7	647.0
Transfer to investment properties	(378.5)	—	—	(0.8)	—	(379.3)
Transfer upon completion	—	—	39.9	—	(39.9)	—
Disposals	(10.0)	—	(0.2)	(612.7)	(1.4)	(624.3)
At 30 June 2007	2,879.3	2,144.3	2,465.9	4,972.9	542.3	13,004.7
Accumulated depreciation and impairment						
At 1 July 2006	844.8	665.9	2,001.8	3,725.2	9.1	7,246.8
Translation differences	32.8	28.4	—	72.4	0.6	134.2
Disposal of subsidiaries	—	—	—	(18.0)	—	(18.0)
Impairment	—	81.1	—	2.8	—	83.9
Depreciation	128.5	84.1	74.9	348.0	—	635.5
Transfer to investment properties	(34.7)	—	—	(0.6)	—	(35.3)
Disposals	(9.8)	—	(0.2)	(603.4)	—	(613.4)
At 30 June 2007	961.6	859.5	2,076.5	3,526.4	9.7	7,433.7
Net book value						
At 30 June 2007	1,917.7	1,284.8	389.4	1,446.5	532.6	5,571.0

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 con- struction HK\$m	Total HK\$m
Cost						
At 1 July 2005	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	(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	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	(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

18 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Company Other assets HK\$m
Cost	
At 1 July 2005, 30 June 2006 and 30 June 2007	3.3
Accumulated depreciation	
At 1 July 2005, 30 June 2006 and 30 June 2007	3.3
Net book value	
At 30 June 2006 and 2007	—

The aggregate net book value of assets pledged as securities for loans amounted to HK\$945.3 million (2006: HK\$1,203.2 million) (Note 39).

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\$23.4 million (2006: HK\$140.4 million) and HK\$0.1 million (2006: HK\$0.2 million) respectively.

Depreciation of HK\$197.3 million (2006: HK\$493.2 million) has been expensed in cost of sales, HK\$370.5 million (2006: HK\$334.9 million) in other operating expenses and HK\$67.7 million (2006: HK\$57.9 million) in administrative expenses.

19 LEASEHOLD LAND AND LAND USE RIGHTS

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
In Hong Kong:				
Leases of over 50 years	644.2	654.9	0.5	0.5
Leases of between 10 to 50 years	625.8	641.2	—	—
Outside Hong Kong:				
Leases of over 50 years	19.5	26.5	—	—
Leases of between 10 to 50 years	1,169.8	1,154.7	—	—
Leases of less than 10 years	2.6	2.9	—	—
	2,461.9	2,480.2	0.5	0.5
At the beginning of the year	2,480.2	2,756.9	0.5	0.5
Translation differences	68.8	22.6	—	—
Additions	8.2	6.9	—	—
Acquisition of subsidiaries	—	114.5	—	—
Transfer to investment properties	(34.1)	(334.0)	—	—
Disposals	—	(31.5)	—	—
Amortisation	(61.2)	(55.2)	—	—
At the end of the year	2,461.9	2,480.2	0.5	0.5

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\$782.0 million (2006: HK\$828.3 million) (Note 39).

20 INTANGIBLE ASSETS

	Group				Total HK\$m
	Goodwill HK\$m	Licences and software HK\$m	Trademark and licences HK\$m	Development costs HK\$m	
Cost					
At 1 July 2006	299.8	401.2	—	13.0	714.0
Additions	—	—	—	2.0	2.0
Acquisition of subsidiaries	9.8	—	159.3	—	169.1
Acquisition of additional interests in subsidiaries	473.7	—	—	—	473.7
At 30 June 2007	783.3	401.2	159.3	15.0	1,358.8
Accumulated amortisation and impairment					
At 1 July 2006	50.2	401.2	—	4.5	455.9
Amortisation	—	—	—	3.6	3.6
Impairment	36.3	—	—	—	36.3
At 30 June 2007	86.5	401.2	—	8.1	495.8
Net book amount					
At 30 June 2007	696.8	—	159.3	6.9	863.0
Cost					
At 1 July 2005	117.9	401.2	—	4.5	523.6
Additions	—	—	—	8.5	8.5
Acquisition of subsidiaries	66.0	—	—	—	66.0
Acquisition of additional interests in subsidiaries	171.9	—	—	—	171.9
Disposal of interest in a subsidiary	(56.0)	—	—	—	(56.0)
At 30 June 2006	299.8	401.2	—	13.0	714.0
Accumulated amortisation and impairment					
At 1 July 2005	7.7	401.2	—	4.5	413.4
Impairment	42.5	—	—	—	42.5
At 30 June 2006	50.2	401.2	—	4.5	455.9
Net book amount					
At 30 June 2006	249.6	—	—	8.5	258.1

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 segments. For the purpose of impairment test, the recoverable amount of the business unit is determined based on value-in-use calculations, which uses cash flow projections based on financial budgets covering a period of five years and a pre-tax discount rate. Cash flows beyond the five-year period are extrapolated using estimated growth rates. The key assumptions adopted on growth rates and discount rates used in the value-in-use calculations are based on management best estimates. Growth rates are determined by considering both internal and external factors relating to the relevant segments. Discount rates used also reflect specific risks relating to the relevant segments.

A summary of the goodwill allocation to segments is set out below:

	2007			2006		
	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	—	71.6	71.6	—	73.7	73.7
Service and infrastructure	625.2	—	625.2	175.9	—	175.9
	625.2	71.6	696.8	175.9	73.7	249.6

21 SUBSIDIARIES

	Company	
	2007 HK\$m	2006 HK\$m
Unlisted shares		
At cost	5,226.9	4,909.9
Provision for impairment	(552.7)	(552.7)
	4,674.2	4,357.2
Listed shares in Hong Kong, at cost	23,637.9	22,640.8
	28,312.1	26,998.0
Amounts receivable less provision	37,644.3	36,057.5
	65,956.4	63,055.5
Amounts payable	(24,053.8)	(21,577.0)
	41,902.6	41,478.5
Market value of listed shares	39,827.9	15,685.9

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 48.

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Equity joint ventures				
Group's share of net assets	1,040.8	492.5	—	—
Goodwill on acquisition	2.2	2.2	—	—
Amounts receivable less provision (Note (a))	141.5	83.4	—	—
Amounts payable (Note (b))	(101.3)	(58.6)	—	—
	1,083.2	519.5	—	—
Co-operative joint ventures				
Cost of investment less provision	7,154.4	6,928.3	—	—
Goodwill on acquisition	—	15.9	—	—
Share of undistributed post-acquisition results	739.4	27.6	—	—
Amounts receivable less provision (Note (a))	7,276.4	7,863.6	—	—
Amounts payable (Note (b))	(1,105.0)	(967.9)	—	—
	14,065.2	13,867.5	—	—
Companies limited by shares				
Group's share of net assets	4,173.7	3,649.6	—	—
Goodwill on acquisition	132.5	132.5	—	—
Amounts receivable (Note (a))	5,445.4	5,637.8	228.6	217.6
Amounts payable (Note (b))	(713.9)	(557.1)	—	—
	9,037.7	8,862.8	228.6	217.6
Deposits paid for joint ventures (Note (c))	107.4	91.9	—	—
	24,293.5	23,341.7	228.6	217.6

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Notes:

(a) Amounts receivable are analysed as follows:

	Group	
	2007 HK\$m	2006 HK\$m
Interest bearing		
Fixed rates (Note (i))	4,169.4	4,823.6
Variable rates (Note (ii))	1,723.2	1,293.6
Non-interest bearing (Note (iii))	6,970.7	7,467.6
	12,863.3	13,584.8

(i) Carry interest rates ranging from 6.0% to 10.0% (2006: 2.0% to 12.0%) per annum.

(ii) Carry interest rates ranging from 0.6% above HIBOR to Prime Rate offered by banks in Hong Kong (2006: 0.6% above HIBOR to 1.5% above Prime Rate offered by the banks in the United States of America) per annum.

(iii) The amounts include HK\$228.6 million (2006: HK\$217.6 million) due to the Company.

The repayment terms of the amounts receivable are specified in the relevant joint venture agreements and their carrying amounts are not materially different from their fair values. These amounts are unsecured.

(b) The amounts payable are unsecured, interest free and repayable on demand and their carrying amounts are not materially different from their fair values.

(c) These represent advances in respect of proposed joint ventures for which the jointly controlled entities have not yet been established as at the 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:

	2007 HK\$m	2006 HK\$m
Revenues	7,640.4	7,894.0
Profit after taxation	1,664.1	1,636.2
Non-current assets	22,053.1	18,229.6
Current assets	18,830.2	20,895.2
Non-current liabilities	(16,163.2)	(16,434.7)
Current liabilities	(11,611.8)	(11,592.1)
Net assets	13,108.3	11,098.0

(e) Details of principal jointly controlled entities are given in Note 49.

23 INTERESTS IN ASSOCIATED COMPANIES

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Group's share of net assets				
Listed shares in Hong Kong	731.1	904.1	—	—
Listed shares in Mainland China	183.5	—	—	—
Unlisted shares	5,467.3	4,599.2	6.8	6.8
	6,381.9	5,503.3	6.8	6.8
Goodwill	1,292.2	1,127.4	—	—
Amounts receivable less provision (Note (a))	3,148.3	3,159.7	383.3	59.4
Amounts payable (Note (b))	(482.1)	(405.7)	(37.3)	(19.8)
	2,666.2	2,754.0	346.0	39.6
	10,340.3	9,384.7	352.8	46.4
Market value of listed shares	1,882.7	698.7	—	—

Notes:

(a) Amounts receivable are analysed as follows:

	2007 HK\$m	2006 HK\$m
Interest bearing		
Fixed rates (Note (i))	93.1	100.4
Variable rates (Note (ii))	181.9	165.1
Non-interest bearing (Note (iii))	2,873.3	2,894.2
	3,148.3	3,159.7

(i) Carry interest rates ranging from 6.8% to 8.0% (2006: 5.8% to 8.0%) per annum.

