

> 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 the operation of roads, power plants, water treatment, waste management plants, container handling, logistics and warehousing services), telecommunication services, department store operations, hotel and restaurant operations and telecommunications, media, technology and strategic businesses.

These financial statements have been approved by the Board of Directors on 14 October 2008.

2 Basis of preparation

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

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

(a) Adoption of new or revised standards

For the year ended 30 June 2008, the Group has adopted the following new standard, amendment to standard and interpretations which are relevant to the Group’s operations and are mandatory for the financial year ended 30 June 2008:

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Presentation of Financial Statements: Capital Disclosures
HK(IFRIC)–Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)–Int 11	HKFRS 2 — Group and Treasury Share Transactions

The adoption of these new standard, amendment and interpretations does not have significant change to the accounting policies or any significant effect on the results and financial position of the Group. However, the adoption of HKAS 1 Amendment and HKFRS 7 requires additional disclosures in the financial statements.

> Notes to the Financial Statements (Continued)

2 Basis of preparation (Continued)

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

The following new/revised standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2008 or later periods but which the Group has not early adopted:

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

Effective for the year ending 30 June 2010

HKFRS 2 Amendment	Share-based Payment Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combination
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 1 and HKAS 32 Amendment	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC)–Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)–Int 16	Hedges of a Net Investment in a Foreign Operation

The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations. The adoption of these new and revised standards, amendments and interpretations may result in reclassification and remeasurement of certain items in the financial statements.

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 deconsolidated from the date that control ceases.

> Notes to the Financial Statements (Continued)

3 Principal accounting policies (Continued)

(a) Consolidation (Continued)

(i) Subsidiaries (Continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets acquired, 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 Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company 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 in the consolidated financial statements, 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 stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(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 in the consolidated financial statements at cost plus the share of post-acquisition results and reserves and goodwill on acquisition less provision for impairment losses. The interests in jointly controlled entities also include long-term interest that, in substance, form part of the Group's net investment in the jointly controlled entities. 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.

> Notes to the Financial Statements (Continued)

3 Principal accounting policies (Continued)

(a) Consolidation (Continued)

(ii) Joint ventures (Continued)

(1) *Jointly controlled entities (Continued)*

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.

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.

For equity accounting purpose, 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 received and receivable.

(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 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 income statement.

> Notes to the Financial Statements (Continued)

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 Group has substantial and significant influence 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. The Group's investments in associated companies include goodwill (net of any accumulated impairment loss) identified on acquisition. The interests in associated companies also include long-term interest that, in substance, form part of the Group's net investment in the associated companies.

The Group's share of its associated companies' post acquisition profits or losses is recognised in the consolidated 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 Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For equity accounting purpose, 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 stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend income received and receivable.

(iv) Minority interests

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 which are recorded in the consolidated 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.

> Notes to the Financial Statements (Continued)

3 Principal accounting policies (Continued)

(b) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries, jointly controlled entities and 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 and is tested for impairment as part of overall balance. Separately recognised 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. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Trademark and licences

Acquired trademark and licenses are shown at historical cost. 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 carried at cost less impairment. Such licences are not amortised.

(iii) Operating right

Operating right primarily resulted from the acquisition of right to operate facilities rental business. Operating right is carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost over the period of the operating right.

> Notes to the Financial Statements (Continued)

3 Principal accounting policies (Continued)

(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 at each 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 to investment property and stated at fair value.

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.

(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. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged 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.

> Notes to the Financial Statements (Continued)

3 Principal accounting policies (Continued)

(e) Property, plant and equipment (Continued)

(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 allocate their costs 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 determined by comparing 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 investments in subsidiaries, jointly controlled entities, associated companies and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets 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.

> Notes to the Financial Statements (Continued)

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 and those designated as at fair value through profit or loss at inception under certain circumstances. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are classified as held for trading unless they are designated as hedges.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable 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 financial assets 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. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

> Notes to the Financial Statements (Continued)

3 Principal accounting policies (Continued)

(g) Investments (Continued)

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.

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 equity instruments classified as 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. In case of debt instruments, objective evidence of impairment includes significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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. Properties under development included in the current assets are expected to be realised in, or is intended for sale in the Group's normal operating cycle.

(i) Properties held for sale

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

> Notes to the Financial Statements (Continued)

3 Principal accounting policies (Continued)

(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 3(t)(iii), less provision for anticipated losses and progress payments received and receivable.

(k) Trade and other debtors

Trade and other debtors 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.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings under current liabilities in the balance sheet.

(m) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(n) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) 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 the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

> Notes to the Financial Statements (Continued)

3 Principal accounting policies (Continued)

(p) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

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

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

(q) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group, jointly controlled entities and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax 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, the deferred income tax is not accounted for if it 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. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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 income tax 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.

> Notes to the Financial Statements (Continued)

3 Principal accounting policies (Continued)

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. 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.

(s) 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 profits.

(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.

> Notes to the Financial Statements (Continued)

3 Principal accounting policies (Continued)

(t) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts, allowances for credit and other revenue reducing factors after eliminating sales within the Group.

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. 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 individual contract on construction, electrical and mechanical engineering services is recognised under the percentage of completion method, and is measured by reference to the proportion that contract costs incurred for work performed to date compares to the estimated total contract costs to completion. Anticipated losses are fully provided on contracts when identified.

(iv) Service fees

Property management service fee, property letting agency fee, transportation service fee, security service fee and financial 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 telecommunication network and facilities. Telecommunication revenue in respect of standard service plans billed in advance at year end is deferred and recognised when service is rendered. Revenue received in advance for the provision of telecommunication services using prepaid cards is deferred and amortised based on the actual usage by customers.

> Notes to the Financial Statements (Continued)

3 Principal accounting policies (Continued)

(t) Revenue recognition (Continued)

(vii) Department store operation

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

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

(viii) Hotel and restaurant operations

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

(ix) Interest

Interest is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognised using the original effective interest rate.

(x) Dividend

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

(u) 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 lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance 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 so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets held under finance leases are depreciated on the basis described in note 3(e)(ii) above.

(ii) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), are charged to the income statement on a straight-line basis over the period of the lease.

> Notes to the Financial Statements (Continued)

3 Principal accounting policies (Continued)

(v) 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 as incurred.

(w) 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 plans

A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans, 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 plans

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of services and compensation. Defined benefit costs under defined benefit plans, 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.

> Notes to the Financial Statements (Continued)

3 Principal accounting policies (Continued)

(w) Employee benefits (Continued)

(v) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans. 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 at the date of grant, 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 vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(x) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities 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, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities 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.

> Notes to the Financial Statements (Continued)

3 Principal accounting policies (Continued)

(x) Foreign currencies (Continued)

(iii) Group companies

The results and financial position of all the Group entities 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 the average exchange rate during the period covered by the income statement; 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 and other currency instruments designated as hedges of such investments, 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.

(y) 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.

(z) 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.

> Notes to the Financial Statements (Continued)

3 Principal accounting policies (Continued)

(z) Segment reporting (Continued)

Segment assets consist primarily of property, plant and equipment, investment properties, intangible assets, financial assets, properties for development, other assets, properties under development, properties for sale, stocks and receivables. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings. Capital expenditure comprises additions to investment properties, property, plant and equipment intangible assets, including those resulting from acquisitions of subsidiaries.

(aa) 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 are approved by the Company's shareholders/directors.

4 Financial risk management and fair value estimation

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

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.

(a) Market risk

(i) Foreign exchange risk

The Group's operations is mainly in Hong Kong and Mainland China. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The Group currently does not have a foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider to enter into forward foreign exchange contracts to reduce the exposure should the need arises.

At 30 June 2008 the Group's entities with functional currency of Hong Kong dollar had United States dollar net monetary assets of HK\$815.3 million (2007: HK\$3,304.3 million). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management considers that there are no significant foreign exchange risk with respect to the United States dollar.

At 30 June 2008, the Group's entities with functional currency of Renminbi had net monetary assets denominated in United States dollar of HK\$871.2 million (2007: HK\$3,386.8 million). If Renminbi had strengthened/weakened by 5% against United States dollar with all other variables unchanged, the Group's profit before taxation would have been HK\$43.6 million (2007: HK\$169.3 million) lower/higher.

At 30 June 2008, the Group's entities with functional currency of Renminbi had net monetary liabilities denominated in Hong Kong dollar of HK\$3,295.3 million (2007: HK\$1,501.4 million). If Renminbi had strengthened/weakened by 5% against Hong Kong dollar with all other variables unchanged, the Group's profit before taxation would have been HK\$164.8 million (2007: HK\$75.1 million) higher/lower.

> Notes to the Financial Statements (Continued)

4 Financial risk management and fair value estimation (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. There are no other significant monetary balances held by Group companies at 30 June 2008 that are denominated in a non-functional currency. Currency risks as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

(ii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's interest bearing assets mainly include cash deposits, advances to customers and amount due from jointly controlled entities and associated companies. The Group's floating rate borrowings will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk. Fair value interest rate risk is the risk that the value of a financial asset or liability will fluctuate because of changes in market interest rates. The Group's borrowings issued at fixed rates expose the Group to fair value interest rate risk.

To mitigate the risk, the Group has maintained fixed and floating rate debts. The level of fixed rate debt for the Group is decided after taking into consideration the potential impact of higher interest rates on profit or loss, interest cover and the cash flow cycles of the Group's businesses and investments.

If interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit before taxation would have been HK\$153.8 million (2007: HK\$137.3 million) lower/higher. The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year and had been applied to the exposure to interest rate risk for financial instruments in existence at the balance sheet date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group over the period until the next annual balance sheet date. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments. As a consequence, they are included in the calculation of profit before taxation sensitivities.

> Notes to the Financial Statements (Continued)

4 Financial risk management and fair value estimation (Continued)

(a) Market risk (Continued)

(iii) Price risk

The Group is exposed to equity securities price risk because of the listed and unlisted equity investments held by the Group which are stated at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets and financial assets at fair value through profit or loss are dealt with in equity and income statement respectively. The performance of the Group's listed and unlisted equity investments are monitored regularly, together with an assessment of their relevance to the Group's long term strategic plans. The Group is not exposed to commodity price risk.

At 30 June 2008, if the price of listed and unlisted equity investments had been 25% higher/lower with all other variables held constant, the Group's profit before taxation and investment revaluation reserve would have been HK\$144.2 million and HK\$1,189.4 million (2007: HK\$50.9 million and HK\$920.1 million) higher/lower respectively. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

(b) Credit risk

The credit risk of the Group and the Company mainly arises from deposits with banks, trade and other debtors and balances receivable from group companies, jointly controlled entities and associated companies. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies in each of its core businesses.

Deposits are mainly placed with high-credit-quality financial institutions. Trade debtors mainly include receivables from sale and lease of properties and other services. Loan receivables normally carry interest at rates with reference to prevailing market interest rate and are secured by collaterals. The Group and the Company carry out regular review and follow-up action on any overdue amounts to minimise exposures to credit risk. There is no concentration of credit risk with respect to trade debtors from third party customers as the customer bases are widely dispersed in different sectors and industries. Under the current circumstances of the global financial turmoil, the Group will monitor its credit control procedures and policies.

In addition, the Group and the Company monitor the exposure to credit risk in respect of the financial assistance provided to subsidiaries, jointly controlled entities and associated companies through exercising control or significant influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

> Notes to the Financial Statements (Continued)

4 Financial risk management and fair value estimation (Continued)

(b) Credit risk (Continued)

The Group provides guarantees to banks in connection with certain property purchasers' borrowing of mortgage loans to finance their purchase of the properties until the issuance of the official property title transfer certificates by the relevant authority in the Mainland China. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the purchasers' deposits and sell the property to recover any amounts paid by the Group to the bank. Therefore the Group's credit risk is significantly reduced. Nevertheless, the net realisable values of the relevant properties are subject to the fluctuation of the property market in general, the Group assesses at each balance sheet date the liabilities based on the current estimates of future cash flows. As at 30 June 2008, no provision has been made in the financial statements (2007: nil).