(ii) Carry interest rates ranging from HIBOR plus 0.6% to Prime Rate offered by banks in Hong Kong (2006: HIBOR plus 0.6% to Prime Rate offered by banks in Hong Kong) per annum.

(iii) The amounts include HK\$383.3 million (2006: HK\$59.4 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.

23 INTERESTS IN ASSOCIATED COMPANIES (Continued)

Notes: (Continued)

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

	2007 HK\$m	2006 HK\$m
Revenues	4,747.3	2,898.5
Profit after taxation	1,325.8	656.8
Non-current assets	10,136.5	9,583.2
Current assets	2,863.8	3,217.9
Non-current liabilities	(3,843.5)	(4,197.5)
Current liabilities	(2,774.9)	(3,100.3)
Net assets	6,381.9	5,503.3

(d) Details of principal associated companies are given in Note 50.

24 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Equity securities				
Unlisted shares and investments, at fair value	2,576.7	2,212.4	27.1	29.4
Listed shares, at market value				
Hong Kong	716.2	386.7	—	—
Overseas	387.5	422.5	—	—
Debt securities				
Unlisted debentures and convertible bonds, at fair value	39.0	40.1	—	—
	3,719.4	3,061.7	27.1	29.4

24 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

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

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Hong Kong dollar	2,261.6	1,801.2	11.2	11.2
Japanese Yen	594.0	416.0	—	—
Thai Baht	364.0	323.0	—	—
Renminbi	281.8	176.7	15.9	18.2
Others	218.0	344.8	—	—
	3,719.4	3,061.7	27.1	29.4

The fair values of listed investments are determined based on the quoted market bid prices available on the relevant exchanges. The fair values of unlisted investments are determined using financial models, such as discounted cashflow model, and by reference to quoted prices from relevant financial institutions.

25 HELD-TO-MATURITY INVESTMENTS

	Group	
	2007 HK\$m	2006 HK\$m
Debt securities		
Unlisted debentures	32.3	31.1

26 PROPERTIES FOR DEVELOPMENT

	Group	
	2007 HK\$m	2006 HK\$m
Land cost	9,699.6	5,837.4
Development cost	2,918.1	2,641.0
	12,617.7	8,478.4
Provision	(1,068.5)	(1,185.7)
	11,549.2	7,292.7

26 PROPERTIES FOR DEVELOPMENT (Continued)

The carrying value of properties is analysed as follows:

	2007 HK\$m	2006 HK\$m
In Hong Kong:		
Leases of over 50 years	37.7	26.9
Leases of between 10 to 50 years	3,600.7	2,820.5
Outside Hong Kong:		
Freehold	89.4	47.5
Leases of over 50 years	6,290.7	2,888.9
Leases of between 10 to 50 years	1,530.7	1,508.9
	11,549.2	7,292.7

27 DEFERRED TAXATION

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Deferred tax assets	108.8	106.6	—	—
Deferred tax liabilities	(4,106.2)	(3,745.6)	(5.0)	—
	(3,997.4)	(3,639.0)	(5.0)	—
At the beginning of the year	(3,639.0)	(3,086.9)	—	—
Translation differences	(24.4)	(15.1)	—	—
Disposal of subsidiaries	—	(156.2)	—	—
Charged to income statement (Note 11)	(194.9)	(302.4)	(5.0)	—
(Charged)/credited to reserves	(69.3)	18.9	—	—
Acquisition of subsidiaries	(69.8)	(97.3)	—	—
At the end of the year	(3,997.4)	(3,639.0)	(5.0)	—

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:

Group**Deferred tax liabilities**

	Accelerated depreciation		Valuation of properties		Income from sales of properties		Fair value adjustments on acquisition		Other items		Total	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
At the beginning 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)
Translation differences	(13.0)	(15.6)	(9.4)	(3.9)	(2.5)	(2.3)	(8.3)	(4.5)	(0.2)	7.4	(33.4)	(18.9)
Disposal of subsidiaries (Charged)/credited to income statement	—	86.6	—	—	—	—	—	—	—	—	—	86.6
Charged to property revaluation reserve	(60.0)	(63.7)	(210.7)	(245.6)	12.6	41.5	82.7	—	16.3	(7.4)	(159.1)	(275.2)
Credited to convertible bond capital reserve	—	—	(42.0)	—	—	—	—	—	—	—	(42.0)	—
Charged to investment revaluation reserve	—	—	—	—	—	—	—	—	6.6	18.9	6.6	18.9
Acquisition of subsidiaries	—	—	—	—	—	—	(69.8)	(97.3)	—	—	(69.8)	(97.3)
At the end of the year	(1,660.9)	(1,587.9)	(2,229.9)	(1,967.8)	(31.5)	(41.6)	(287.6)	(292.2)	(36.1)	(24.9)	(4,246.0)	(3,914.4)

Deferred tax assets

	Provisions		Accelerated depreciation		Tax losses		Unrealised intra-group profit		Other items		Total	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
At the beginning 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
Translation differences	0.9	—	0.2	—	6.4	3.8	—	—	1.5	—	9.0	3.8
Disposal of subsidiaries (Charged)/credited to income statement	—	(2.2)	—	(2.3)	—	(238.3)	—	—	—	—	—	(242.8)
	(3.7)	—	25.3	(1.3)	(17.1)	(35.5)	—	—	(40.3)	9.6	(35.8)	(27.2)
At the end of the year	16.9	19.7	25.5	—	113.7	124.4	58.0	58.0	34.5	73.3	248.6	275.4

Deferred tax liabilities of the Company amounted to HK\$5.0 million (2006: Nil) are arising from valuation of properties held.

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.

Deferred tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$8,885.5 million (2006: HK\$9,230.2 million) to carry forward for offsetting against future taxable income. These tax losses have no expiry dates except for the tax losses of HK\$762.7 million (2006: HK\$480.5 million) which will expire at various dates up to and including 2012 (2006: 2011).

28 OTHER NON-CURRENT ASSETS

	Group	
	2007 HK\$m	2006 HK\$m
Deposits for proposed investments (<i>Note (a)</i>)	215.9	29.8
Retirement benefit assets (<i>Note 15(b)(i)</i>)	23.9	21.4
Long-term receivables (<i>Note (b)</i>)	784.9	873.6
Restricted bank balances (<i>Note 35</i>)	—	706.9
Others	61.1	49.6
	1,085.8	1,681.3

Note:

(a) Deposits for proposed investments

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

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

The Directors have taken into consideration the uncertainties in recovering the amounts owed to NWTMT and have concluded that a full provision of HK\$2,160.0 million made against the deposits and loan made to the PRC Entity remains most appropriate for the purpose of the financial statements for the year ended 30 June 2007.

(b) Long-term receivables

	Group	
	2007 HK\$m	2006 HK\$m
Accounts receivable, net of provision	711.3	990.3
Other loans	196.0	232.5
	907.3	1,222.8
Amounts receivable within one year included in debtors and prepayments	(122.4)	(349.2)
	784.9	873.6

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

29 PROPERTIES UNDER DEVELOPMENT

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Land cost	7,076.8	8,071.7	368.6	376.3
Development cost	6,700.5	5,849.0	618.2	415.0
	13,777.3	13,920.7	986.8	791.3
Provision	(122.8)	(35.8)	—	—
	13,654.5	13,884.9	986.8	791.3

The carrying value of properties is analysed as follows:

	2007 HK\$m	2006 HK\$m
In Hong Kong:		
Leases of over 50 years	1,490.2	1,006.7
Leases of between 10 to 50 years	7,943.3	8,071.6
Outside Hong Kong:		
Leases of over 50 years	1,643.7	3,046.8
Leases of between 10 to 50 years	2,577.3	1,759.8
	13,654.5	13,884.9

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

The Group's and the Company's aggregate carrying value of properties under development pledged as securities for borrowings amounted to HK\$5,674.8 million (2006: HK\$4,820.8 million) and HK\$986.8 million (2006: HK\$791.3 million) respectively (Note 39).

30 PROPERTIES FOR SALE

	Group	
	2007 HK\$m	2006 HK\$m
Land cost	2,151.9	1,874.5
Development cost	3,805.2	3,852.3
	5,957.1	5,726.8
Provision	(778.7)	(859.3)
	5,178.4	4,867.5

The carrying value of properties is analysed as follows:

	2007 HK\$m	2006 HK\$m
In Hong Kong:		
Leases of over 50 years	27.8	28.0
Leases of between 10 to 50 years	3,901.6	3,494.4
Outside Hong Kong:		
Leases of over 50 years	1,052.8	1,125.2
Leases of between 10 to 50 years	196.2	219.9
	5,178.4	4,867.5

The Group's aggregate carrying value of properties for sale pledged as securities for borrowings amounted to HK\$138.2 million (2006: HK\$2,445.1 million) (Note 39).

31 STOCKS

	Group	
	2007 HK\$m	2006 HK\$m
Raw materials	33.7	23.0
Work-in-progress	25.6	40.9
Finished goods	124.0	113.4
Merchandise	92.6	62.0
	275.9	239.3

32 DEBTORS AND PREPAYMENTS

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Trade debtors (Note (a))	11,158.5	4,879.0	—	—
Advances to customers (Note (b))	2,205.6	—	—	—
Amounts due from customers for contract work (Note 36)	427.0	296.4	—	—
Retention receivable for contract work	1,192.3	904.2	—	—
Deposits, prepayments and other debtors	6,040.3	5,632.3	108.5	304.4
	21,023.7	11,711.9	108.5	304.4

Notes:

- (a) 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 receivable in respect of construction and engineering services are settled in accordance with the terms of respective contracts.

Aging analysis of trade debtors is as follows:

	2007 HK\$m	2006 HK\$m
Current to 30 days	10,050.0	4,190.5
31 to 60 days	357.3	219.1
Over 60 days	751.2	469.4
	11,158.5	4,879.0

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

- (b) The Group has made loans to margin customers for its securities businesses. Such loans are secured by the underlying pledged securities and are interest bearing. The amount of credit facilities granted to margin customers is determined by the discounted market value of the collateral securities accepted by the Group. As at 30 June 2007, the total market value of securities pledged as collateral in respect of the loans to margin customers was HK\$15,942.2 million (2006: Nil).
- (c) The carrying amounts of the debtors and prepayments, which approximate their fair values, are denominated in the following currencies:

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Hong Kong dollar	14,321.7	5,405.1	108.5	304.4
Renminbi	5,284.0	5,228.7	—	—
United States dollar	571.4	584.4	—	—
Others	846.6	493.7	—	—
	21,023.7	11,711.9	108.5	304.4

33 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007 HK\$m	2006 HK\$m
Unlisted shares and investments, at fair value		
Equity securities	54.7	—
Debt securities	70.6	—
Listed shares, at market value		
Hong Kong	111.9	1.1
Overseas	9.7	28.4
	246.9	29.5

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

	2007 HK\$m	2006 HK\$m
Hong Kong dollar	111.9	1.1
Renminbi	—	28.4
United States dollar	102.2	—
Others	32.8	—
	246.9	29.5

The fair values of listed investments are determined based on the quoted market bid prices available on the relevant exchanges. The fair values of unlisted investments are determined using financial models, such as discounted cashflow model, and by reference to quoted prices from relevant financial institutions.

34 CASH HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated trust accounts with licensed banks to hold customers' monies arising from its securities businesses. The Group has classified the customers' monies as cash held on behalf of customers and recognised the corresponding accounts payable to respective customers on the grounds that it is liable for any loss or misappropriation of customers' monies. The Group is not allowed to use the customers' monies to settle its own obligations.

35 CASH AND BANK BALANCES

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Cash at banks and on hand	8,013.2	4,430.0	40.5	0.8
Short-term bank deposits				
Restricted	768.8	1,334.4	—	—
Unrestricted	6,618.1	1,878.5	—	—
Cash and bank balances	15,400.1	7,642.9	40.5	0.8
Restricted bank deposits included in other non-current assets (Note 28)	—	(706.9)	—	—
	15,400.1	6,936.0	40.5	0.8

The effective interest rates on short-term bank deposits range from 0.7% to 5.6% (2006: 1.4% to 5.4%) per annum and these deposits have an average maturity ranging from 3 to 147 days (2006: 3 to 94 days).

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

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Hong Kong dollar	4,979.7	2,007.9	40.5	0.8
Renminbi	4,297.5	2,954.5	—	—
United States dollar	5,750.5	2,442.7	—	—
Others	372.4	237.8	—	—
	15,400.1	7,642.9	40.5	0.8

Restricted bank balances are funds which are pledged to secure certain short-term borrowings and long-term borrowings (Note 39).

36 AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	Group	
	2007 HK\$m	2006 HK\$m
Contract costs incurred plus attributable profits less foreseeable losses	21,119.1	13,936.6
Progress payments received and receivable	(21,336.1)	(14,090.3)
	(217.0)	(153.7)
Representing:		
Gross amounts due from customers for contract work (Note 32)	427.0	296.4
Gross amounts due to customers for contract work (Note 41)	(644.0)	(450.1)
	(217.0)	(153.7)

37 SHARE CAPITAL

	2007 Number of shares (million)	2007 HK\$m	2006 Number of shares (million)	2006 HK\$m
Authorised:				
Shares of HK\$1.00 each	10,000.0	10,000.0	10,000.0	10,000.0
Issued and fully paid:				
Shares of HK\$1.00 each				
At the beginning of the year	3,639.1	3,639.1	3,491.6	3,491.6
Issue of new shares as scrip dividends	52.8	52.8	40.5	40.5
Placement of new shares	—	—	107.0	107.0
Exercise of share options	0.2	0.2	—	—
At the end of the year	3,692.1	3,692.1	3,639.1	3,639.1

During the year, 24,772,106 and 28,024,881 new shares were issued at HK\$11.2035 and HK\$14.66252 per share respectively for the settlement of 2006 interim and final scrip dividends.

38 RESERVES

	Group								
	Capital redemption reserve HK\$m	Share premium HK\$m	Investment revaluation reserve HK\$m	General reserve HK\$m	Employees' share-based compensation reserve HK\$m	Convertible bond capital reserve HK\$m	Exchange reserve HK\$m	Retained profits HK\$m	Total HK\$m
At 1 July 2005	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 new shares	—	1,123.5	—	—	—	—	—	—	1,123.5
Share placement expenses	—	(15.9)	—	—	—	—	—	—	(15.9)
Translation differences	—	—	—	—	—	—	236.8	—	236.8
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)	—
Conversion of convertible bonds	—	—	—	—	—	(58.6)	—	—	(58.6)
Tax on the above movement	—	—	—	—	—	10.2	—	—	10.2
2005 final dividend paid	—	—	—	—	—	—	—	(698.3)	(698.3)
2006 interim dividend payable	—	—	—	—	—	—	—	(473.1)	(473.1)
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:									
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

38 RESERVES (Continued)

	Group									
	Capital redemption reserve HK\$m	Share premium HK\$m	Property revaluation reserve HK\$m	Investment revaluation reserve HK\$m	General reserve HK\$m	Employees' share-based compensation reserve HK\$m	Convertible bond capital reserve HK\$m	Exchange reserve HK\$m	Retained profits HK\$m	Total HK\$m
At 1 July 2006	37.7	26,335.8	—	917.2	694.7	18.0	16.7	314.5	21,301.8	49,636.4
Conversion of convertible bonds	—	—	—	—	—	—	(20.2)	—	—	(20.2)
Change in fair value of available-for-sale financial assets	—	—	—	1,269.0	—	—	—	—	—	1,269.0
Reclassification of properties, plant and equipment to investment properties	—	—	170.4	—	—	—	—	—	—	170.4
Tax on the above movements	—	—	(42.0)	(33.9)	—	—	3.5	—	—	(72.4)
Scrip dividends	—	635.6	—	—	—	—	—	—	—	635.6
Employees' share-based payments	—	—	—	—	—	713.8	—	—	—	713.8
Issue of new shares upon exercise of share options	—	5.2	—	—	—	(3.4)	—	—	—	1.8
Acquisition of subsidiaries	—	—	—	—	95.7	—	—	—	—	95.7
Issue of convertible bonds	—	—	—	—	—	—	1,086.0	—	—	1,086.0
Reclassification of available-for-sale financial assets as an associated company	—	—	—	(588.2)	—	—	—	—	—	(588.2)
Disposal of available-for-sale financial assets	—	—	—	(15.8)	—	—	—	—	—	(15.8)
Profit attributable to shareholders	—	—	—	—	—	—	—	—	4,312.9	4,312.9
Transfer of reserves	—	—	—	—	57.1	—	—	—	(57.1)	—
Translation differences	—	—	—	—	—	—	—	857.1	—	857.1
2006 final dividend paid	—	—	—	—	—	—	—	—	(732.8)	(732.8)
2007 interim dividend payable	—	—	—	—	—	—	—	—	(553.8)	(553.8)
At 30 June 2007	37.7	26,976.6	128.4	1,548.3	847.5	728.4	1,086.0	1,171.6	24,271.0	56,795.5
Representing:										
At 30 June 2007	37.7	26,976.6	128.4	1,548.3	847.5	728.4	1,086.0	1,171.6	23,342.7	55,867.2
2007 proposed final dividend	—	—	—	—	—	—	—	—	928.3	928.3
	37.7	26,976.6	128.4	1,548.3	847.5	728.4	1,086.0	1,171.6	24,271.0	56,795.5

38 RESERVES (Continued)

	Company					
	Capital redemption reserve HK\$m	Share premium HK\$m	Investment revaluation reserve HK\$m	Employees' share-based compensation reserve HK\$m	Retained profits HK\$m	Total HK\$m
At 1 July 2005	37.7	24,840.0	35.7	—	10,868.4	35,781.8
Scrip dividends	—	388.2	—	—	—	388.2
Placement of new shares	—	1,123.5	—	—	—	1,123.5
Share placement expenses	—	(15.9)	—	—	—	(15.9)
Change in fair value of available-for-sale financial assets	—	—	(17.8)	—	—	(17.8)
Profit for the year	—	—	—	—	2,140.1	2,140.1
2005 final dividend paid	—	—	—	—	(698.3)	(698.3)
2006 interim dividend payable	—	—	—	—	(473.1)	(473.1)
At 30 June 2006	37.7	26,335.8	17.9	—	11,837.1	38,228.5
Representing:						
At 30 June 2006	37.7	26,335.8	17.9	—	11,104.3	37,495.7
2006 proposed final dividend	—	—	—	—	732.8	732.8
	37.7	26,335.8	17.9	—	11,837.1	38,228.5
At 1 July 2006	37.7	26,335.8	17.9	—	11,837.1	38,228.5
Scrip dividends	—	635.6	—	—	—	635.6
Employees' share-based payments	—	—	—	707.2	—	707.2
Issue of new shares upon exercise of share options	—	5.2	—	(1.4)	—	3.8
Change in fair value of available-for-sale financial assets	—	—	(1.4)	—	—	(1.4)
Profit for the year	—	—	—	—	675.3	675.3
2006 final dividend paid	—	—	—	—	(732.8)	(732.8)
2007 interim dividend payable	—	—	—	—	(553.8)	(553.8)
At 30 June 2007	37.7	26,976.6	16.5	705.8	11,225.8	38,962.4
Representing:						
At 30 June 2007	37.7	26,976.6	16.5	705.8	10,297.5	38,034.1
2007 proposed final dividend	—	—	—	—	928.3	928.3
	37.7	26,976.6	16.5	705.8	11,225.8	38,962.4