(c) Liquidity risk

Prudent liquidity risk management includes managing the profile of debt maturities and funding sources, maintaining sufficient cash and marketable securities, and ensuring the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. It is the policy of the Group and the Company to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities. The Group and the Company also maintain undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

	Carrying amount HK\$m	Total contractual undiscounted cashflow HK\$m	Within 1 year or on demand HK\$m	Over 1 year but within 5 years HK\$m	After 5 years HK\$m
At 30 June 2008					
Creditors and accrued charges	18,749.1	18,749.1	18,620.1	110.3	18.7
Amounts due to jointly controlled entities	2,616.2	2,616.2	2,616.2	—	—
Amounts due to associated companies	588.3	588.3	588.3	—	—
Short-term borrowings	4,608.9	4,661.6	4,661.6	—	—
Long-term borrowings	38,554.8	43,080.2	8,421.0	25,449.5	9,209.7
At 30 June 2007					
Creditors and accrued charges	16,209.5	16,209.5	15,534.8	645.3	29.4
Amounts due to jointly controlled entities	1,920.2	1,920.2	1,920.2	—	—
Amounts due to associated companies	482.1	482.1	482.1	—	—
Short-term borrowings	8,612.3	8,710.9	8,710.9	—	—
Long-term borrowings	32,973.6	38,842.6	6,475.0	21,317.1	11,050.5

> Notes to the Financial Statements (Continued)

4 Financial risk management and fair value estimation (Continued)

(c) Liquidity risk (Continued)

Company

	Carrying amount HK\$m	Total contractual undiscounted cashflow HK\$m	Within 1 year or on demand HK\$m	Over 1 year but within 5 years HK\$m	After 5 years HK\$m
At 30 June 2008					
Creditors and accrued charges	1,160.5	1,160.5	1,160.5	—	—
Amounts due to subsidiaries	21,205.3	21,205.3	21,205.3	—	—
Amounts due to associated companies	56.5	56.5	56.5	—	—
Short-term borrowings	36.7	38.4	38.4	—	—
At 30 June 2007					
Creditors and accrued charges	1,003.0	1,003.0	1,003.0	—	—
Amounts due to subsidiaries	24,053.8	24,053.8	24,053.8	—	—
Amounts due to associated companies	37.3	37.3	37.3	—	—
Short-term borrowings	26.9	29.3	29.3	—	—

(d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue or repurchase shares, raise new debt financing or sell assets to reduce debt. In light of the recent global financial turmoil, the Group will continue to adopt a prudent approach in managing its capital.

The Group monitors capital on the basis of the Group's gearing ratio. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (excluding loans from minority shareholders) less cash and bank balances.

> Notes to the Financial Statements (Continued)

4 Financial risk management and fair value estimation (Continued)

(d) Capital management (Continued)

The gearing ratios at 30 June 2008 and 2007 were as follows:

	2008	2007
	HK\$m	HK\$m
Consolidated total borrowings (excluding loans from minority shareholders)	40,733.6	39,478.0
Less: cash and bank balances	13,803.9	15,400.1
Consolidated net debt	26,929.7	24,077.9
Total equity	94,806.1	78,483.8
Gearing ratio	28.4%	30.7%

The decrease in gearing ratio at 30 June 2008 was primarily due to increase in total equity.

(e) 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.

> Notes to the Financial Statements (Continued)

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by the Group 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) Fair value of available-for-sale financial assets and financial assets at fair value through profit or loss

The fair value of available-for-sale financial assets and financial assets at fair value through profit or loss that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods (such as discounted cash flow model and option pricing models) and make assumptions that are mainly based on market conditions existing at each balance sheet date.

(b) 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. 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.

At 30 June 2008, if the market value of investment properties had been 8% higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been HK\$2,526.2 million (2007: HK\$2,100.2 million) higher/lower.

(c) Estimated useful lives and impairment of property, plant and equipment

Property, plant and equipment are long-lived but may be subject to technical obsolescence. The annual depreciation charges are affected by the estimated useful lives that the Group allocates to each type of property, plant and equipment. Management performs annual reviews to assess the appropriateness of the estimated useful lives. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned.

Management also regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset is lower than its recoverable amount which is the greater of its net selling price or its value in use. In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. Management estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

> Notes to the Financial Statements (Continued)

5 Critical accounting estimates and judgements (Continued)

(d) 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.

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

The Group assesses the carrying amounts of properties for/under development and held 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.

(f) 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. Provision will only be made in the financial period when the outcome of the potential liabilities can be reliably determined, or otherwise, the potential exposure attributable to the Group and the Company is disclosed as contingent liabilities set out in note 44.

> Notes to the Financial Statements (Continued)

5 Critical accounting estimates and judgements (Continued)

(g) 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.

(h) 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.

6 Revenues and segment information

	2008 HK\$m	2007 HK\$m
Revenues		
Rental	1,433.2	1,210.3
Property sales	4,632.9	2,916.7
Contracting	10,982.6	10,030.5
Provision of services	5,868.9	3,557.9
Infrastructure operations	327.4	299.5
Telecommunication services	962.1	890.0
Department store operations	2,236.0	1,704.1
Hotel operations	2,505.0	2,331.4
Others	412.7	344.1
Total	29,360.8	23,284.5

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

> Notes to the Financial Statements (Continued)

6 Revenues 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	Consolidated HK\$m
2008										
External	1,433.2	4,632.9	16,851.5	327.4	962.1	2,236.0	2,505.0	412.7	—	29,360.8
Inter-segment	228.5	—	1,856.8	—	65.1	—	—	—	(2,150.4)	—
Revenues	1,661.7	4,632.9	18,708.3	327.4	1,027.2	2,236.0	2,505.0	412.7	(2,150.4)	29,360.8
Segment results	1,036.8	1,008.5	1,019.4	130.2	(44.3)	434.3	599.2	139.0	—	4,323.1
Other gains, net	86.8	88.3	16.6	(16.2)	(323.1)	1,690.4	112.1	519.8	—	2,174.7
Changes in fair value of investment properties	4,022.6	—	—	—	—	—	—	—	—	4,022.6
Unallocated corporate expenses										(638.2)
Operating profit										9,882.2
Financing income										1,016.9
Financing costs										(1,282.0)
										9,617.1
Share of results of Jointly controlled entities	581.7	1,670.0	335.6	967.0	—	—	18.1	22.4	—	3,594.8
Associated companies	519.0	25.6	143.8	188.5	62.6	—	0.8	22.1	—	962.4
Profit before taxation										14,174.3
Taxation										(1,444.0)
Profit for the year										12,730.3
Segment assets	34,133.8	44,384.0	15,446.2	2,421.2	1,281.3	3,554.6	3,294.8	6,446.0	—	110,961.9
Interests in jointly controlled entities	4,118.3	11,787.8	4,269.2	8,552.3	—	—	1,036.1	654.1	—	30,417.8
Interests in associated companies	3,181.9	1,528.3	2,233.1	849.4	2,207.5	—	116.7	46.4	—	10,163.3
Unallocated assets										14,085.2
Total assets										165,628.2
Segment liabilities	520.7	5,817.5	9,795.2	414.7	221.4	1,603.2	1,242.9	1,502.3	—	21,117.9
Unallocated liabilities										49,704.2
Total liabilities										70,822.1
Capital expenditure	2,099.3	491.5	1,050.4	4.0	69.1	294.8	1,235.0	38.8	—	5,282.9
Depreciation and amortisation	65.2	162.6	134.1	92.4	99.3	153.1	211.3	49.0	—	967.0
Impairment charge and provision	19.6	16.1	20.1	38.6	323.1	—	3.2	212.0	—	632.7

> Notes to the Financial Statements (Continued)

6 Revenues 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	Consolidated 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)	—
Revenues	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, net	(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

> Notes to the Financial Statements (Continued)

6 Revenues and segment information (Continued)

(b) Secondary reporting format — geographical segments

	Revenues HK\$m	Segment assets HK\$m	Capital expenditure HK\$m
2008			
Hong Kong and others	15,879.1	66,936.1	2,714.9
Mainland China	7,764.9	41,864.0	2,554.5
Macau	5,716.8	2,161.8	13.5
	29,360.8	110,961.9	5,282.9
2007			
Hong Kong and others	12,167.9	63,168.7	500.5
Mainland China	6,007.8	29,362.1	322.6
Macau	5,108.8	1,425.6	0.3
	23,284.5	93,956.4	823.4

The Group's revenues, segment assets and capital expenditure attributed to Southeast Asia and North America account for an insignificant portion of the Group's total revenues, segment assets and capital expenditure respectively, and have been included in the Hong Kong and others.

7 Other income

	2008 HK\$m	2007 HK\$m
Dividend income from investments in		
Listed shares	22.8	15.8
Unlisted shares	87.0	36.5
	109.8	52.3

> Notes to the Financial Statements (Continued)

8 Other gains, net

	2008 HK\$m	2007 HK\$m
Write back of provision for		
Loans receivable	0.8	13.8
Other receivables	126.0	64.8
Recovery from the PrediWave Companies (<i>note</i>)	431.5	1,593.6
Excess of the fair value of net assets acquired over the cost of acquisition of interests of subsidiaries	129.5	11.1
Gain on fair value of financial assets at fair value through profit or loss	1.1	7.8
Gain on deemed disposal of interests in subsidiaries	1,695.3	125.7
Net profit/(loss) on disposal of		
Property, plant and equipment, investment properties, leasehold land and land use rights	40.4	(25.3)
Available-for-sale financial assets	203.9	18.6
Financial assets at fair value through profit or loss	50.5	9.1
Subsidiaries	47.4	122.8
Partial interests in subsidiaries	81.0	9.6
Impairment loss on		
Property, plant and equipment, leasehold land and land use rights	(368.6)	(83.9)
Intangible assets	(8.1)	(36.3)
Available-for-sale financial assets	(34.2)	(12.0)
Deposit for proposed investment	—	(9.5)
Loans receivable	(189.1)	(144.3)
Other assets	(32.7)	(6.2)
Loss on deemed disposal of interest in a subsidiary	—	(8.3)
	2,174.7	1,651.1

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 Corporation ("PrediWave") and certain related companies (collectively 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 million) (the "Judgement"), which includes US\$2.0 billion (approximately HK\$15,600 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 recovered by NWTMT, the Group recognised an aggregate recovery from the PrediWave litigations of HK\$2,025.1 million, of which HK\$431.5 million (2007: HK\$1,593.6 million) was recognised during the year.

> Notes to the Financial Statements (Continued)

9 Operating profit

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

	2008	2007
	HK\$m	HK\$m
Gross rental income from investment properties	1,230.9	1,050.3
Outgoings	(337.9)	(311.3)
	893.0	739.0
Interest income from margin and other financing of securities business, included in revenue	308.8	17.3
Net income from leveraged foreign exchange trading	5.1	0.6
Commission on securities dealing	715.2	65.4
Commission on dealing in futures, options and commodities	70.5	4.3
Commission on dealing in bullion contracts	10.2	0.5
Net profit on futures, options and bullion contracts trading	22.0	1.2
Net profit on foreign exchange contracts trading	7.3	—
Cost of inventories sold	(4,851.4)	(3,441.6)
Depreciation		
Leased property, plant and equipment	—	(23.4)
Owned property, plant and equipment	(759.0)	(612.1)
Amortisation		
Intangible assets	(11.2)	(3.6)
Leasehold land and land use rights (<i>note</i>)	(196.8)	(165.9)
Operating lease rental expense		
Land and buildings	(681.7)	(543.9)
Other equipment	(13.5)	(8.7)
Staff costs (<i>note 15(a)</i>)	(4,340.9)	(3,969.5)
Interest expense for securities broking and margin financing operations, included in cost of sales	(167.1)	(11.2)
Foreign exchange gain, net	324.2	16.9
Auditors' remuneration		
Audit services	(52.8)	(50.5)
Non-audit services	(3.5)	(2.6)

Note: Amortisation of leasehold land and land use rights is stated after amount capitalised in properties for development and properties under development of HK\$68.8 million and HK\$169.4 million (2007: HK\$66.0 million and HK\$133.6 million) respectively.

> Notes to the Financial Statements (Continued)

10 Financing costs

	2008 HK\$m	2007 HK\$m
Interest on bank loans and overdrafts		
Wholly repayable within five years	1,247.4	1,301.3
Not wholly repayable within five years	48.0	18.9
Interest on finance leases wholly payable within five years	—	3.3
Interest on convertible bonds		
Wholly repayable within five years	104.4	9.7
Not wholly repayable within five years	311.2	22.0
Interest on loans from minority shareholders		
Wholly repayable within five years	9.9	5.9
Not wholly repayable within five years	49.7	35.0
Loss in fair value of financial instruments	—	0.3
Total borrowing costs incurred	1,770.6	1,396.4
Interest capitalised as cost of properties under development	(488.6)	(223.1)
	1,282.0	1,173.3

11 Taxation

	2008 HK\$m	2007 HK\$m
Current taxation		
Hong Kong profits tax	445.4	385.3
Mainland China and overseas taxation	337.7	204.7
Mainland China land appreciation tax	143.9	117.6
Deferred taxation		
Valuation of investment properties	587.1	273.6
Temporary differences	132.6	5.6
Effect of change in tax rate	(202.7)	(84.3)
	1,444.0	902.5

In 2008, the Government of the Hong Kong Special Administrative Region enacted a change in the profits tax rate from 17.5% to 16.5% for the fiscal year 2008/2009. Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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% (2007: 3.0% to 33.0%).