39 BORROWINGS

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Long-term borrowings				
Secured bank loans	12,393.3	11,074.5	—	—
Unsecured bank loans	12,371.1	10,078.4	—	—
Obligations under finance leases (Note (b))	0.1	5.1	—	—
Convertible bonds (Note (c))	7,550.7	520.0	—	—
Loans from minority shareholders (Note (d))	658.4	489.3	—	—
	32,973.6	22,167.3	—	—
Current portion of long-term borrowings	(4,580.1)	(6,794.5)	—	—
	28,393.5	15,372.8	—	—
Short-term borrowings				
Secured bank loans	1,142.9	388.1	—	—
Unsecured bank loans	5,967.9	490.1	—	11.3
Other unsecured loans	52.1	50.2	26.9	10.0
Loans from minority shareholders (Note (d))	1,449.4	1,393.6	—	—
	8,612.3	2,322.0	26.9	21.3
Total borrowings	41,585.9	24,489.3	26.9	21.3

Notes:

(a) Maturity of bank loans is as follows:

	Group	
	2007 HK\$m	2006 HK\$m
Within one year	11,690.8	7,667.6
In the second year	5,479.6	6,395.4
In the third to fifth year	10,435.2	7,822.1
After the fifth year	4,269.6	146.0
	31,875.2	22,031.1

(b) Finance lease obligations

	Group	
	2007 HK\$m	2006 HK\$m
Minimum lease payments — within one year	0.1	5.3
Future finance charges	—	(0.2)
Present value	0.1	5.1

39 BORROWINGS (Continued)

Notes: (Continued)

(c) Convertible bonds

	Group	
	2007 HK\$m	2006 HK\$m
Zero coupon convertible bonds		
HK\$1,350.0 million due 2009 (Note(i))	—	520.0
HK\$6,000.0 million due 2014 (Note(ii))	5,116.5	—
RMB2,800.0 million due 2012 (Note(iii))	2,434.2	—
	7,550.7	520.0

Notes:

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

The bonds, guaranteed by NWSH, were 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 were 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 would be redeemed on the maturity date on 26 April 2009 at 97.53% of the principal amount.

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

For the year ended 30 June 2006, the issuer redeemed part of the convertible bonds, totalling HK\$430.0 million. In addition, certain bondholders had elected to convert their bonds totalling HK\$ 352.7 million into shares of NWSH.

During the year ended 30 June 2007, the remaining bondholders had also elected to fully convert their bonds totalling HK\$567.3 million into shares of NWSH at a conversion price of HK\$13.18 per share with 43,042,478 shares of HK\$1 each of NWSH issued under the conversion.

Interest expense on the bonds was calculated using the effective interest method by applying the effective interest rate of 2.2% per annum to the liability component.

- (ii) On 4 June 2007, a subsidiary of the Company issued zero coupon guaranteed convertible bonds in the aggregate amount of HK\$6,000.0 million, which are convertible into fully paid shares with par value of HK\$1.00 each of the Company.

The bonds, guaranteed by the Company, are convertible into shares of the Company at a conversion price of HK\$26.784 per share at any time on and after 16 July 2007 up to 25 May 2014, subject to adjustments according to the terms governing the convertible bonds. The bonds are redeemable by the issuer at any time on or after 4 June 2012 at the option of the issuer, subject to the terms governing the convertible bonds. Unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed on the maturity date on 4 June 2014 at 128.3716% of the principal amount.

The fair value of the liability component at the date of the issue of the bonds, included in the long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in the convertible bond capital reserve. The fair value of the liability component of the convertible bonds at 30 June 2007, which was calculated using cash flows discounted at a rate of 6.5%, amounted to HK\$4,948.5 million.

Interest expense on the convertible bonds was calculated using the effective interest method by applying the effective interest rate of 6.1% per annum to the liability component.

39 BORROWINGS (Continued)

Notes: (Continued)

(c) Convertible bonds (Continued)

- (iii) In June 2007, a subsidiary of NWCL issued US dollar settled zero coupon guaranteed convertible bonds in the aggregate amount of RMB2,800.0 million, which are convertible into fully paid shares with par value of HK\$0.1 each of NWCL.

The bonds, guaranteed by NWCL, are convertible into shares of NWCL at a conversion price of HK\$8.044 per share at any time on and after 26 June 2007 up to 26 May 2012, with the Renminbi principal amount of the bonds translated into Hong Kong dollar at a fixed rate of HK\$1 to RMB0.9848, subject to adjustments according to the terms governing the convertible bonds. The bonds are redeemable by the issuer at any time on or after 11 June 2010 at the option of the issuer, subject to the terms governing the convertible bonds. Moreover, the bondholders have the option to redeem all or some of the bonds held by them on 11 June 2010 at 102.27% of the principal amount. Unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed on the maturity date on 11 June 2012 at 103.81% of the principal amount.

The fair value of the liability component at the date of the issue of the bonds, included in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in the convertible bond capital reserve. The fair value of the liability component of the convertible bonds at 30 June 2007, which was calculated using cash flows discounted at a rate of 4.9%, amounted to HK\$2,344.1 million.

Interest expense on the convertible bonds was calculated using the effective interest method by applying the effective interest rate of 4.1% to the liability component.

(d) Loans from minority shareholders

The loans of HK\$228.5 million (2006: HK\$227.2 million) are unsecured, bear interest at fixed rates ranging from 5.0% to 10.0% (2006: 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

	2007			2006		
	Hong Kong dollar	United States dollar	Renminbi	Hong Kong dollar	United States dollar	Renminbi
Bank borrowings	5.2%	6.6%	6.2%	4.9%	6.1%	5.7%
Loans from minority shareholders	7.5%	—	5.8%	6.0%	—	5.8%
Other unsecured loans	4.6%	—	—	4.0%	—	—

The effective interest rates of the convertible bonds are disclosed in Note (c) above.

(f) Carrying amounts and fair values of the borrowings

The fair value of the liability component of the convertible bonds at 30 June 2007 is disclosed in Note (c) above.

The carrying amounts of other borrowings approximate their fair values.

39 BORROWINGS (Continued)

Notes: (Continued)

(g) Currencies

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

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Hong Kong dollar	35,307.1	21,032.0	26.9	21.3
Renminbi	6,050.6	2,908.4	—	—
United States dollar	228.2	548.9	—	—
	41,585.9	24,489.3	26.9	21.3

(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
2007								
Within one year	31,875.2	52.1	—	0.1	31,927.4	—	26.9	26.9
In the fifth year	—	—	85.5	—	85.5	—	—	—
After the fifth year	—	—	143.0	—	143.0	—	—	—
	31,875.2	52.1	228.5	0.1	32,155.9	—	26.9	26.9
2006								
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

40 OTHER NON-CURRENT LIABILITIES

	Group	
	2007 HK\$m	2006 HK\$m
Deferred income	163.3	167.6
Provision for long service payments	42.0	55.3
Long-term accounts payable	163.2	124.3
	368.5	347.2

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

41 CREDITORS AND ACCRUED CHARGES

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Trade creditors (Note (a))	8,716.8	6,071.1	—	—
Amounts due to customers for contract work (Note 36)	644.0	450.1	—	—
Deposits received on sale of properties	989.6	700.0	—	—
Other creditors and accrued charges	8,121.8	8,130.1	1,003.0	1,016.5
	18,472.2	15,351.3	1,003.0	1,016.5

Note:

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

	2007 HK\$m	2006 HK\$m
Current to 30 days	3,468.1	4,231.4
31 to 60 days	580.2	476.2
Over 60 days	1,857.1	1,363.5
	5,905.4	6,071.1
Payable arising from securities business (Note)	2,811.4	—
	8,716.8	6,071.1

Note:

This payable relates to securities, equity options, leveraged foreign exchange, futures, options and bullion contracts transactions and is mainly repayable on demand. No aging analysis is disclosed in respect of this amount as an aging analysis is not meaningful in view of the nature of this business.

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

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Hong Kong dollar	13,003.0	11,185.1	1,003.0	1,016.5
Renminbi	4,882.9	3,813.6	—	—
United States dollar	250.0	138.7	—	—
Others	336.3	213.9	—	—
	18,472.2	15,351.3	1,003.0	1,016.5

42 COMMITMENTS

(a) Capital commitments

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Contracted but not provided for				
Property, plant and equipment	393.8	371.7	—	—
A subsidiary	—	—	55.0	55.0
Jointly controlled entities	1,610.2	1,096.7	—	—
Available-for-sale financial assets	—	14.3	—	—
Capital contribution for proposed development projects	35.8	665.6	—	—
	2,039.8	2,148.3	55.0	55.0
Authorized but not contracted for				
Property, plant and equipment	111.9	14.2	—	—
Jointly controlled entities	—	2,824.0	—	—
Capital contribution for proposed development projects	108.0	108.0	—	—
	219.9	2,946.2	—	—
The Group's share of capital commitments of the jointly controlled entities not included above are as follows:				
Contracted but not provided for	911.2	501.4	—	—
Authorized but not contracted for	143.6	101.0	—	—
	1,054.8	602.4	—	—

(b) Commitments under operating leases

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

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Land and buildings				
In the first year	257.6	258.3	—	—
In the second to the fifth year inclusive	870.9	1,120.6	—	—
After the fifth year	2,503.5	4,043.8	—	—
	3,632.0	5,422.7	—	—

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.