Mainland China land appreciation tax is provided at progressive rates ranging from 30.0% to 60.0% (2007: 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.

> Notes to the Financial Statements (Continued)

11 Taxation (Continued)

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. Accordingly, the relevant corporate income tax from 1 January 2008 and the deferred taxation for the financial year 2007/2008 have been accounted for by applying the relevant rates in the New CIT Law.

Share of taxation of jointly controlled entities and associated companies of HK\$973.7 million and HK\$179.9 million (2007: HK\$273.3 million and HK\$139.9 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:

	2008	2007
	HK\$m	HK\$m
Profit before taxation and share of results of jointly controlled entities and associated companies	9,617.1	3,680.1
Calculated at a taxation rate of 16.5% (2007: 17.5%)	1,586.8	644.0
Effect of different taxation rates in other countries	86.1	100.5
Income not subject to taxation	(871.7)	(542.8)
Expenses not deductible for taxation purposes	533.9	501.0
Tax losses not recognised	165.6	138.9
Temporary differences not recognised	74.5	47.7
Tax exemption granted	(7.2)	(36.9)
Utilisation of previously unrecognised tax losses	(84.2)	(74.8)
Effect of change in tax rate	(202.7)	(84.3)
Deferred taxation on undistributed profits	37.8	—
Others	(18.8)	91.6
	1,300.1	784.9
Mainland China land appreciation tax	143.9	117.6
Taxation charge	1,444.0	902.5

12 Profit attributable to shareholders

Profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK\$1,630.5 million (2007: HK\$675.3 million).

> Notes to the Financial Statements (Continued)

13 Dividends

	2008 HK\$m	2007 HK\$m
Interim dividend of HK\$0.18 (2007: HK\$0.15) per share	672.6	553.8
Final dividend proposed of HK\$0.25 (2007: HK\$0.25) per share	939.6	928.3
	1,612.2	1,482.1
Of which the following were settled by the issue of scrip:		
Interim dividend	391.3	382.5
Final dividend	*	543.5

* Full amount had been set aside from retained profits for the 2008 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 14 October 2008, 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 2009.

14 Earnings per share

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

	2008 HK\$m	2007 HK\$m
Profit attributable to shareholders	9,674.4	4,312.9
Effect of dilutive potential ordinary shares:		
Interest expense on convertible bonds	259.9	18.2
Adjustment on the effect of dilution in the results of subsidiaries	(99.4)	(9.3)
	9,834.9	4,321.8
	Number of shares (million)	
	2008	2007
Weighted average number of shares for calculating basic earnings per share	3,732.8	3,676.1
Effect of dilutive potential ordinary shares:		
Convertible bonds	224.0	16.6
Share options	1.1	2.5
Weighted average number of shares for calculating diluted earnings per share	3,957.9	3,695.2

> Notes to the Financial Statements (Continued)

15 Staff costs

(a) Staff costs

	2008 HK\$m	2007 HK\$m
Wages, salaries and other benefits	3,980.0	3,118.7
Pension costs — defined benefits plans (note (b)(i))	2.4	(1.6)
Pension costs — defined contribution plans (note (b)(ii))	172.5	138.6
Share options (note (c))	186.0	713.8
	4,340.9	3,969.5

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.

The amounts recognised in the balance sheet were as follows:

	2008 HK\$m	2007 HK\$m
Present value of defined benefit obligations	(91.3)	(70.2)
Fair value of plan assets	146.7	135.5
Unrecognised actuarial gains	(33.6)	(41.4)
Retirement benefit assets (note 28)	21.8	23.9

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

	2008 HK\$m	2007 HK\$m
At beginning of the year	70.2	72.7
Interest cost	4.1	3.2
Current service cost	3.8	3.9
Contribution by employees	1.7	1.7
Benefit paid	(3.6)	(8.9)
Net transfer in	0.3	1.4
Actuarial losses/(gains)	14.8	(3.8)
At end of the year	91.3	70.2

> Notes to the Financial Statements (Continued)

15 Staff costs (Continued)

(b) Retirement benefit costs (Continued)

(i) Defined benefit plans (Continued)

The movements in the fair value of plan assets are as follows:

	2008	2007
	HK\$m	HK\$m
At beginning of the year	135.5	114.2
Expected return on plan assets	9.6	7.9
Contribution by employees	1.7	1.7
Contribution by the Group	0.3	0.9
Benefit paid	(3.6)	(8.9)
Net transfer in	0.3	1.4
Actuarial gains	2.9	18.3
At end of the year	146.7	135.5

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

	2008	2007
	HK\$m	HK\$m
Current service cost	3.8	3.9
Interest cost	4.1	3.2
Expected return on plan assets	(9.6)	(7.9)
Net actuarial losses/(gains) recognised	4.1	(0.8)
Total included in staff costs (<i>note (a)</i>)	2.4	(1.6)

The actual return on plan assets was HK\$11.6 million (2007: HK\$26.2 million).

	2008	2007
The principal actuarial assumptions used were as follows:		
Discount rate	3.5%	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	66.2%	72.0%
Debt instruments	27.1%	21.2%
Other assets	6.7%	6.8%

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.

> Notes to the Financial Statements (Continued)

15 Staff costs (Continued)

(b) Retirement benefit costs (Continued)

(i) Defined benefit plans (Continued)

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.

The Group does not expect to make contributions to its defined benefit plans for the year ending 30 June 2009. Expected contribution to defined benefit plans for the year ended 30 June 2008 was HK\$0.2 million.

	2008	2007	2006
	HK\$m	HK\$m	HK\$m
Present value of defined benefit obligations	(91.3)	(70.2)	(72.6)
Fair value of plan assets	146.7	135.5	114.2
Surplus	55.4	65.3	41.6
Experience adjustments on defined benefit obligations	1.3	1.5	(0.4)
Experience adjustments on plan assets	2.9	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. From 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\$172.5 million (2007: HK\$138.6 million) after netting off forfeited contributions of HK\$5.4 million (2007: HK\$4.7 million). Forfeited contributions available to reduce future contributions amounted to HK\$1.0 million (2007: HK\$1.1 million).

> Notes to the Financial Statements (Continued)

15 Staff costs (Continued)

(c) Share options

The Company and its subsidiaries, New World China Land Limited (“NWCL”), NWS Holdings Limited (“NWSH”), New World Department Store (China) Limited (“NWDS”) 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, NWDS and Taifook respectively.

Details of share options are as follows:

Grantor	Date of grant	Exercise price HK\$	1 July 2007	Granted	Adjusted	Exercised	Lapsed/cancelled	30 June 2008	Number of share options exercisable as at 30 June 2008	Note
The Company	19 March 2007	17.756	136,220,000	—	—	(2,806,000)	(480,000)	132,934,000	118,444,000	(i)
	Weighted average exercise price of each category (HK\$)		17.756	—	—	17.756	17.756	17.756	17.756	
NWCL	29 June 2001 to 11 July 2007	0.912 to 6.710	11,702,100	17,700,800	—	(4,136,700)	(958,600)	24,307,600	7,622,640	(ii)
	Weighted average exercise price of each category (HK\$)		3.484	6.986	—	2.063	4.428	6.239	6.056	
NWSH	21 July 2003 to 28 January 2008	3.711 to 20.591	1,480,167	30,394,000	13,158	(770,125)	(68)	31,117,132	31,117,132	(iii)
	Weighted average exercise price of each category (HK\$)		3.711	16.301	0.354	3.711	3.711	16.007	16.007	
NWDS	27 November 2007 to 25 March 2008	8.440 to 8.660	—	24,128,000	—	—	(70,000)	24,058,000	—	(iv)
	Weighted average exercise price of each category (HK\$)		—	8.622	—	—	8.660	8.622	—	
Taifook	5 September 2003 to 1 December 2007	0.941 to 6.090	3,300,000	28,700,000	—	(2,950,000)	(200,000)	28,850,000	350,000	(v)
	Weighted average exercise price of each category (HK\$)		1.042	6.090	—	1.028	6.090	6.030	1.163	

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.
- (ii) Except for (1) the 700,000 share options with exercise price per share of HK\$2.300 which are divided into 2 tranches and exercisable within a period of 2 years commencing on the expiry of one month after the dates on which the options were accepted; and (2) the 13,180,000 share options with exercise price per share of HK\$6.972 which are divided into 3 tranches and exercisable with a period of 3 years commencing on the expiry of one month after the dates on which the options were accepted, all the remaining share options are divided into 5 tranches and exercisable within a period of 5 years commencing on the expiry of one month after the dates on which the options were accepted.

The fair value of options granted during the year determined using the binomial pricing model was HK\$35,204,000 (2007: HK\$8,757,000). The significant inputs to the model was share price ranging from HK\$5.24 to HK\$8.07 (2007: HK\$2.825 to HK\$6.710) at the grant dates, exercise prices ranging from HK\$5.26 to HK\$8.07 (2007: HK\$2.865 to HK\$6.710), volatility of the share ranging from 42% to 45% (2007: 43% to 47%), expected life of options of 3 to 5 years (2007: 5 years), expected dividend yield ranging from 0.83% to 1.20% (2007: 0% to 1.33%), risk-free interest rate ranging from 2.24% to 4.06% (2007: 3.68% to 4.78%) and suboptimal exercise factor ranging from 1.5 to 1.74 times (2007: 1.55 to 1.74 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 the Company over the past 5 years.

> Notes to the Financial Statements (Continued)

15 Staff costs (Continued)

(c) Share options (Continued)

Notes: (Continued)

- (iii) The share options are exercisable on or before 21 August 2012.

The fair value of the share options granted during the year with exercise price per share of HK\$16.20 (subsequently being adjusted to HK\$16.193) and HK\$20.60 (subsequently being adjusted to HK\$20.591) are estimated at approximately HK\$5.23 and HK\$6.49 respectively, using the binomial pricing model. Values are appraised based on the risk-free rate of 4.13% per annum with reference to the rate prevailing on the Hong Kong government bond, an approximately five-year period historical volatility of 46.52%, assuming dividend yield of 4.90% per annum and an expected option life of five years.

- (iv) All the outstanding share options are divided into 5 tranches and exercisable during a period of 5 years commencing 1 year after the date of grant when the offer of options were accepted.

The fair value of the share options granted during the year with exercise price per share of HK\$8.66 and HK\$8.44 are estimated at HK\$3.002 and HK\$2.775 using binomial pricing model. Value is estimated based on Hong Kong government bond which will mature in November 2013 and February 2014 and the market yield as of date of grant ranging from 2.065% to 2.920%, a six-year period historical volatility ranging from 39.0% to 40.0% based on the price volatility of the shares of the comparable companies with additional criterion that they must have public trading history of at least 6 years counted backward from the date of grant assuming dividend yield at 1.5% per annum based on the market indication from the companies comparable with NWDS and an expected option life of 6 years.

- (v) The share options are exercisable on or before 31 May 2016.

The fair value of the share options granted by Taifook during the year ended 30 June 2008 was HK\$16.1 million (HK\$0.56 each) and recognised a share option expense of HK\$2.7 million during the year ended 30 June 2008.

The fair value of the equity-settled share options granted during the year ended 30 June 2008 was estimated as at the date of grant, using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The significant inputs to the model are dividend yield of 7.03%, expected volatility of 43.61%, risk free rate of 1.21%, expected life of option of 1 year and weighted average share price of HK\$5.69.