42 COMMITMENTS (Continued)**(c) Operating lease receivable**

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

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
In the first year	659.9	559.6	5.9	5.9
In the second to the fifth year inclusive	873.0	606.5	0.5	6.4
After the fifth year	656.9	534.7	—	—
	2,189.8	1,700.8	6.4	12.3

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

43 CONTINGENT LIABILITIES

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Mortgage facilities for certain purchasers of properties	398.4	428.7	—	—
Guarantees for credit facilities granted to				
Subsidiaries	—	—	26,312.0	20,032.2
Jointly controlled entities	3,451.6	2,387.1	69.5	69.5
Associated companies	522.0	239.7	—	—
Investee companies included under available-for-sale financial assets	59.2	59.2	4.2	4.2
Guarantee for convertible bonds issued by a subsidiary	—	—	6,000.0	—
Share of contingent liabilities of jointly controlled entities	70.6	65.0	—	—
Indemnity to non-wholly owned subsidiaries for Mainland China tax liabilities	2,069.1	2,019.2	6,934.4	6,782.8
	6,570.9	5,198.9	39,320.1	26,888.7

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.

44 NOTES TO CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of operating profit to net cash (used in)/generated from operations**

	2007 HK\$m	2006 HK\$m
Operating profit	3,680.1	1,212.7
Depreciation	635.5	886.0
Amortisation	169.5	136.8
Changes in fair value of investment properties	(1,263.9)	(1,462.9)
Write back of provision for		
Advance to an investee company	—	(60.5)
Loans receivable	(13.8)	—
Other receivable	(64.8)	(38.8)
Excess of the fair value of net assets acquired over the cost of acquisition of		
Additional interests of jointly controlled entities	—	(103.4)
Subsidiaries	(3.7)	(32.1)
Additional interests in subsidiaries	(7.4)	—
Gain on redemption of convertible bonds	—	(48.0)
Gain on fair value of financial assets at fair value through profit or loss	(7.8)	(5.3)
Gain on deemed disposal of interests in a subsidiary	(125.7)	(82.4)
Net (profit)/loss on disposal of		
Property, plant and equipment, leasehold land and land use rights	25.3	(22.7)
Jointly controlled entities	—	(17.3)
Associated companies	—	(317.4)
Available-for-sale financial assets	(18.6)	—
Financial assets at fair value through profit or loss	(9.1)	—
Subsidiaries	(122.8)	(1,048.2)
Partial interests in subsidiaries	(9.6)	—
Impairment loss on		
Property, plant and equipment	83.9	340.7
Intangible assets	36.3	42.5
Deposit paid for joint ventures	—	161.4
Available-for-sale financial assets	12.0	133.2
Deposit for proposed investments	9.5	1,531.2
Loans receivable	144.3	1,060.6
Other assets	—	47.5
Write down of stocks to net realisable value	6.2	15.2
Loss on deemed disposal of interests in subsidiaries	8.3	207.7
Net interest expenses	355.5	573.8
Dividend income from available-for-sale financial assets	(52.3)	(35.5)
Translation differences	—	0.6
Share option expenses	713.8	—
Operating profit before working capital changes	4,180.7	3,075.4
(Increase)/decrease in stocks	(49.7)	39.8
(Increase)/decrease in properties for/under development and for sale	(4,376.1)	284.1
Increase in debtors and prepayments	(6,870.5)	(3,105.6)
Decrease in cash held on behalf of customers	329.0	—
(Decrease)/increase in creditors and accrued charges, and other payable	(143.2)	1,585.8
Increase in short-term bank loan for advances to customers of securities business	5,155.7	—
Net cash (used in)/generated from operations	(1,774.1)	1,879.5

44 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)**(b) Acquisition of subsidiaries**

	2007 HK\$m	2006 HK\$m
Net assets acquired		
Investment properties	—	3.9
Property, plant and equipment	74.0	170.5
Leasehold land and land use rights	—	114.5
Intangible assets	169.1	—
Interests in jointly controlled entities	3.0	(289.4)
Interests in associated companies	—	(21.4)
Available-for-sale financial assets	141.8	—
Properties for development/sale	350.0	1,503.6
Stocks	—	32.1
Debtors and prepayments	3,327.9	100.3
Financial assets at fair value through profit or loss	87.3	—
Cash held on behalf of customers	2,371.4	—
Cash and bank balances	430.7	63.7
Creditors and accrued charges	(3,374.7)	(114.4)
Current tax payable	(41.3)	(6.0)
Deferred tax liabilities	(69.8)	(97.3)
Borrowings	(1,733.4)	(278.9)
Minority interests	(596.2)	(107.7)
	1,139.8	1,073.5
Interests originally held by the Group		
Interests in jointly controlled entities	(187.3)	(293.9)
Interests in associated companies	(288.9)	—
Available-for-sale financial assets	—	(210.0)
	663.6	569.6
Goodwill on acquisition	—	66.0
Excess of the fair value of net assets acquired over the cost of acquisition of subsidiaries	(3.7)	(32.1)
	659.9	603.5
Consideration	659.9	603.5
Satisfied by:		
Cash consideration	659.9	516.2
Debtors and prepayments	—	66.3
Shares of a listed subsidiary	—	21.0
	659.9	603.5

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

	2007 HK\$m	2006 HK\$m
Cash consideration	(659.9)	(516.2)
Cash and bank balances acquired	430.7	63.7
	(229.2)	(452.5)

44 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)**(d) Disposal of subsidiaries**

	2007 HK\$m	2006 HK\$m
Net assets disposed		
Property, plant and equipment	23.7	1,151.6
Interests in associated companies	—	(74.5)
Available-for-sale financial assets	256.8	—
Deferred tax assets	—	164.9
Properties under development	—	12.3
Stocks	6.9	25.6
Debtors and prepayments	7.9	206.4
Cash and bank balances	88.7	—
Creditors and accrued charges	(170.0)	(443.7)
Loans from minority shareholders	(11.9)	(24.3)
Borrowings	—	(42.1)
Deferred tax liabilities	—	(8.7)
Minority interests	(7.5)	(4.9)
	194.6	962.6
Goodwill	—	56.0
Net profit on disposal of subsidiaries	122.8	1,048.2
Consideration	317.4	2,066.8
Satisfied by:		
Cash consideration	305.6	97.5
Interests in jointly controlled entities	1.1	—
Interests in associated companies	—	1,959.2
Debtors and prepayments	10.7	10.1
	317.4	2,066.8

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

	2007 HK\$m	2006 HK\$m
Cash consideration	305.6	97.5
Cash and bank balances disposed	(88.7)	—
	216.9	97.5

(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 39(c)(i).

45 BUSINESS COMBINATIONS

- (a) As at 30 June 2006, the Group, through NWSH, held 21.5% of the share capital of Taifook Securities Group Limited ("Taifook"), a Hong Kong listed company (HK Stock Code: 0665) operating securities business both in Hong Kong and Mainland China and Taifook was accounted for as an associated company. On 8 June 2007, the Group acquired an additional 40.3% of the share capital of Taifook, for a consideration of HK\$600.2 million. Since then, Taifook became a subsidiary company. Details of net assets acquired are as follows:

	Acquiree's carrying amount HK\$m	Fair value HK\$m
Property, plant and equipment	73.9	73.9
Intangible assets	14.5	169.1
Interests in jointly controlled entities	3.0	3.0
Available-for-sale financial assets	141.8	141.8
Debtors and prepayments	3,314.8	3,314.8
Financial assets at fair value through profit or loss	87.3	87.3
Cash held on behalf of customers	2,371.4	2,371.4
Cash and bank balances	429.7	429.7
Creditors and accrued charges	(3,353.4)	(3,353.4)
Current tax payable	(39.8)	(39.8)
Borrowings	(1,733.4)	(1,733.4)
Minority interests	(4.4)	(4.4)
	1,305.4	1,460.0
Minority interests		(564.0)
Interest held as an associated company		(288.9)
Net assets acquired		607.1
Purchase consideration		
Cash paid		(600.2)
Direct costs relating to the acquisition		(6.9)
		—

The acquired subsidiary contributed turnover of HK\$129.4 million and net profit of HK\$23.0 million for the period since the date of acquisition. If the acquisition had occurred on 1 July 2006, the Group's turnover would have been increased by HK\$838.4 million, and profit for the year would have been increased by HK\$81.5 million.

45 BUSINESS COMBINATIONS (Continued)

- (b) In June 2007 and August 2006, the Group, through NWCL, acquired additional 20.0% equity interest in Shenzhen Top One Real Estate Development Co., Ltd. and additional 19.0% equity interest in Beijing New World Property Management Limited respectively for a total consideration of HK\$52.8 million. As a result, these entities which are engaged in property development and property management respectively, became subsidiaries of the Group. Details of net assets acquired and the excess of fair value of net assets acquired over cost of acquisition of subsidiaries are as follows:

	Acquirees' carrying amount HK\$m	Fair value HK\$m
Property, plant and equipment	0.1	0.1
Properties for development	70.7	350.0
Debtors and prepayments	13.1	13.1
Cash and bank balances	1.0	1.0
Creditors and accrued charges	(21.3)	(21.3)
Current tax payable	(1.5)	(1.5)
Deferred tax liabilities	—	(69.8)
	62.1	271.6
Minority interests		(27.8)
Interest held as jointly controlled entities		(187.3)
Net assets acquired		56.5
Purchase consideration		(52.8)
Excess of fair value of net assets acquired over cost of acquisition of interests in subsidiaries		3.7

The acquired subsidiaries contributed turnover of HK\$2.4 million and incurred net loss of HK\$0.3 million for the period since the date of acquisition. If the acquisition had occurred on 1 July 2006, the Group's turnover would have been increased by HK\$2.4 million, and profit for the year would have been decreased by HK\$2.1 million.

Excess of fair value of net assets acquired over cost of acquisitions of subsidiaries was resulted due to the following reasons:

- (i) The purchase consideration of the 20% equity interest of Shenzhen Top One Real Estate Development Co., Ltd. was determined and agreed in September 2003 whilst the transfer of equity interest was completed in June 2007, the Group has benefited from the appreciation in the fair value of the acquired net assets over the years.
- (ii) The acquisition of interest in Beijing New World Property Management Limited was accomplished by way of the increase in registered capital of this profit making jointly controlled entity originally held by the Group, the Group had wholly taken up increased capital stake while diluting the other shareholders' interests.

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:

	2007 HK\$m	2006 HK\$m
Jointly controlled entities		
Provision of contracting work services (<i>Note (a)</i>)	701.7	244.8
Interest income (<i>Note (b)</i>)	373.2	90.4
Associated companies		
Rental income (<i>Note (c)</i>)	8.6	8.1
Interest income (<i>Note (b)</i>)	5.6	8.3
Related companies		
Rental income (<i>Note (a)</i>)	15.6	18.9
Management fee expenses (<i>Note (d)</i>)	92.1	85.0
Accounts payable (<i>Note (e)</i>)	113.0	212.0

Notes:

- (a) Revenue from provision of contracting work is principally charged in accordance with respective contracts.
- (b) Interest income is charged at interest rates as specified in Notes 22(a) and 23(a) on the outstanding amounts.
- (c) Rental income is charged in accordance with respective tenancy agreements.
- (d) Management fee expenses are charged at rates in accordance with relevant contracts.
- (e) The accounts payable are unsecured, interest free and are repayable on demand.
- (f) The balances with jointly controlled entities and associated companies are disclosed in Notes 22 and 23 respectively.
- (g) 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.

47 POST BALANCE SHEET EVENT

On 12 July 2007, the Company completed the spin-off of its department store operations and management business in the PRC into a separate company, New World Department Store China Limited ("NWDS"), whose shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited. Following the spin-off, the Group's shareholding in NWDS decreased from 100.0% to 72.3%, resulting in a gain on deemed disposal of interest in NWDS of approximately HK\$1.6 billion.

48 PRINCIPAL SUBSIDIARIES

As at 30 June 2007

	Share capital issued [#]		Attributable interest (%)		Principal activities
	Number	Par value per share HK\$	To the Company	To the Group	
<i>Incorporated and operate in Hong Kong</i>					
Addlight Investments Limited	9,998	1	—	56	Property investment
		2 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
AMPL Projects Limited	2	1	—	100	Project management
Anway Limited	1	1	—	56	Duty free operation and general trading
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
The Automall Discovery Park Limited	100	1	—	51	Used cars trading centre
Barbican Construction Company, Limited	230,000	100	—	56	Civil engineering
	20,000 ¹	100	—	56	
Billion Earn International Limited	1	1	100	100	Property investment
Billion Huge (International) Limited	950,001	1	—	70	Investment holding
Billion Park Investment Limited	1,000,000	1	—	57	Investment holding
Billionoble Investment Limited	4,998	1	—	56	Investment holding
		2 ¹	100	100	
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	—	56	Property management
	3,000 ¹	10,000	100	—	
Calpella Limited	2	10	—	100	Property investment
Care & Services Company Limited	15,000,000	1	—	56	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	—	56	Provision of information technology solutions
	160,000 ¹	100	—	56	
City Team Development Limited	1,000,000	1	—	82	Property investment
Companion Glory Limited	100	100	—	56	Retail trade of ceramic tiles
Crown Field Properties Limited	100	1	—	70	Property investment
Dragon Crest Limited	2	1	—	100	Property investment
Environmental Pioneers & Solutions Limited	1,000	100	—	56	Environmental products and engineering
Extensive Trading Company Limited	8,500,000	1	—	56	Trading of building and engineering materials
	1,500,000 ¹	1	—	56	
Far East Engineering Services Limited	766,714	10	—	56	Mechanical and electrical engineering
	233,288 ¹	10	—	56	
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	—	56	Security services
	11,600 ¹	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
Grand Hyatt Hong Kong Company Limited	1,000	1	—	64	Hotel operation
	9,000 ²	1	—	100	

48 PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2007

	Share capital issued [#]		Attributable interest (%)		Principal activities
	Number	Par value per share HK\$	To the Company	To the Group	
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	—	56	Construction
	10,000 ¹	1,000	—	56	
Hip Hing Construction Company Limited	400,000	100	—	56	Construction and civil engineering
	600,000 ¹	100	—	56	
Hip Hing-Leader JV Limited	10,000	1	—	37	Construction
Hong Kong Convention and Exhibition Centre (Management) Limited	3	1	—	56	Management of HKCEC
	1 ¹	1	—	56	
Hong Kong Island Development Limited	33,400,000	5	6	100	Property investment
Hong Kong Island Landscape Company Limited	1,980,000	10	—	56	Landscaping and project contracting
	20,000 ¹	10	—	—	
Hong Kong New World Department Store Company Limited	968,153,000	1	100	100	Department stores operation
Hong Kong Ticketing Limited	11,481,580	1	—	56	Ticketing services
Honour Shares Limited	100	1	—	100	Investment holding
International Property Management Limited	450,000	10	—	56	Property management
	95,500 ¹	10	—	47	
Joint Profit Limited	2	1	100	100	Property investment
Kamking Limited	2	1	100	100	Property investment
Kentfull Contracting Limited	10	1	—	56	Interior decoration
	5,000,000 ¹	1	—	56	contracting
Kentfull Engineering Company Limited	6,000 ^A	1	—	56	Building construction
	4,000 ^B	—	—	—	
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	—	56	Property agency
	2 ¹	1	—	56	management and consultancy
Kiu Lok Service Management Company Limited	2	100	—	56	Property management
	1,002 ¹	100	—	56	
Kleaners Limited	5,000,000	1	—	56	Laundry services
KLPS Group Limited	20,000,000	1	—	56	Investment holding
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 ¹	1	—	—	
Loyalton Limited	2	10	—	100	Property investment
Macdonnell Hostel Company Limited	2	1	100	100	Hostel operation
Majestic Engineering Company Limited	30,000	1,000	—	56	Mechanical and electrical engineering
Mega Choice Holdings Limited	10,720	1	—	65	Property investment
Millennium Engineering Limited	18,750,000	1	—	51	Supply and installation of aluminium windows and curtain wall
Million World Development Limited	100	1	100	100	Property investment
Moral Giant Limited	1	1	100	100	Property investment
New China Laundry Limited	40,000,002	1	—	56	Laundry services
	704,000 ¹	1	—	56	
New Town Project Management Limited	2	1	100	100	Project management
New Waly Interior Products Limited	1,000,000	1	—	56	Trading of interior products
New World China Enterprises Projects Limited	2	1	—	100	Project management

48 PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2007

	Share capital issued [#]		Attributable interest (%)		Principal activities
	Number	Par value per share HK\$	To the Company	To the Group	
New World Department Stores Limited	2	1	—	100	Management services to department stores
New World Department Stores (Holdings) Limited	3	1	—	100	Investment holding
New World Development (China) Limited	2	1	—	70	Investment holding
	2 ¹	1	100	100	
New World Finance Company Limited	200,000	100	100	100	Financial services
New World-Guangdong Highway Investments Co. Limited	100	100	—	56	Investment holding
	100 ¹	100	—	63	
New World Harbourview Hotel Company Limited	1,000	1	—	64	Hotel operation
	9,000 ²	1	—	100	
New World Hotel Company Limited	40,000,000	1	—	64	Hotel operation
New World Hotel Management Limited	1	1	—	46	Hotel management
New World Hotels (Holdings) Limited	576,000,000	0.25	—	64	Investment holding
New World Insurance Management Limited	100,000	1	—	56	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 Sunlong Communication (HK) Limited	1	1	—	100	Trading of system integration products
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 ¹	1	—	100	
New World Tower Company Limited	2	10	—	100	Property investment
Ngo Kee Construction Company Limited	670,000	100	—	56	Building construction
	1 ²	1	—	—	
NWD Finance Limited	2	1	100	100	Financial services
NWS (Finance) Limited	2	1	—	56	Financial services
NWS Holdings (China) Limited	1	1	—	56	Investment holding
NWS Holdings (Finance) Limited	1	1	—	56	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	—	56	Cleaning services
	500,020 ¹	1	—	48	
Polytown Company Limited	2	10	—	56	Property investment, operation, marketing, promotion and management of HKCEC
	100,000 ¹	10	—	56	
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
Richglows Limited	2	1	—	100	Property investment
Sky Connection Limited	100	1	—	56	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