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

- (vi) The binomial pricing model and the Black-Scholes option pricing model requires input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

> Notes to the Financial Statements (Continued)

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	Value of share options	Total HK\$m
		in kind HK\$m		HK\$m	HK\$m	
Year ended 30 June 2008						
Dr. Cheng Yu-Tung	0.3	—	—	—	—	0.3
Dr. Cheng Kar-Shun, Henry	0.7	21.6	1.9	1.2	10.4	35.8
Lord Sandberg, Michael	0.3	—	—	—	—	0.3
Dr. Sin Wai-Kin, David	0.2	—	—	—	—	0.2
Mr. Cheng Yue-Pui (deceased)	0.1	—	—	—	—	0.1
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	0.4	3.1	0.5	0.3	0.5	4.8
Mr. Leung Chi-Kin, Stewart	0.4	5.0	0.8	0.5	0.1	6.8
Mr. Chow Kwai-Cheung	0.3	3.8	0.6	0.4	0.1	5.2
Mr. Ho Hau-Hay, Hamilton	0.2	—	—	—	—	0.2
Mr. Lee Luen-Wai, John	0.5	—	—	—	0.2	0.7
Mr. Liang Cheung-Biu, Thomas	0.2	—	—	—	—	0.2
Mr. Cheng Chi-Kong, Adrian	0.5	2.8	0.2	0.1	1.5	5.1
Total	4.9	36.3	4.0	2.5	12.8	60.5
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

> Notes to the Financial Statements (Continued)

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 (2007: HK\$1.4 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.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one director (2007: three directors) whose emoluments are reflected above. The emoluments payable to the remaining four (2007: two) individuals during the year are as follows:

	2008	2007
	HK\$m	HK\$m
Salaries and other emoluments	41.0	16.3
Contributions to retirement benefit schemes	0.9	0.4
Share options	6.7	1.2
	48.6	17.9

The emoluments of the individuals fell within the following bands:

Emolument band (HK\$)	2008	2007
8,500,001–9,000,000	—	1
9,500,001–10,000,000	—	1
11,500,001–12,000,000	2	—
12,000,001–12,500,000	1	—
13,000,001–13,500,000	1	—
	4	2

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

> Notes to the Financial Statements (Continued)

17 Investment properties

	Group		Company	
	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m
At beginning of the year	26,252.0	23,145.2	42.0	36.5
Translation differences	666.8	142.5	—	—
Acquisition of subsidiaries	880.8	—	—	—
Additions	253.0	94.2	—	—
Transfer (to)/from property, plant and equipment, leasehold land and land use rights	(449.6)	548.5	—	—
Transfer from properties under development	—	1,078.8	—	—
Disposals	(47.7)	(21.1)	—	—
Changes in fair value	4,022.6	1,263.9	8.0	5.5
At end of the year	31,577.9	26,252.0	50.0	42.0

The investment properties were revalued at 30 June 2008 by independent, professionally qualified valuers, Savills Valuation and Professional Services Limited, Vigers Hong Kong Limited and Knight Frank Petty Limited. Valuations were based on market value.

The aggregate fair value of investment properties pledged for the Group's loans and borrowings amounted to HK\$12,845.3 million (2007: HK\$9,651.5 million) (note 39).

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

	2008 HK\$m	2007 HK\$m
In Hong Kong:		
Leases of over 50 years	10,414.8	8,974.8
Leases of between 10 to 50 years	14,091.4	12,155.4
Leases of less than 10 years	118.0	106.0
Outside Hong Kong:		
Leases of over 50 years	107.4	100.7
Leases of between 10 to 50 years	6,846.3	4,915.1
	31,577.9	26,252.0

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

> Notes to the Financial Statements (Continued)

18 Property, plant and equipment

	Group					Company	
	Buildings HK\$m	Toll roads, bridges and port facilities HK\$m	Telecom- munication equipment and systems HK\$m	Others HK\$m	Under construction HK\$m	Total HK\$m	HK\$m
Cost							
At 1 July 2007	2,879.3	2,144.3	2,465.9	4,972.9	542.3	13,004.7	3.3
Translation differences	194.0	240.0	—	218.2	5.7	657.9	—
Acquisition of subsidiaries	442.5	—	—	26.9	—	469.4	—
Disposal of subsidiaries	(14.1)	(6.4)	—	(46.1)	—	(66.6)	—
Deconsolidation of subsidiaries (note 45(f))	—	(298.6)	—	(6.5)	—	(305.1)	—
Additions	170.5	—	67.3	625.7	475.4	1,338.9	—
Transfer from investment properties	166.3	—	—	—	—	166.3	—
Transfer from properties under development	570.5	—	—	—	—	570.5	—
Transfer upon completion	—	—	77.7	9.7	(87.4)	—	—
Disposals	(29.1)	—	(0.5)	(21.9)	(0.5)	(52.0)	—
At 30 June 2008	4,379.9	2,079.3	2,610.4	5,778.9	935.5	15,784.0	3.3
Accumulated depreciation and impairment							
At 1 July 2007	961.6	859.5	2,076.5	3,526.4	9.7	7,433.7	3.3
Translation differences	56.9	70.0	—	136.3	2.6	265.8	—
Disposal of subsidiaries	(8.1)	(5.5)	—	(24.1)	—	(37.7)	—
Deconsolidation of subsidiaries (note 45(f))	—	(120.4)	—	(5.3)	—	(125.7)	—
Impairment	22.0	28.3	233.9	14.9	67.6	366.7	—
Depreciation	141.5	90.5	89.9	437.1	—	759.0	—
Disposals	(8.3)	—	—	(10.7)	—	(19.0)	—
At 30 June 2008	1,165.6	922.4	2,400.3	4,074.6	79.9	8,642.8	3.3
Net book value							
At 30 June 2008	3,214.3	1,156.9	210.1	1,704.3	855.6	7,141.2	—

> Notes to the Financial Statements (Continued)

18 Property, plant and equipment (Continued)

	Group					Company	
	Buildings HK\$m	Toll roads, bridges and port facilities HK\$m	Telecom- munication equipment and systems HK\$m	Others HK\$m	Under construction HK\$m	Total HK\$m	HK\$m
Cost							
At 1 July 2006	3,103.0	2,022.1	2,339.9	5,102.6	387.4	12,955.0	3.3
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	3.3
Accumulated depreciation and impairment							
At 1 July 2006	844.8	665.9	2,001.8	3,725.2	9.1	7,246.8	3.3
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	3.3
Net book value							
At 30 June 2007	1,917.7	1,284.8	389.4	1,446.5	532.6	5,571.0	—

The aggregate net book value of property, plant and equipment pledged as securities for loans amounted to HK\$1,573.6 million (2007: HK\$945.3 million) (note 39).

> Notes to the Financial Statements (Continued)

19 Leasehold land and land use rights

	Group		Company	
	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m
In Hong Kong:				
Leases of over 50 years	921.1	644.2	0.5	0.5
Leases of between 10 to 50 years	2,174.8	625.8	—	—
Outside Hong Kong:				
Leases of over 50 years	15.5	19.5	—	—
Leases of between 10 to 50 years	1,831.0	1,169.8	—	—
Leases of less than 10 years	8.3	2.6	—	—
	4,950.7	2,461.9	0.5	0.5
At beginning of the year	2,461.9	2,480.2	0.5	0.5
Translation differences	109.8	68.8	—	—
Additions	1,715.3	8.2	—	—
Acquisition of subsidiaries	385.5	—	—	—
Disposal of subsidiaries	(5.7)	—	—	—
Transfer from properties under development	72.9	—	—	—
Transfer from/(to) investment properties	283.3	(34.1)	—	—
Disposals	(3.2)	—	—	—
Impairment	(1.9)	—	—	—
Amortisation	(67.2)	(61.2)	—	—
At end of the year	4,950.7	2,461.9	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\$1,578.8 million (2007: HK\$782.0 million) (note 39).

> Notes to the Financial Statements (Continued)

20 Intangible assets

	Group					
	Goodwill HK\$m	Licences and software HK\$m	Trademark and licences HK\$m	Development costs HK\$m	Operating right HK\$m	Total HK\$m
Cost						
At 1 July 2007	783.3	401.2	159.3	15.0	—	1,358.8
Translation differences	2.6	—	—	—	—	2.6
Additions	—	—	—	1.8	232.3	234.1
Acquisition of subsidiaries	5.9	—	—	—	—	5.9
Acquisition of additional interests in subsidiaries	323.1	—	—	—	—	323.1
Written off	(5.5)	(401.2)	—	(4.6)	—	(411.3)
At 30 June 2008	1,109.4	—	159.3	12.2	232.3	1,513.2
Accumulated amortisation and impairment						
At 1 July 2007	86.5	401.2	—	8.1	—	495.8
Amortisation	—	—	7.7	3.5	—	11.2
Written off	(5.5)	(401.2)	—	(4.6)	—	(411.3)
Impairment	2.9	—	—	5.2	—	8.1
At 30 June 2008	83.9	—	7.7	12.2	—	103.8
Net book value						
At 30 June 2008	1,025.5	—	151.6	—	232.3	1,409.4

> Notes to the Financial Statements (Continued)

20 Intangible assets (Continued)

	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 value					
At 30 June 2007	696.8	—	159.3	6.9	863.0

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. 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 with range from 0% to 6% are determined by considering both internal and external factors relating to the relevant segments. Discount rates used with range from 5.2% to 8.6% also reflect specific risks relating to the relevant segments. Assuming no growth rate is applied and the discount rates increase by 100 basis points, there is still enough headroom and no impairment charge is required.

> Notes to the Financial Statements (Continued)

20 Intangible assets (Continued)

Impairment test for goodwill (Continued)

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

	2008			2007		
	Hong Kong and others HK\$m	Mainland China HK\$m	Total HK\$m	Hong Kong and others HK\$m	Mainland China HK\$m	Total HK\$m
Property investment	—	5.9	5.9	—	—	—
Property development	—	154.5	154.5	—	71.6	71.6
Service and infrastructure	865.1	—	865.1	625.2	—	625.2
	865.1	160.4	1,025.5	625.2	71.6	696.8

21 Subsidiaries

	Company	
	2008 HK\$m	2007 HK\$m
Unlisted shares, at cost less provision	1,597.1	4,674.2
Listed shares in Hong Kong, at cost	24,679.7	23,637.9
	26,276.8	28,312.1
Amounts receivable less provision	37,805.1	37,644.3
	64,081.9	65,956.4
Amounts payable	(21,205.3)	(24,053.8)
	42,876.6	41,902.6
Market value of listed shares	43,158.1	39,827.9

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.

> Notes to the Financial Statements (Continued)

22 Interests in jointly controlled entities

	Group		Company	
	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m
Equity joint ventures				
Group's share of net assets	3,270.8	1,040.8	—	—
Goodwill on acquisition	2.2	2.2	—	—
Amounts receivable less provision (note (a))	140.5	141.5	—	—
Amounts payable (note (b))	(32.9)	(101.3)	—	—
	3,380.6	1,083.2	—	—
Co-operative joint ventures				
Cost of investment less provision	7,350.5	7,154.4	—	—
Share of undistributed post-acquisition results	1,033.1	739.4	—	—
Amounts receivable less provision (note (a))	8,273.5	7,276.4	—	—
Amounts payable (note (b))	(2,106.7)	(1,105.0)	—	—
	14,550.4	14,065.2	—	—
Companies limited by shares				
Group's share of net assets	5,635.0	4,173.7	—	—
Goodwill on acquisition	132.5	132.5	—	—
Amounts receivable less provision (note (a))	7,126.2	5,445.4	177.4	228.6
Amounts payable (note (b))	(476.6)	(713.9)	—	—
	12,417.1	9,037.7	177.4	228.6
Deposits paid for joint ventures (note (c))	69.7	107.4	—	—
	30,417.8	24,293.5	177.4	228.6

> Notes to the Financial Statements (Continued)

22 Interests in jointly controlled entities (Continued)

Notes:

(a) Amounts receivable are analysed as follows:

	Group	
	2008	2007
	HK\$m	HK\$m
<i>Interest bearing</i>		
Fixed rates (note (i))	4,615.8	4,169.4
Variable rates (note (ii))	1,207.7	1,723.2
<i>Non-interest bearing (note (iii))</i>	9,716.7	6,970.7
	15,540.2	12,863.3

(i) Carry interest rates ranging from 6.0% to 10.0% (2007: 6.0% to 10.0%) per annum.

(ii) Carry interest rates ranging from 0.6% above HIBOR to Prime Rate offered by banks in Hong Kong (2007: 0.6% above HIBOR to Prime Rate offered by banks in Hong Kong) per annum.

(iii) The amounts include HK\$177.4 million (2007: HK\$228.6 million) due to the Company.

The repayment terms of the interest bearing receivables 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 jointly controlled entities.

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

	2008	2007
	HK\$m	HK\$m
<i>Revenues</i>	14,130.1	7,640.4
<i>Profit after taxation</i>	3,594.8	1,664.1
<i>Non-current assets</i>	27,405.8	22,053.1
<i>Current assets</i>	26,219.0	18,830.2
<i>Non-current liabilities</i>	(19,062.4)	(16,163.2)
<i>Current liabilities</i>	(17,273.0)	(11,611.8)
<i>Net assets</i>	17,289.4	13,108.3

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

> Notes to the Financial Statements (Continued)

23 Interests in associated companies

	Group		Company	
	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m
Group's share of net assets				
Listed shares in Hong Kong	889.6	731.1	—	—
Listed shares in Mainland China	252.5	183.5	—	—
Unlisted shares	5,154.2	5,467.3	6.8	6.8
	6,296.3	6,381.9	6.8	6.8
Goodwill	1,225.8	1,292.2	—	—
Amounts receivable less provision (note (a))	3,229.5	3,148.3	588.3	383.3
Amounts payable (note (b))	(588.3)	(482.1)	(56.5)	(37.3)
	2,641.2	2,666.2	531.8	346.0
	10,163.3	10,340.3	538.6	352.8
Market value of listed shares	1,602.1	1,882.7	—	—

Notes:

(a) Amounts receivable are analysed as follows:

	2008 HK\$m	2007 HK\$m
Interest bearing		
Fixed rates (note (i))	104.7	93.1
Variable rates (note (ii))	136.6	181.9
Non-interest bearing (note (iii))	2,988.2	2,873.3
	3,229.5	3,148.3

(i) Carry interest rates of 8.0% (2007: 6.8% to 8.0%) per annum.