48 PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2007

	Share capital issued [#]		Attributable interest (%)		Principal activities
	Number	Par value per share	To the Company	To the Group	
Tao Yun Company Limited	2	HK\$10	—	100	Property investment
Team Deco International Limited	2	HK\$1	—	56	Interior design
Top Flash Investments Limited	10,000	HK\$1	80	80	Property investment
Trade Port Enterprises Limited	2	HK\$1	100	100	Investment holding
Trend Island Limited	2	HK\$1	—	70	Investment holding
True Hope Investment Limited	4,998	HK\$1	—	56	Investment holding
	2 ¹	HK\$1	—	100	
Trump Champion Limited	2	HK\$1	—	100	Property investment
Try Force Limited	4,998	HK\$1	—	56	Investment holding
	2 ¹	HK\$1	—	100	
Tsuen Wan Properties Limited	200	HK\$100	—	100	Property investment
Uniformity Security Company Limited	2	HK\$100	—	56	Security services
	2,500 ¹	HK\$100	—	—	
Urban Parking Limited	10,000,000	HK\$1	—	56	Carpark management
Urban Property Management Limited	49,995,498	HK\$1	—	56	Property management
	4,502 ¹	HK\$1	—	37	
Vibro (H.K.) Limited	20,000,004	HK\$3	—	56	Foundation works
Wai Hong Cleaning & Pest Control Company Limited	400,000	HK\$100	—	56	Cleaning and pest control services
Waking Builders, Limited	20,000	HK\$1,000	—	56	Construction
Waygent Investment Limited	2	HK\$1	100	100	Property investment
Wincy Enterprises Limited	2	HK\$1	100	100	Property investment
Winpo Development Limited	2	HK\$1	100	100	Property investment
World Empire Property Limited	2	HK\$1	100	100	Property investment
Young's Engineering Company Limited	4,000,000	HK\$10	—	56	Mechanical and electrical engineering
<i>Incorporated in the Cayman Islands and operate in Hong Kong</i>					
New World China Land Limited	3,830,365,632	HK\$0.10	66	70	Investment holding
New World Department Store China Limited	60,946,000	HK\$0.10	100	100	Investment holding
New World TMT Limited	952,180,007	HK\$1	—	100	Investment holding
NWS Service Management Limited	1,323,943,165	HK\$0.10	—	56	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 stated¹ Non-voting deferred shares² Non-voting preference shares

48 PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2007

	Registered capital	Attributable interest ^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	—	64	Land development
Beijing Lingal Real Estates Development Co., Ltd.	US\$13,000,000	—	70	Property development
Beijing Xintong Media & Cultural Development Co. Ltd.	Rmb100,000,000	—	83	Provision of advertising and media related services
Chengdu Xinyi Real Estate Development Co., Ltd.	Rmb30,000,000	—	51	Property development
Dalian New World Hotel Co., Ltd.	Rmb217,000,000	—	70	Hotel investment
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	—	85	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 Co., Ltd.	Rmb60,000,000	—	17	Operation of toll bridge
Fung Seng Estate Development (Shanghai) Co., Ltd.	US\$10,000,000	—	49	Property development
Guangxi Beiliu Xinbei Highways Co., Ltd.	Rmb99,200,000	—	34	Operation of toll road
Guangxi Cangwu Xincang Highways Limited	Rmb64,000,000	—	39	Operation of toll road
Guangxi Rongxian Xinrong Highways Limited	Rmb82,400,000	—	39	Operation of toll road
Guangxi Yulin Xinye Highways Co., Ltd.	Rmb63,800,000	—	34	Operation of toll road
Guangxi Yulin Xinyu Highways Co., Ltd.	Rmb96,000,000	—	34	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\$220,000,000	100	100	Property investment
Guangzhou Xin Hua Chen Real Estate Co., Ltd.	Rmb200,000,000	—	70	Property development
Guangzhou Xin Hua Jian Real Estate Co., Ltd.	Rmb244,000,000	—	70	Property development
Guangzhou Xin Sui Tourism Centre Ltd.	HK\$100,000,000	—	70	Property development
Guangzhou Xin Yi Development Limited	HK\$286,000,000	—	63	Property investment and development
Guiyang New World Real Estate Co., Ltd.	US\$81,550,000	—	85	Property development
Hip Hing Construction (China) Company Limited	HK\$50,000,000	—	56	Construction
Huamei Wealth (Beijing) Technology Co., Ltd.	Rmb40,000,000	—	70	Investment holding
Hunan Success New Century Investment Company Limited	Rmb50,000,000	—	77	Property development
Jinan New World Sunshine Development Ltd.	US\$29,980,000	—	51	Property development
Nanjing Huawei Real Estate Development Co., Ltd.	US\$12,000,000	—	64	Property development
New World Anderson (Tianjin) Development Co., Ltd.	US\$5,500,000	—	70	Property investment and development
New World (China) Investment Limited	US\$130,000,000	—	100	Investment holding
New World China Land Investments 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

48 PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2007

	Registered capital	Attributable interest ^o (%)		Principal activities
		To the Company	To the Group	
New World (Shenyang) Property Development Limited	Rmb97,720,000	—	63	Property development
Ningbo Firm Success Consulting Development Co., Ltd.	US\$5,000,000	—	100	Investment holding and provision of consultancy services
Ningbo New World Department Store Limited	Rmb40,000,000	—	100	Department store operation
NWS Engineering Ltd	Rmb50,000,000	—	56	Mechanical and electrical engineering
Shanghai Juyi Real Estate Development Co., Ltd.	Rmb641,590,000	—	49	Property development
Shanghai Ramada Plaza Ltd.	US\$42,000,000	—	53	Property investment and hotel operation
Shanxi Xinda Highways Ltd.	Rmb49,000,000	—	50	Operation of toll road
Shanxi Xinhuang Highways Ltd.	Rmb56,000,000	—	50	Operation of toll road
Shenyang New World Department Store Limited	Rmb30,000,000	—	100	Department store operation
Shenyang New World Hotel Co., Ltd.	Rmb201,520,000	—	70	Hotel operation
Shenyang Trendy Property Company Limited	Rmb27,880,000	—	70	Property investment
Shenzhen New World Xianglong Network Technology Company Limited	Rmb550,000,000	—	100	Exploration of wireless telecommunication network
Shenzhen New World Xianglong Technology Development Company Limited	Rmb100,000,000	—	100	Exploration of wireless telecommunication network
Shenzhen Topping Real Estate Development Co., Ltd.	HK\$182,000,000	—	63	Property development
Taiyuan Xintai Highways Limited	Rmb72,120,000	—	50	Operation of toll road
Taiyuan Xinyuan Highways Limited	Rmb85,880,000	—	50	Operation of toll road
Tianjin New World Department Store Limited	US\$5,000,000	—	100	Department store operation
Tianjin Xin Guang Development Co., Ltd.	US\$4,500,000	—	70	Property development
Wuhan New Eagle Development Company Limited	US\$15,630,000	—	100	Property investment
Wuhan New Eagle Properties Co., Limited	US\$2,830,000	—	70	Property investment
Wuxi New World Department Store Limited	US\$5,000,000	—	100	Department store operation
Wuzhou Xinwu Highways Limited	Rmb72,000,000	—	25	Operation of toll road
Xiamen New World Xiangyu Warehouse & Processing Zone Limited	US\$5,000,000	—	56	Development of warehousing, processing and logistics facilities
Xiamen Xinyuan Container Terminal Co., Ltd.	Rmb17,000,000	—	39	Cargo consolidation, container storage, repairs and maintenance
<i>Incorporated and operate in Macau</i>				
Barbican (Macau) Limited	MOP25,000	—	56	Construction
Hip Hing Engineering (Macau) Company Limited	MOP100,000	—	56	Construction
Majestic Engineering (Macao) Company Limited	MOP25,000	—	56	Mechanical and electrical engineering
Ngo Kee (Macau) Limited	MOP25,000	—	56	Construction
Vibro (Macau) Limited	MOP1,000,000	—	56	Construction
Young's Engineering (Macao) Company Limited	MOP100,000	—	56	Mechanical and electrical engineering

^o percentage of equity interest, in the case of equity joint ventures or profit sharing percentage, in the case of co-operative joint ventures.

48 PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2007

	Share capital issued [#]		Attributable interest (%)		Principal activities
	Number	Par value per share	To the Company	To the Group	
<i>Incorporated in Bermuda and operate in Hong Kong</i>					
NWS Holdings Limited	2,014,245,435	HK\$1	—	56	Investment holding
Taifook Securities Group Limited	614,849,699	HK\$0.1	—	34	Investment holding
<i>Incorporated in the British Virgin Islands</i>					
Beauty Ocean Limited	1	US\$1	—	56	Investment holding
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 China Land Finance Limited	1	US\$1	—	70	Financial services
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
NWS Engineering Group Limited	50,000,000	HK\$1	—	56	Investment holding
NWS Financial Management Services Limited	1	US\$1	—	56	Investment holding
NWS Infrastructure Bridges Limited	1	US\$1	—	56	Investment holding
NWS Infrastructure Management Limited	2	US\$1	—	56	Investment holding
NWS Infrastructure Power Limited	1	US\$1	—	56	Investment holding
NWS Infrastructure Roads Limited	1	US\$1	—	56	Investment holding
NWS Infrastructure Water Limited	1	US\$1	—	56	Investment holding
NWS Ports Management Limited	2	US\$1	—	56	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
Sherson Limited	1	US\$1	100	100	Bond issuer
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
Upper Start Holdings Limited	1	US\$1	—	100	Investment holding
Winner World Group Limited	10	US\$1	80	80	Investment holding

49 PRINCIPAL JOINTLY CONTROLLED ENTITIES

As at 30 June 2007

	Registered capital	Attributable interest ^Ω (%)		Principal activities
		To the Company	To the Group	
Equity joint ventures				
<i>Incorporated and operate in the PRC</i>				
ATL Logistics Centre Yantian (Shenzhen) Limited	HK\$3,500,000	—	26	Operation of cargo handling and storage facilities
China United International Rail Containers Co., Limited	Rmb1,400,000,000	—	12	Operation of rail terminal and related business
Guodian Chengdu Jintang Power Plant Co. Ltd.	Rmb653,784,615	—	20	Generation and supply of electricity
Tianjin Orient Container Terminals Co., Ltd.	US\$29,200,000	—	14	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	—	28	Container handling and storage and road freight operations
The Waterman Co., Limited, Shanghai	US\$19,900,000	—	37	Manufacturing and distribution of distilled water
Wenzhou Zhuangyuan Ao New World International Terminals Company Limited	Rmb300,000,000	—	31	Development, operation and management of pier and related business
Co-operative joint ventures				
<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\$225,400,000	—	49	Property investment and development
Beijing Chong Yu Real Estate Development Co., Limited	US\$171,840,000	—	49	Property investment and development
Beijing Xin Lian Hotel Co., Ltd.	US\$12,000,000	—	55	Hotel operation
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 development
Guangzhou Fucheng Property Development Co., Limited	HK\$80,000,000	—	42	Property development
Guangzhou Hemsell Real Estate Development Co., Ltd.	Rmb79,597,000	—	44	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	—	37	Operation of toll road
Haikou New World Housing Development Limited	US\$8,000,000	—	42	Property development

49 PRINCIPAL JOINTLY CONTROLLED ENTITIES (Continued)

As at 30 June 2007

	Registered capital	Attributable interest ^Ω (%)		Principal activities
		To the Company	To the Group	
Huishen (Yantian) Expressway Huizhou Company Limited	Rmb139,980,000	—	19	Operation of toll road
Huizhou City Huixin Expressway Company Limited	Rmb34,400,000	—	28	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 Co., Ltd.	Rmb93,688,000	—	50 [@]	Operation of toll road
Tianjin Xinlong Expressway Co., Ltd.	Rmb99,400,000	—	50 [@]	Operation of toll road
Tianjin Xinlu Expressway Co., Ltd.	Rmb99,092,000	—	50 [@]	Operation of toll road
Tianjin Xinming Expressway Co., Ltd.	Rmb85,468,000	—	50 [@]	Operation of toll road
Tianjin Xinqing Expressway Co., Ltd.	Rmb99,368,000	—	50 [@]	Operation of toll road
Tianjin Xinquan Expressway Co., Ltd.	Rmb92,016,000	—	50 [@]	Operation of toll road
Tianjin Xinsen Expressway Co., Ltd.	Rmb87,300,000	—	50 [@]	Operation of toll road
Tianjin Xinshi Expressway Co., Ltd.	Rmb99,388,000	—	50 [@]	Operation of toll road
Tianjin Xinsi Expressway Co., Ltd.	Rmb96,624,000	—	50 [@]	Operation of toll road
Tianjin Xintong Expressway Co., Ltd.	Rmb99,448,000	—	50 [@]	Operation of toll road
Tianjin Xintuo Expressway Co., Ltd.	Rmb99,316,000	—	50 [@]	Operation of toll road
Tianjin Xinxiang Expressway Co., Ltd.	Rmb90,472,000	—	50 [@]	Operation of toll road
Tianjin Xinyan Expressway Co., Ltd.	Rmb89,028,000	—	50 [@]	Operation of toll road
Tianjin Xinzhan Expressway Co., Ltd.	Rmb89,392,000	—	50 [@]	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	Hotel investment
Wuxi New City Development Co., Limited	US\$10,400,000	—	26	Hotel operation

^Ω *percentage of equity interest, in the case of equity joint ventures or profit sharing percentage, in the case of co-operative joint ventures.*

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

49 PRINCIPAL JOINTLY CONTROLLED ENTITIES (Continued)

As at 30 June 2007

	Share capital issued [#]		Attributable interest (%)		Principal activities
	Number	Par value per share HK\$	To the Company	To the Group	
Companies limited by shares					
<i>Incorporated and operate in Hong Kong</i>					
Asian Success Investments Limited	900	1	—	33	Property investment
ATL Logistics Centre Hong Kong Limited	100,000'A'	1	—	31	Operation of cargo
	20,000'B'***	1	—	45	handling and storage
	54,918*	1	—	—	facilities
ATL Logistics Centre Yantian Limited	10,000	1	—	26	Investment holding
Best Link Development Limited	20	1	—	50	Property investment
China Aerospace New World Technology Limited	30,000,000	1	—	50	Investment holding
Direct Profit Development Limited	200,000	0.05	—	12	Property investment
Far East Landfill Technologies Limited	1,000,000	1	—	26	Landfill
First Star Development Limited	100	1	—	28	Property development
Gloryland Limited	900	1	—	33	Property investment
Grace Sign Limited	1,000	1	—	30	Property investment
Istaron Limited	4	1	—	32	Investment holding
Jade Gain Enterprises Limited	100	1	—	45	Property investment
Newfoundworld Holdings Limited	200,000	10	—	20	Investment holding
Newfoundworld Limited	200,000	10	—	20	Property investment
Ocean Champion Development Limited	10,000	1	—	50	Property investment
Poly Rising Development Limited	1	1	—	28	Property development
Sheeniy Enterprises Limited	10,000	1	—	50	Property investment
Super Lion Enterprises Limited	2	1	50	50	Property investment
Supertime Holdings Limited	100	1	—	28	Property development
Tate's Cairn Tunnel Company Limited	1,100,000	0.01	—	17	Operation of toll tunnel
	600,000,000*	1	—	—	
United Asia Terminals (Yantian) Limited	52,000'A'	1	—	—	Operation of cargo
	52,000'B'	1	—	56	handling and storage
	26,000'C'	1	—	—	facilities
Wise Come Development Limited	30	1	—	40	Property investment

49 PRINCIPAL JOINTLY CONTROLLED ENTITIES (Continued)

As at 30 June 2007

	Share capital issued [#]		Attributable interest (%)		Principal activities
	Number/Amount	Par value per share	To the Company	To the Group	
<i>Incorporated and operate in the PRC</i>					
Fortune Leader Overseas Chinese (Daiyawan) Investment Co. Ltd.	US\$16,950,000	—	—	27	Golf club and resort operation
Fortune Leader Overseas Chinese (Daiyawan) Real Estate Development Co. Ltd.	US\$20,800,000	—	—	41	Property development
<i>Incorporated in the British Virgin Islands and operate in the PRC</i>					
Holicon Holdings Limited	2	US\$1	—	50	Property investment
Jaidan Profits Limited	2	US\$1	—	50	Property investment
Jorvik International Limited	2	US\$1	—	50	Property investment
Orwin Enterprises Limited	2	US\$1	—	50	Property investment
<i>Incorporated in the British Virgin Islands</i>					
New World Liberty China Ventures Limited	1,134 100**	US\$1 US\$1	— —	71	Investment holding
NWS Transport Services Limited	500,000,016	HK\$1	—	28	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 10,000,000 [^]	M\$1 M\$0.10	— —	38 38	Property investment
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	1,450,280 ^{A'} 2,789,000 ^{B'} 1,338,720 ^{C'}	HK\$100 HK\$100 HK\$100	— — —	— 56 —	Investment holding, operation of water and electricity plants

[#] Represented ordinary shares, unless otherwise stated^{*} Non-voting deferred ordinary shares^{**} Non-voting preference shares[^] Redeemable cumulative preference share

50 PRINCIPAL ASSOCIATED COMPANIES

As at 30 June 2007

	Share capital issued [#]		Attributable interest (%)		Principal activities
	Number	Par value per share	To the Company	To the Group	
<i>Incorporated and operate in Hong Kong</i>					
Birkenhead Properties & Investments Limited	1,200,000	HK\$1	—	64	Property investment
Estoree Limited	500'A'	HK\$10	—	—	Property investment
	500'B'	HK\$10	—	50	
	9,000'C**	HK\$10	—	—	
Ever Light Limited	1,000	HK\$1	40	40	Property investment
Fook Hang Trading Company Limited	100	HK\$100	50	50	Property investment
Global Perfect Development Limited	1,000,000	HK\$1	—	35	Investment holding
Global Winner Limited	2	HK\$1	—	50	Property investment
Pure Jade Limited	1,000	HK\$1	—	20	Property investment
Quon Hing Concrete Company Limited	200,000	HK\$100	—	28	Production and sales of concrete
Ranex Investments Limited	100	HK\$1	—	10	Property investment
Shun Tak Centre Limited	1,000'A'	HK\$100	—	29	Property investment
	450'B'	HK\$10	—	64	
	550'C'	HK\$10	—	—	
Silver Rich Holdings Limited	2	HK\$1	—	50	Property investment
Silverland Limited	4	HK\$1	50	50	Property investment
Sun City Holdings Limited	8,000,000	HK\$1	—	21	Investment holding
Yargoan Company Limited	150,000	HK\$100	—	24	Stone quarrying
<i>Incorporated and operate in Thailand</i>					
Ploenchit Arcade Company Limited	200,000	Baht1,000	—	13	Investment holding

50 PRINCIPAL ASSOCIATED COMPANIES (Continued)

As at 30 June 2007

	Registered capital/ Share capital issued [#]		Attributable interest (%)		Principal activities
	Number/Amount	Par value per share	To the Company	To the Group	
<i>Incorporated in the British Virgin Islands</i>					
East Asia Secretaries (BVI) Limited	300,000,000	HK\$1	—	14	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	—	14	Investment holding
<i>Incorporated and operate in the PRC</i>					
Beijing — Zhuhai Expressway Guangzhou — Zhuhai Northern Section Company Limited	Rmb650,953,325	—	—	8	Operation of toll road
Guangdong Balihua New Energy Stock Co., Limited	Rmb740,730,000	—	—	5	Generation and supply of electricity
Guangzhou Oriental Power Co., Ltd.	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
Shanghai New World Huai Hai Property Development Co., Ltd.	US\$108,500,000	—	—	31	Property investment
Tianjin Five Continents International Container Terminal Co., Ltd.	Rmb1,125,000,000	—	—	10	Operation of container terminal
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	821,408,494	HK\$0.10	—	13	Investment holding
	1,100,000,000 ^{**}	HK\$0.01	—	—	
CSL New World Mobility Limited	655,886,331	US\$0.3163	—	24	Provision of mobile telecommunications services
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