(ii) Carry interest rates ranging from HIBOR plus 0.6% to Prime Rate (2007: HIBOR plus 0.6% to Prime Rate offered by banks in Hong Kong per annum).

(iii) The amounts include HK\$588.3 million (2007: HK\$383.3 million) due to the Company.

The interest bearing receivables are unsecured and not repayable within 12 months. 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.

> Notes to the Financial Statements (Continued)

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:

	2008	2007
	HK\$m	HK\$m
Revenues	4,017.0	4,747.3
Profit after taxation	962.4	1,325.8
Non-current assets	11,525.0	10,136.5
Current assets	4,570.9	2,863.8
Non-current liabilities	(5,091.2)	(3,843.5)
Current liabilities	(4,708.4)	(2,774.9)
Net assets	6,296.3	6,381.9

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

24 Available-for-sale financial assets

	Group		Company	
	2008	2007	2008	2007
	HK\$m	HK\$m	HK\$m	HK\$m
Equity securities				
Unlisted shares and investments, at fair value	2,938.6	2,576.7	22.7	27.1
Listed shares, at market value				
Hong Kong	925.1	716.2	—	—
Overseas	893.8	387.5	—	—
Debt securities				
Unlisted debentures and convertible bonds, at fair value	39.0	39.0	—	—
	4,796.5	3,719.4	22.7	27.1

> Notes to the Financial Statements (Continued)

24 Available-for-sale financial assets (Continued)

An analysis of the issuers of available-for-sale financial assets is as follows:

	Group		Company	
	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m
Equity securities				
Public sector entities	33.3	33.3	—	—
Bank and other financial institutions	188.5	74.2	—	—
Corporate entities	4,535.7	3,572.9	22.7	27.1
Debt securities				
Public sector entities	29.0	29.0	—	—
Corporate entities	10.0	10.0	—	—
	4,796.5	3,719.4	22.7	27.1

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

	Group		Company	
	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m
Hong Kong dollar	2,541.5	2,261.6	10.9	11.2
Renminbi	915.1	281.8	11.8	15.9
Japanese Yen	674.3	594.0	—	—
Thai Baht	364.2	364.0	—	—
Others	301.4	218.0	—	—
	4,796.5	3,719.4	22.7	27.1

25 Held-to-maturity investments

	Group	
	2008 HK\$m	2007 HK\$m
Debt securities		
Unlisted debentures	33.4	32.3

> Notes to the Financial Statements (Continued)

26 Properties for development

	Group	
	2008 HK\$m	2007 HK\$m
Land cost	9,136.3	9,699.6
Development cost	2,918.8	2,918.1
	12,055.1	12,617.7
Provision	(880.2)	(1,068.5)
	11,174.9	11,549.2

The carrying value of properties is analysed as follows:

	2008 HK\$m	2007 HK\$m
In Hong Kong:		
Leases of over 50 years	40.8	37.7
Leases of between 10 to 50 years	4,137.8	3,600.7
Outside Hong Kong:		
Freehold	95.4	89.4
Leases of over 50 years	5,052.0	6,290.7
Leases of between 10 to 50 years	1,848.9	1,530.7
	11,174.9	11,549.2

> Notes to the Financial Statements (Continued)

27 Deferred taxation

Deferred income tax assets and liabilities are offset when taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the balance sheet.

	Group		Company	
	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m
Deferred tax assets	322.2	108.8	—	—
Deferred tax liabilities	(5,112.1)	(4,106.2)	(6.8)	(5.0)
	(4,789.9)	(3,997.4)	(6.8)	(5.0)
At beginning of the year	(3,997.4)	(3,639.0)	(5.0)	—
Translation differences	(66.1)	(24.4)	—	—
Disposal of subsidiaries	45.0	—	—	—
Charged to income statement (<i>note 11</i>)	(517.0)	(194.9)	(1.8)	(5.0)
Charged to reserves	(55.0)	(69.3)	—	—
Acquisition of subsidiaries	(199.2)	(69.8)	—	—
Deconsolidation of subsidiaries	(0.2)	—	—	—
At end of the year	(4,789.9)	(3,997.4)	(6.8)	(5.0)

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		Undistributed profits of subsidiaries, jointly controlled entities and associated companies		Other items		Total	
	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m
At beginning 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)
Translation differences	(31.1)	(13.0)	(26.6)	(9.4)	1.9	(2.5)	(24.3)	(8.3)	0.2	—	(0.3)	(0.2)	(80.2)	(33.4)
Disposal of subsidiaries	—	—	—	—	—	—	45.0	—	—	—	—	—	45.0	—
(Charged)/credited to income statement	(36.6)	(60.0)	(467.0)	(210.7)	7.7	12.6	(194.9)	82.7	(37.8)	—	0.2	16.3	(728.4)	(159.1)
Charged to property revaluation reserve	—	—	—	(42.0)	—	—	—	—	—	—	—	—	—	(42.0)
Credited to convertible bond capital reserve	—	—	—	—	—	—	—	—	—	—	—	6.6	—	6.6
Charged to investment revaluation reserve	—	—	—	—	—	—	—	—	—	—	(55.0)	(33.9)	(55.0)	(33.9)
Acquisition of subsidiaries	—	—	(39.5)	—	—	—	(159.7)	(69.8)	—	—	—	—	(199.2)	(69.8)
At end of the year	(1,728.6)	(1,660.9)	(2,763.0)	(2,229.9)	(21.9)	(31.5)	(621.5)	(287.6)	(37.6)	—	(91.2)	(36.1)	(5,263.8)	(4,246.0)

> Notes to the Financial Statements (Continued)

27 Deferred taxation (Continued)

Group

Deferred tax assets

	Provisions		Accelerated depreciation		Tax losses		Unrealised intra-group profit		Other items		Total	
	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m
At beginning 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
Translation differences	1.6	0.9	—	0.2	8.3	6.4	—	—	4.2	1.5	14.1	9.0
Deconsolidation of subsidiaries (Charged)/credited to income statement	—	—	(0.2)	—	—	—	—	—	—	—	(0.2)	—
	(4.8)	(3.7)	1.8	25.3	(12.5)	(17.1)	218.3	—	8.6	(40.3)	211.4	(35.8)
At end of the year	13.7	16.9	27.1	25.5	109.5	113.7	276.3	58.0	47.3	34.5	473.9	248.6

Deferred tax liabilities of the Company amounting to HK\$6.8 million (2007: HK\$5.0 million) are arising from valuation of properties held.

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\$8,141.8 million (2007: HK\$8,885.5 million) to carry forward for offsetting against future taxable income. These tax losses have no expiry dates except for the tax losses of HK\$683.6 million (2007: HK\$762.7 million) which will expire at various dates up to and including 2013 (2007: 2012).

As at 30 June 2008, the aggregate amount of temporary differences associated with investments in subsidiaries, jointly controlled entities and associated companies for which deferred tax liabilities have not been recognised totalled approximately HK\$1 billion, as the directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not be reversed in the foreseeable future (2007: nil).

28 Other non-current assets

	Group	
	2008 HK\$m	2007 HK\$m
Deposits for proposed investments (<i>note (a)</i>)	—	215.9
Retirement benefit assets (<i>note 15(b)(i)</i>)	21.8	23.9
Long-term receivables (<i>note (b)</i>)	1,174.5	784.9
Restricted bank deposits (<i>note 35</i>)	40.9	—
Others	47.6	61.1
	1,284.8	1,085.8

> Notes to the Financial Statements (Continued)

28 Other non-current assets (Continued)

Notes:

(a) Deposits for proposed investments

Deposits for proposed investments include deposits and loan totalling approximately HK\$2,160.0 million made 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 in previous year 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 2008.

(b) Long-term receivables

	Group	
	2008 HK\$m	2007 HK\$m
Accounts receivable, net of provision	1,129.5	711.3
Other loans	192.7	196.0
	1,322.2	907.3
Amounts receivable within one year included in debtors and prepayments	(147.7)	(122.4)
	1,174.5	784.9

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

29 Properties under development

	Group		Company	
	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m
Land cost	9,968.4	7,076.8	360.9	368.6
Development cost	8,606.4	6,700.5	796.5	618.2
	18,574.8	13,777.3	1,157.4	986.8
Provision	(165.2)	(122.8)	—	—
	18,409.6	13,654.5	1,157.4	986.8

> Notes to the Financial Statements (Continued)

29 Properties under development (Continued)

The carrying value of properties is analysed as follows:

	Group	
	2008 HK\$m	2007 HK\$m
In Hong Kong:		
Leases of over 50 years	1,105.1	1,490.2
Leases of between 10 to 50 years	9,331.0	7,943.3
Outside Hong Kong:		
Leases of over 50 years	6,462.1	1,643.7
Leases of between 10 to 50 years	1,511.4	2,577.3
	18,409.6	13,654.5

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\$8,479.7 million (2007: HK\$5,674.8 million) and HK\$1,157.4 million (2007: HK\$986.8 million) respectively (note 39).

30 Properties held for sale

	Group	
	2008 HK\$m	2007 HK\$m
Land cost	2,466.7	2,151.9
Development cost	4,206.5	3,805.2
	6,673.2	5,957.1
Provision	(771.5)	(778.7)
	5,901.7	5,178.4

The carrying value of properties is analysed as follows:

In Hong Kong:		
Leases of over 50 years	22.1	27.8
Leases of between 10 to 50 years	4,362.2	3,901.6
Outside Hong Kong:		
Freehold	49.9	—
Leases of over 50 years	1,367.0	1,052.8
Leases of between 10 to 50 years	100.5	196.2
	5,901.7	5,178.4

> Notes to the Financial Statements (Continued)

30 Properties held for sale (Continued)

The Group's aggregate carrying value of properties held for sale pledged as securities for borrowings amounted to HK\$2,493.9 million (2007: HK\$138.2 million) (note 39).

31 Stocks

	Group	
	2008 HK\$m	2007 HK\$m
Raw materials	30.8	33.7
Work-in-progress	47.3	25.6
Finished goods	376.1	216.6
	454.2	275.9

32 Debtors and prepayments

	Group		Company	
	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m
Trade debtors (note (a))	6,093.1	11,158.5	—	—
Advances to customers (note (b))	1,863.6	2,205.6	—	—
Amounts due from customers for contract work (note 36)	390.0	427.0	—	—
Retention receivable for contract work	1,331.1	1,192.3	—	—
Deposits, prepayments and other debtors	9,219.7	6,040.3	103.7	108.5
	18,897.5	21,023.7	103.7	108.5

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:

	Group	
	2008 HK\$m	2007 HK\$m
Current to 30 days	4,671.4	10,050.0
31 to 60 days	488.5	357.3
Over 60 days	933.2	751.2
	6,093.1	11,158.5

There is no concentration of credit risk with respect to trade debtors as the customer bases are widely dispersed in different sectors and industries.

> Notes to the Financial Statements (Continued)

32 Debtors and prepayments (Continued)

Notes: (Continued)

(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 2008, the total market value of securities pledged as collateral in respect of the loans to margin customers was HK\$21,293.0 million (2007: HK\$15,942.2 million).

(c) The carrying amounts of the debtors and prepayments, which approximate their fair values, are denominated in the following currencies:

	Group		Company	
	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m
Hong Kong dollar	8,072.0	14,321.7	103.7	108.5
Renminbi	8,654.0	5,284.0	—	—
Macau Pataca	1,815.3	821.9	—	—
United States dollar	327.2	571.4	—	—
Others	29.0	24.7	—	—
	18,897.5	21,023.7	103.7	108.5

(d) At 30 June 2008, over 80% of trade debtors is neither past due nor impaired, and trade debtors of HK\$876.4 million (2007: HK\$942.4 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade debtors is as follows:

	Group	
	2008 HK\$m	2007 HK\$m
Current to 30 days	226.9	311.7
31 to 60 days	105.6	113.7
Over 60 days	543.9	517.0
	876.4	942.4

At 30 June 2008, trade debtors of HK\$244.3 million (2007: HK\$280.1 million) were impaired. The amount of the provision was HK\$243.6 million (2007: HK\$277.2 million). The aging of these debtors is as follows:

	Group	
	2008 HK\$m	2007 HK\$m
Current to 30 days	2.2	0.5
31 to 60 days	1.7	0.8
Over 60 days	240.4	278.8
	244.3	280.1

> Notes to the Financial Statements (Continued)

32 Debtors and prepayments (Continued)

Notes: (Continued)

(e) Movements on the provision for impairment of trade debtors are as follows:

	Group	
	2008	2007
	HK\$m	HK\$m
At beginning of the year	277.2	292.2
Translation differences	3.5	1.3
Increase in provision recognised in profit or loss	75.5	42.3
Amounts recovered	(11.8)	(10.5)
Amounts written off during the year	(100.8)	(48.1)
At end of the year	243.6	277.2

(f) Except for the advances to customers which are secured by the underlying pledged securities (note (b)) and hence subjected to minimum credit risk, the group does not hold any collateral as security for the remaining debtors and prepayments balances. The maximum exposure of the remaining debtors and prepayment balances to credit risk at the reporting date is the carrying value mentioned above.

33 Financial assets at fair value through profit or loss

	Group	
	2008	2007
	HK\$m	HK\$m
Non-current		
Unlisted debt securities, at fair value	1,194.4	—
Current		
Unlisted securities, at fair value		
Equity securities	359.5	54.7
Debt securities	53.1	70.6
Listed shares, at market value		
Hong Kong	174.6	111.9
Overseas	42.7	9.7
	629.9	246.9
	1,824.3	246.9

> Notes to the Financial Statements (Continued)

33 Financial assets at fair value through profit or loss (Continued)

An analysis of the issuers of financial assets at fair value through profit or loss is as follows:

	Group	
	2008 HK\$m	2007 HK\$m
Equity securities		
Bank and other financial institutions	87.0	73.5
Corporate entities	489.8	102.8
Debt securities		
Bank and other financial institutions	53.1	70.6
Corporate entities	1,194.4	—
	1,824.3	246.9

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

	Group	
	2008 HK\$m	2007 HK\$m
Hong Kong dollar	172.0	111.9
Renminbi	1,480.6	—
United States dollar	122.3	102.2
Others	49.4	32.8
	1,824.3	246.9

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.

> Notes to the Financial Statements (Continued)

35 Cash and bank balances

	Group		Company	
	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m
Cash and bank balances	6,993.5	8,013.2	1.2	40.5
Short-term bank deposits				
Restricted	677.8	768.8	—	—
Unrestricted	6,132.6	6,618.1	—	—
Cash and bank balances	13,803.9	15,400.1	1.2	40.5
Restricted bank deposits included in other non-current assets	(40.9)	—	—	—
	13,763.0	15,400.1	1.2	40.5

The effective interest rates on short-term bank deposits range from 0.5% to 4.7% (2007: 0.7% to 5.6%) per annum and these deposits have maturities ranging from 1 to 365 days (2007: 3 to 147 days).

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

	Group		Company	
	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m
Hong Kong dollar	4,464.2	4,979.7	1.2	40.5
Renminbi	7,064.2	4,297.5	—	—
United States dollar	2,094.8	5,750.5	—	—
Others	180.7	372.4	—	—
	13,803.9	15,400.1	1.2	40.5

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

> Notes to the Financial Statements (Continued)

36 Amounts due from/to customers for contract work

	Group	
	2008 HK\$m	2007 HK\$m
Contract costs incurred plus attributable profits less foreseeable losses	25,991.2	21,119.1
Progress payments received and receivable	(26,290.4)	(21,336.1)
	(299.2)	(217.0)
Representing:		
Gross amounts due from customers for contract work (<i>note 32</i>)	390.0	427.0
Gross amounts due to customers for contract work (<i>note 41</i>)	(689.2)	(644.0)
	(299.2)	(217.0)

37 Share capital

	2008 Number of shares (million)	2008 HK\$m	2007 Number of shares (million)	2007 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 beginning of the year	3,692.1	3,692.1	3,639.1	3,639.1
Issue of new shares as scrip dividends	41.6	41.6	52.8	52.8
Exercise of share options	2.8	2.8	0.2	0.2
At end of the year	3,736.5	3,736.5	3,692.1	3,692.1

During the year, 20,263,942 and 21,321,125 new shares were issued by the Company at HK\$18.8723 and HK\$25.4916 per share respectively for the settlement of 2007 interim and final scrip dividends.

> Notes to the Financial Statements (Continued)

38 Reserves

	Group									
	Capital redemption reserve	Share premium	Property revaluation reserve	Investment revaluation reserve	General reserve	Employees' share-based compensation reserve	Convertible bond capital reserve	Exchange reserve	Retained profits	Total
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	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

> Notes to the Financial Statements (Continued)

38 Reserves (Continued)

	Group									
	Capital redemption reserve	Share premium	Property revaluation reserve	Investment revaluation reserve	General reserve	Employees' share-based compensation reserve	Convertible bond capital reserve	Exchange reserve	Retained profits	Total
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
At 1 July 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
Change in fair value of available-for-sale financial assets	—	—	—	207.7	—	—	—	—	—	207.7
Impairment loss of available-for-sale financial assets	—	—	—	34.2	—	—	—	—	—	34.2
Disposal of available-for-sale financial assets	—	—	—	(176.3)	—	—	—	—	—	(176.3)
Tax on the above movement	—	—	—	(55.0)	—	—	—	—	—	(55.0)
Scrip dividends	—	884.4	—	—	—	—	—	—	—	884.4
Employees' share-based payments	—	—	—	—	—	147.5	—	—	—	147.5
Issue of new shares upon exercise of share options	—	63.8	—	—	—	(35.7)	—	—	—	28.1
Share options lapsed	—	—	—	—	—	(5.2)	—	—	5.2	—
Acquisition of subsidiaries	—	—	—	—	125.1	—	—	—	—	125.1
Disposal of subsidiaries	—	—	—	—	(29.1)	—	—	(29.6)	—	(58.7)
Profit attributable to shareholders	—	—	—	—	—	—	—	—	9,674.4	9,674.4
Transfer of reserves	—	—	—	—	46.7	—	—	—	(46.7)	—
Translation differences	—	—	—	—	—	—	30.5	2,565.9	—	2,596.4
2007 final dividend paid	—	—	—	—	—	—	—	—	(928.3)	(928.3)
2008 interim dividend payable	—	—	—	—	—	—	—	—	(672.6)	(672.6)
At 30 June 2008	37.7	27,924.8	128.4	1,558.9	990.2	835.0	1,116.5	3,707.9	32,303.0	68,602.4
Representing:										
At 30 June 2008	37.7	27,924.8	128.4	1,558.9	990.2	835.0	1,116.5	3,707.9	31,363.4	67,662.8
2008 proposed final dividend	—	—	—	—	—	—	—	—	939.6	939.6
	37.7	27,924.8	128.4	1,558.9	990.2	835.0	1,116.5	3,707.9	32,303.0	68,602.4

> Notes to the Financial Statements (Continued)

38 Reserves (Continued)

	Company					
	Capital redemption reserve	Share premium	Investment revaluation reserve	Employees' share-based compensation reserve	Retained profits	Total
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
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
At 1 July 2007	37.7	26,976.6	16.5	705.8	11,225.8	38,962.4
Scrip dividends	—	884.4	—	—	—	884.4
Employees' share-based payments	—	—	—	68.7	—	68.7
Issue of new shares upon exercise of share options	—	63.8	—	(16.9)	—	46.9
Share options lapsed	—	—	—	(2.9)	2.9	—
Change in fair value of available-for-sale financial assets	—	—	(4.4)	—	—	(4.4)
Profit for the year	—	—	—	—	1,630.5	1,630.5
2007 final dividend paid	—	—	—	—	(928.3)	(928.3)
2008 interim dividend payable	—	—	—	—	(672.6)	(672.6)
At 30 June 2008	37.7	27,924.8	12.1	754.7	11,258.3	39,987.6
Representing:						
At 30 June 2008	37.7	27,924.8	12.1	754.7	10,318.7	39,048.0
2008 proposed final dividend	—	—	—	—	939.6	939.6
	37.7	27,924.8	12.1	754.7	11,258.3	39,987.6

> Notes to the Financial Statements (Continued)

39 Borrowings

	Group		Company	
	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m
Long-term borrowings				
Secured bank loans	14,916.9	12,393.3	—	—
Unsecured bank loans	14,826.5	12,371.1	—	—
Obligations under finance leases (note (b))	—	0.1	—	—
Convertible bonds (note (c))	8,248.8	7,550.7	—	—
Loans from minority shareholders (note (d))	562.6	658.4	—	—
	38,554.8	32,973.6	—	—
Current portion of long-term borrowings	(7,193.0)	(4,580.1)	—	—
	31,361.8	28,393.5	—	—
Short-term borrowings				
Secured bank loans	475.5	1,142.9	—	—
Unsecured bank loans	2,092.6	5,967.9	8.8	—
Other unsecured loans	173.3	52.1	27.9	26.9
Loans from minority shareholders (note (d))	1,867.5	1,449.4	—	—
	4,608.9	8,612.3	36.7	26.9
Current portion of long-term borrowings	7,193.0	4,580.1	—	—
	11,801.9	13,192.4	36.7	26.9
Total borrowings	43,163.7	41,585.9	36.7	26.9

Notes:

(a) Maturity of bank loans is as follows:

	Group	
	2008 HK\$m	2007 HK\$m
Within one year	9,761.1	11,690.8
In the second year	5,508.7	5,479.6
In the third to fifth year	14,823.0	10,435.2
After the fifth year	2,218.7	4,269.6
	32,311.5	31,875.2

> Notes to the Financial Statements (Continued)

39 Borrowings (Continued)

Notes: (Continued)

(b) Finance lease obligations

	Group	
	2008 HK\$m	2007 HK\$m
Minimum lease payments — within one year	—	0.1
Future finance charges	—	—
Present value	—	0.1

(c) Convertible bonds

	Group	
	2008 HK\$m	2007 HK\$m
Zero coupon convertible bonds		
HK\$6,000.0 million due 2014 (note(i))	5,427.7	5,116.5
RMB2,800.0 million due 2012 (note(ii))	2,821.1	2,434.2
	8,248.8	7,550.7

- (i) 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 present value of the liability component of the convertible bonds at 30 June 2008, which was estimated using cash flows discounted at a rate of 9.5% (2007: 6.5%), amounted to HK\$4,426.4 million (2007: 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.

> Notes to the Financial Statements (Continued)

39 Borrowings (Continued)

Notes: (Continued)

(c) Convertible bonds (Continued)

- (ii) 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 present value of the liability component of the convertible bonds at 30 June 2008, which was estimated using cash flows discounted at a rate of 8.8% (2007: 4.9%) and at the exchange rate ruling at the balance sheet date, amounted to HK\$2,374.4 million (equivalent to RMB2,089.5 million) (2007: HK\$2,344.1 million (equivalent to RMB2,297.2 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\$171.6 million (2007: HK\$228.5 million) are unsecured and bear interest at fixed rates ranging from 5.0% to 10.0% (2007: 5.0% to 10.0%) per annum. The remaining loans are unsecured and interest free. A total amount of HK\$562.6 million (2007: HK\$658.4 million) is not repayable within the next 12 months and the remaining balances have no specific repayment term.

(e) Effective interest rates

	2008			2007		
	Hong Kong dollar	Renminbi	United States dollar	Hong Kong dollar	Renminbi	United States dollar
Bank borrowings	2.7%	7.1%	3.3%	5.2%	6.2%	6.6%
Loans from minority shareholders	6.4%	5.8%	—	7.5%	5.8%	—
Other unsecured loans	2.2%	7.8%	—	4.6%	—	—

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 2008 is disclosed in note (c) above.

The carrying amounts of other borrowings approximate their fair values.

> Notes to the Financial Statements (Continued)

39 Borrowings (Continued)

Notes: (Continued)

(g) Currencies

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

	Group		Company	
	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m
Hong Kong dollar	35,232.5	35,307.1	36.7	26.9
Renminbi	7,153.2	6,050.6	—	—
United States dollar	778.0	228.2	—	—
	43,163.7	41,585.9	36.7	26.9

(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
2008								
Within one year	32,311.5	173.3	0.5	—	32,485.3	8.8	27.9	36.7
In the fifth year	—	—	34.0	—	34.0	—	—	—
After the fifth year	—	—	137.1	—	137.1	—	—	—
	32,311.5	173.3	171.6	—	32,656.4	8.8	27.9	36.7
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

40 Other non-current liabilities

	Group	
	2008 HK\$m	2007 HK\$m
Deferred income	173.1	163.3
Provision for long service payments	50.6	42.0
Long-term accounts payable	238.0	163.2
	461.7	368.5

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

> Notes to the Financial Statements (Continued)

41 Creditors and accrued charges

	Group		Company	
	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m
Trade creditors (note (a))	12,529.0	8,716.8	—	—
Amounts due to customers for contract work (note 36)	689.2	644.0	—	—
Deposits received on sale of properties	586.0	989.6	—	—
Other creditors and accrued charges (note (b))	6,852.0	8,121.8	1,160.5	1,003.0
	20,656.2	18,472.2	1,160.5	1,003.0

Notes:

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

	2008 HK\$m	2007 HK\$m
Current to 30 days	6,071.0	3,468.1
31 to 60 days	586.6	580.2
Over 60 days	2,204.3	1,857.1
	8,861.9	5,905.4
Payable arising from securities business (note)	3,667.1	2,811.4
	12,529.0	8,716.8

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) Balances included dividend payable of HK\$672.6 million (2007: HK\$553.8 million) to the shareholders of the Company.

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

	Group		Company	
	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m
Hong Kong dollar	13,094.1	13,003.0	1,160.5	1,003.0
Renminbi	5,295.9	4,882.9	—	—
Macau Pataca	2,057.9	232.0	—	—
United States dollar	129.4	250.0	—	—
Others	78.9	104.3	—	—
	20,656.2	18,472.2	1,160.5	1,003.0

> Notes to the Financial Statements (Continued)

42 Maturity profile of assets and liabilities

For the purpose of compliance with the Listing Rules, a maturity profile of financial assets and liabilities of the Group is analysed by the remaining period at the balance sheet date to the contractual maturity date is as follows:

Group

	Repayable on demand HK\$m	3 months or less HK\$m	1 year or less but over 3 months HK\$m	5 years or less but over 1 year HK\$m	After 5 years HK\$m	Total HK\$m
At 30 June 2008						
Assets						
Debt securities:						
Available-for-sale financial assets	—	—	—	39.0	—	39.0
Financial assets at fair value through profit or loss	—	—	46.0	7.1	—	53.1
Advances to customers	1,863.6	—	—	—	—	1,863.6
Cash held on behalf of customers	3,105.8	—	—	—	—	3,105.8
Cash and bank balances, unrestricted	4,930.3	7,404.9	790.9	—	—	13,126.1
Total	9,899.7	7,404.9	836.9	46.1	—	18,187.6
Liabilities						
Bank loans and convertible bonds	—	2,438.7	7,322.4	23,152.8	7,646.4	40,560.3
Current, fixed, savings and other deposits of customers	3,547.8	56.9	—	—	—	3,604.7
Total	3,547.8	2,495.6	7,322.4	23,152.8	7,646.4	44,165.0
At 30 June 2007						
Assets						
Debt securities:						
Available-for-sale financial assets	—	—	—	10.0	29.0	39.0
Financial assets at fair value through profit or loss	—	—	54.6	16.0	—	70.6
Advances to customers	2,205.6	—	—	—	—	2,205.6
Cash held on behalf of customers	2,042.4	—	—	—	—	2,042.4
Cash and bank balances, unrestricted	5,562.1	9,069.2	—	—	—	14,631.3
Total	9,810.1	9,069.2	54.6	26.0	29.0	18,988.9
Liabilities						
Bank loans and convertible bonds	—	7,465.5	4,225.4	18,349.0	9,386.1	39,426.0
Current, fixed, savings and other deposits of customers	2,617.6	95.5	—	—	—	2,713.1
Total	2,617.6	7,561.0	4,225.4	18,349.0	9,386.1	42,139.1

> Notes to the Financial Statements (Continued)

43 Commitments

(a) Capital commitments

	Group		Company	
	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m
Contracted but not provided for				
Property, plant and equipment	940.0	393.8	—	—
A subsidiary	—	—	55.0	55.0
Jointly controlled entities and associated companies	2,702.3	1,610.2	—	—
Available-for-sale financial assets	49.7	—	—	—
Capital contribution for development projects	56.8	35.8	—	—
	3,748.8	2,039.8	55.0	55.0
Authorised but not contracted for				
Property, plant and equipment	33.2	111.9	—	—
Capital contribution for proposed development projects	108.0	108.0	—	—
	141.2	219.9	—	—
The Group's share of capital commitments of the jointly controlled entities not included above are as follows:				
Contracted but not provided for	1,189.4	911.2	—	—
Authorised but not contracted for	374.4	143.6	—	—
	1,563.8	1,054.8	—	—

> Notes to the Financial Statements (Continued)

43 Commitments (Continued)

(b) Commitments under operating leases

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

	Group		Company	
	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m
Land and buildings				
In the first year	362.3	257.6	—	—
In the second to the fifth year inclusive	1,289.7	870.9	—	—
After the fifth year	3,675.3	2,503.5	—	—
	5,327.3	3,632.0	—	—

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.

(c) Operating lease receivable

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

	Group		Company	
	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m
In the first year	841.3	659.9	6.7	5.9
In the second to the fifth year inclusive	1,085.9	873.0	14.6	0.5
After the fifth year	654.8	656.9	—	—
	2,582.0	2,189.8	21.3	6.4

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

> Notes to the Financial Statements (Continued)

44 Contingent liabilities

	Group		Company	
	2008 HK\$m	2007 HK\$m	2008 HK\$m	2007 HK\$m
Mortgage facilities for certain purchasers of properties	995.6	398.4	—	—
Guarantees for credit facilities granted to Subsidiaries	—	—	19,216.6	26,312.0
Jointly controlled entities	2,936.0	3,451.6	69.5	69.5
Associated companies	179.5	522.0	125.0	—
Investee companies included under available-for-sale financial assets	55.0	59.2	—	4.2
Guarantee for convertible bonds issued by a subsidiary	—	—	6,000.0	6,000.0
Share of contingent liabilities of jointly controlled entities	56.2	70.6	—	—
Indemnity to non-wholly owned subsidiaries for Mainland China tax liabilities	2,210.2	2,069.1	7,389.5	6,934.4
	6,432.5	6,570.9	32,800.6	39,320.1

The Group is in dispute with a joint venture partner in respect of certain property development projects in Mainland China 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 has been filed. The Group expects that there will not be a material adverse impact on the financial position of the Group.

> Notes to the Financial Statements (Continued)

45 Notes to consolidated cash flow statement

(a) Reconciliation of operating profit to net cash used in operations

	2008 HK\$m	2007 HK\$m
Operating profit	9,882.2	4,035.6
Depreciation	759.0	635.5
Amortisation	208.0	169.5
Changes in fair value of investment properties	(4,022.6)	(1,263.9)
Write back of provision for		
Loans receivable	(0.8)	(13.8)
Other receivables	(126.0)	(64.8)
Excess of the fair value of net assets acquired over the cost of acquisition of interests of subsidiaries	(129.5)	(11.1)
Gain on fair value of financial assets at fair value through profit or loss	(1.1)	(7.8)
Gain on deemed disposal of interests in subsidiaries	(1,695.3)	(125.7)
Net (profit)/loss on disposal of		
Property, plant and equipment, investment properties, leasehold land and land use rights	(40.4)	25.3
Available-for-sale financial assets	(203.9)	(18.6)
Financial assets at fair value through profit or loss	(50.5)	(9.1)
Subsidiaries	(47.4)	(122.8)
Partial interests in subsidiaries	(81.0)	(9.6)
Impairment loss on		
Property, plant and equipment, leasehold land and land use rights	368.6	83.9
Intangible assets	8.1	36.3
Available-for-sale financial assets	34.2	12.0
Deposits for proposed investments	—	9.5
Loans receivable	189.1	144.3
Other assets	32.7	6.2
Loss on deemed disposal of interest in a subsidiary	—	8.3
Dividend income from available-for-sale financial assets	(109.8)	(52.3)
Share option expenses	186.0	713.8
Operating profit before working capital changes	5,159.6	4,180.7
Increase in stocks	(179.0)	(49.7)
Increase in properties for/under development and held for sale	(4,623.0)	(4,376.1)
Decrease/(increase) in debtors and prepayments	1,757.1	(6,870.5)
(Increase)/decrease in cash held on behalf of customers	(1,063.4)	329.0
Increase/(decrease) in creditors and accrued charges	2,385.3	(143.2)
(Decrease)/increase in short-term bank loan for advances to customers of securities business	(5,682.9)	5,155.7
Net cash used in operations	(2,246.3)	(1,774.1)

> Notes to the Financial Statements (Continued)

45 Notes to consolidated cash flow statement (Continued)

(b) Acquisition of subsidiaries

	2008 HK\$m	2007 HK\$m
Net assets acquired		
Investment properties	880.8	—
Property, plant and equipment	469.4	74.0
Leasehold land and land use rights	385.5	—
Intangible assets	—	169.1
Interests in jointly controlled entities	1,032.6	3.0
Available-for-sale financial assets	—	141.8
Properties for development	—	350.0
Stocks	6.2	—
Debtors and prepayments	68.1	3,327.9
Financial assets at fair value through profit or loss	—	87.3
Cash held on behalf of customers	—	2,371.4
Cash and bank balances	19.7	430.7
Creditors and accrued charges	(65.5)	(3,374.7)
Current tax payable	—	(41.3)
Deferred tax liabilities	(199.2)	(69.8)
Borrowings	(301.1)	(1,733.4)
Loan from minority shareholders	(499.9)	—
Minority interests	29.9	(596.2)
	1,826.5	1,139.8
Interests originally held by the Group		
Interests in jointly controlled entities	(892.3)	(187.3)
Interests in associated companies	—	(288.9)
	934.2	663.6
Goodwill on acquisition	5.9	—
Excess of the fair value of net assets acquired over the cost of acquisition of interests of subsidiaries	(115.3)	(3.7)
Consideration	824.8	659.9
Satisfied by:		
Cash consideration	642.2	659.9
Available-for-sale financial assets	182.6	—
	824.8	659.9

> Notes to the Financial Statements (Continued)

45 Notes to consolidated cash flow statement (Continued)

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

	2008 HK\$m	2007 HK\$m
Cash consideration	(642.2)	(659.9)
Cash and bank balances acquired	19.7	430.7
	(622.5)	(229.2)

(d) Disposal of subsidiaries

	2008 HK\$m	2007 HK\$m
Net assets disposed		
Property, plant and equipment	28.9	23.7
Leasehold land and land use right	5.7	—
Interests in jointly controlled entities	0.4	—
Available-for-sale financial assets	—	256.8
Properties under development	605.5	—
Stocks	6.9	6.9
Debtors and prepayments	70.8	7.9
Cash and bank balances	68.6	88.7
Creditors and accrued charges	(352.3)	(170.0)
Current tax payable	(0.4)	—
Loans from minority shareholders	(10.0)	(11.9)
Borrowings	(56.8)	—
Deferred tax liabilities	(45.0)	—
Minority interests	(70.1)	(7.5)
	252.2	194.6
Realisation of reserves upon disposal		
Other reserves	(41.5)	—
Exchange reserve	(23.2)	—
Net profit on disposal of subsidiaries	47.4	122.8
Consideration	234.9	317.4
Satisfied by:		
Cash consideration	234.9	305.6
Interests in jointly controlled entities	—	1.1
Debtors and prepayments	—	10.7
	234.9	317.4

> Notes to the Financial Statements (Continued)

45 Notes to consolidated cash flow statement (Continued)

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

	2008 HK\$m	2007 HK\$m
Cash consideration	234.9	305.6
Cash and bank balances disposed	(68.6)	(88.7)
	166.3	216.9

(f) Deconsolidation of subsidiaries

	2008 HK\$m	2007 HK\$m
Balances deconsolidated		
Property, plant and equipment	179.4	—
Interests in jointly controlled entities	938.2	—
Deferred tax assets	0.2	—
Debtors and prepayments	1.0	—
Cash and bank balances	29.4	—
Creditors and accrued charges	(21.3)	—
Loans from minority shareholders	(202.7)	—
Minority interests	(66.3)	—
Exchange reserve	(23.6)	—
	834.3	—
Included under interests in jointly controlled entities	(824.0)	—
Included under interests in associated companies	(10.3)	—
	—	—

In the current year, the Group entered into agreements with its joint venture partners in respect of certain subsidiaries, whereby the Group would not maintain the control of these subsidiaries and has therefore deconsolidated these subsidiaries.

(g) Analysis of net inflow of cash and cash equivalents in respect of the deconsolidation of subsidiaries

	2008 HK\$m	2007 HK\$m
Cash and bank balances deconsolidated	29.4	—

(h) Non-cash transaction

The principal non-cash transaction was the disposal of 54,500,000 shares in Lee Hing Development Limited ("Lee Hing") in exchange for the interests in Ichiban Properties Limited ("Ichiban") and Higrade Properties Limited ("Higrade") as disclosed in note 46(d).

> Notes to the Financial Statements (Continued)

46 Business combinations

- (a) As at 30 June 2007, the Group, through NWSH, held 50.0% interest in Success Concept Investments Limited ("SCI") which indirectly holds 51.0% equity interest in 廣州市東新高速公路有限公司, a company established in the Mainland China and owns an expressway in the Mainland China.

On 30 July 2007, the Group, through NWSH, further acquired 30.0% interest in SCI at a consideration of HK\$133.6 million. Since then, SCI became a subsidiary company of the Group. The expressway is under construction. Accordingly, SCI has no material contribution to the Group's revenue and net profit since the date of acquisition.

Details of net assets acquired are as follows:

	HK\$m
Purchase consideration:	
— Cash paid	133.6
— Direct costs relating to the acquisition	3.6
Total purchase consideration	137.2
Fair value of net assets acquired	137.2
	—

The amounts of assets and liabilities acquired as at the date of acquisition are as follows:

	Fair value HK\$m	Acquiree's carrying amount HK\$m
Interests in jointly controlled entities	584.8	584.8
Debtors and prepayments	0.9	0.9
Cash and bank balances	1.7	1.7
Creditors and accrued charges	(1.6)	(1.6)
Loan from minority shareholders	(118.2)	(118.2)
	467.6	467.6
Interest already held by the Group as a jointly controlled entity	(330.4)	
Net assets acquired	137.2	

On 24 June 2008, the shareholders of SCI entered into a shareholder agreement, in which the shareholders would jointly control SCI. As a result, SCI became a jointly controlled entity.

> Notes to the Financial Statements (Continued)

46 Business combinations (Continued)

- (b) In September 2007, the Group's 64.0% owned subsidiary, New World Hotels Corporation Limited ("NWHC"), acquired additional 50.0% equity interest in Quick Wealth Investments Limited ("Quick Wealth") at a consideration of HK\$276.1 million. After the acquisition, NWHC held 100% equity interest in Quick Wealth. The principal underlying investment of Quick Wealth is New World Hotel Beijing in Jing Guang Centre, Beijing, Mainland China.

Details of net assets acquired are as follows:

	HK\$m
Purchase consideration:	
— Cash paid	276.1
Fair value of net assets acquired	314.5
Excess of the fair value of net assets acquired over cost of acquisition	(38.4)

The excess of the fair value of net assets acquired over cost of acquisition reflects the implied discount offered by the previous shareholders.

The amount of assets and liabilities acquired as at the date of acquisition are as follows:

	Fair value HK\$m	Acquiree's carrying amount HK\$m
Property, plant and equipment	469.4	539.0
Leasehold land and land use rights	385.5	8.5
Stocks	6.2	6.2
Debtors and prepayments	2.2	2.2
Cash and bank balances	15.4	15.4
Creditors and accrued charges	(63.9)	(63.9)
Secured bank loan	(301.1)	(301.1)
Loan from minority shareholders	(105.5)	(105.5)
Deferred tax liabilities	(100.3)	(100.3)
	307.9	0.5
Minority interests	105.5	
Interest already held by the Group as a jointly controlled entity	(98.9)	
Net assets acquired	314.5	

The acquired subsidiary contributed HK\$34.8 million revenues and contributed a profit of HK\$11.3 million for the year since the date of acquisition. If the acquisition had occurred on 1 July 2007, the Group's revenues and profit for the year would have been increased by HK\$20.0 million and decreased by HK\$6.4 million, respectively.

> Notes to the Financial Statements (Continued)

46 Business combinations (Continued)

- (c) In September 2007, the Group's 64.0% owned subsidiary, Howell Enterprises Inc. acquired additional 27.5% equity interest in Right Choice International Limited ("Right Choice") at a consideration of HK\$228.9 million. After the acquisition, the Group held 65.0% equity interest in Right Choice. The principal underlying investment of Right Choice is the office and apartment in Beijing Jing Guang Centre, Beijing, Mainland China.

Details of net assets acquired are as follows:

	HK\$m
Purchase consideration:	
— Cash paid	228.9
Fair value of net assets acquired	223.0
Goodwill	5.9

The amounts of assets and liabilities acquired as at the date of acquisition are as follows:

	Fair value HK\$m	Acquiree's carrying amount HK\$m
Investment properties	880.8	722.9
Debtors and prepayments	65.0	65.0
Cash and bank balances	2.6	2.6
Loan from minority shareholders	(276.2)	(276.2)
Deferred tax liabilities	(39.5)	—
	632.7	514.3
Minority interests	(75.6)	
Interest already held by the Group as a jointly controlled entity	(334.1)	
Net assets acquired	223.0	

The acquired subsidiary contributed HK\$29.4 million revenues and contributed a profit of HK\$184.8 million for the year since the date of acquisition. If the acquisition had occurred on 1 July 2007, the Group's revenues and profit for the year would have been increased by HK\$10.8 million and HK\$0.7 million, respectively.

> Notes to the Financial Statements (Continued)

46 Business combinations (Continued)

- (d) On 28 August 2007, New World Hotels (Holdings) Limited (“NWHH”), a 64.0% owned subsidiary of the Group, has made an offer to Lee Hing, a listed company in Hong Kong (stock code: 00068), to sell 54,500,000 Lee Hing shares, which are available-for-sale financial assets owned by NWHH, at the consideration of HK\$182.6 million. In return, Lee Hing transferred its 50.0% interest in Ichiban to NWHH and 20.0% interest in Higrade to a wholly owned subsidiary of NWHH.

Ichiban, a previous 50.0% jointly controlled entity of NWHH, has become a wholly owned subsidiary of NWHH upon acquisition. The principal underlying investment of Ichiban is 72.0% interest in Renaissance Riverside Hotel Saigon and Club Royale in Ho Chi Minh City, Vietnam.

Details of net assets acquired are as follows:

	HK\$m
Purchase consideration:	
— Available-for-sale financial assets	182.6
Fair value of net assets acquired	259.5
Excess of the fair value of net assets acquired over cost of acquisition	(76.9)

The excess of the fair value of net assets acquired over cost of acquisition reflects the implied discount offered by the previous shareholders.

The amounts of assets and liabilities acquired as at the date of acquisition are as follows:

	Fair value HK\$m	Acquiree's carrying amount HK\$m
Investment in a jointly controlled entity	447.8	235.5
Deferred tax liabilities	(59.4)	—
	388.4	235.5
Interest already held by the Group as a jointly controlled entity	(128.9)	
Net assets acquired	259.5	

> Notes to the Financial Statements (Continued)

47 Related party transactions

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

	2008	2007
	HK\$m	HK\$m
Jointly controlled entities		
Provision of contracting work services (<i>note (a)</i>)	927.9	701.7
Interest income (<i>note (b)</i>)	438.1	373.2
Trademark fee income (<i>note (c)</i>)	60.9	—
Associated companies		
Rental income (<i>note (d)</i>)	6.5	8.6
Interest income (<i>note (b)</i>)	2.7	5.6
Related companies		
Provision of contracting work services (<i>note (a)</i>)	51.9	—
Rental income (<i>note (d)</i>)	65.1	15.6
Management fee expenses (<i>note (e)</i>)	69.4	92.1
Accounts payable (<i>note (f)</i>)	292.4	113.0

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) Trademark fee income is charged at annual fee as specified in the contract.
- (d) Rental income is charged in accordance with respective tenancy agreements.
- (e) Management fee expenses are charged at rates in accordance with relevant contracts.
- (f) The accounts payable are unsecured, interest free and are repayable on demand.
- (g) The balances with jointly controlled entities and associated companies are disclosed in notes 22 and 23 respectively.
- (h) No significant transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them as disclosed in note 16.

> Notes to the Financial Statements (Continued)

48 PRINCIPAL SUBSIDIARIES

As at 30 June 2008

	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	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	—	57	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	—	57	Civil engineering
	20,000 ¹	100	—	57	
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	—	57	Investment holding
	2 ¹	1	—	57	
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	—	57	Property management
	3,000 ¹	10,000	—	57	
Calpella Limited	2	10	—	100	Property investment
Care & Services Company Limited	15,000,000	1	—	57	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	—	57	Provision of information technology solutions
	160,000 ¹	100	—	57	
City Team Development Limited	1,000,000	1	—	83	Property investment
Companion Glory Limited	100	100	—	57	Retail trade of ceramic tiles
Crown Field Properties Limited	100	1	—	70	Property investment
Deluxe Sign Limited	1	1	100	100	Property development
Environmental Pioneers & Solutions Limited	1,000	100	—	57	Environmental products and engineering
Extensive Trading Company Limited	8,500,000	1	—	57	Trading of building and engineering materials
	1,500,000 ¹	1	—	57	
Far East Engineering Services Limited	766,714	10	—	57	Mechanical and electrical engineering
	233,288 ¹	10	—	57	
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	—	57	Security services
	11,600 ¹	100	—	57	
Gold Queen Limited	5,000	1	100	100	Property investment
Golden Dragon Land Limited	2	10	—	100	Property investment
Gracejoy Investments Limited	1	1	100	100	Property development
Grand Hyatt Hong Kong Company Limited	1,000	1	—	64	Hotel operation
	9,000 ²	1	—	100	

> Notes to the Financial Statements (Continued)

48 PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2008

	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 development
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	—	57	Construction
	10,000 ¹	1,000	—	57	
Hip Hing Construction Company Limited	400,000	100	—	57	Construction and civil engineering
	600,000 ¹	100	—	57	
Hip Hing-Leader JV Limited	10,000	1	—	38	Construction
Hong Kong Convention and Exhibition Centre (Management) Limited	3	1	—	57	Management of HKCEC
	1 ¹	1	—	57	
Hong Kong Island Development Limited	33,400,000	5	6	100	Property investment
Hong Kong Island Landscape Company Limited	1,980,000	10	—	57	Landscaping and project contracting
	20,000 ¹	10	—	57	
Hong Kong Jing-Guang Development Limited	100,000	10	—	52	Hotel operation
Hong Kong New World Department Store Company Limited	968,153,000	1	100	100	Department store operation
Hong Kong Ticketing Limited	11,481,580	1	—	57	Ticketing services
Honour Shares Limited	100	1	—	100	Investment holding
International Property Management Limited	450,000	10	—	56	Property management
	95,500 ¹	10	—	48	
Joint Profit Limited	2	1	100	100	Property investment
Kamking Limited	2	1	100	100	Property investment
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	—	57	Property agency
	2 ¹	1	—	57	management and consultancy
Kiu Lok Service Management Company Limited	2	100	—	57	Property management
	1,002 ¹	100	—	57	
Kleaners Limited	5,000,000	1	—	57	Laundry services
KLPS Group Limited	20,000,000	1	—	57	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	—	57	Mechanical and electrical engineering
Mega Choice Holdings Limited	10,720	1	—	65	Property investment
Millennium Engineering Limited	18,750,000	1	—	52	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	—	57	Laundry services
	704,000 ¹	1	—	57	
New Town Project Management Limited	2	1	100	100	Project management
New World China Enterprises Projects Limited	2	1	—	100	Project management
New World China Property Limited (formerly known as Trend Island Limited)	2	1	—	70	Investment holding

> Notes to the Financial Statements (Continued)

48 PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2008

	Share capital issued [#]		Attributable interest (%)		Principal activities
	Number	Par value per share HK\$	To the Company	To the Group	
New World Department Stores (Holdings) Limited	3	1	—	72	Investment holding
New World Department Stores Limited	2	1	—	72	Management services to department stores
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	—	57	Investment holding
	100 ¹	100	—	64	
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	—	49	Hotel management
New World Hotels (Holdings) Limited	576,000,000	0.25	—	64	Investment holding
New World Insurance Management Limited	100,000	1	—	57	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 Telecommunications Limited	9,999,998	1	—	100	Telecommunication
	2 ¹	1	—	100	services
New World Telephone Holdings Limited	200	1	100	100	Investment holding
New World Tower Company Limited	2	10	—	100	Property investment
Ngo Kee Construction Company Limited	670,000	100	—	57	Building construction
	1 ²	1	—	—	
NWD Finance Limited	2	1	100	100	Financial services
NWS (Finance) Limited	2	1	—	57	Financial services
NWS Holdings (Finance) Limited	1	1	—	57	Financing
Onfill Company Limited	2	1	100	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	—	57	Cleaning services
	500,020 ¹	1	—	48	
Polytown Company Limited	2	10	—	57	Property investment, operation, marketing, promotion and management of HKCEC
	100,000 ¹	10	—	57	
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	—	57	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

> Notes to the Financial Statements (Continued)

48 PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2008

	Share capital issued [#]		Attributable interest (%)		Principal activities
	Number	Par value per share	To the Company	To the Group	
Super Value Development Limited	10,000	HK\$1	80	80	Property investment
Tao Yun Company Limited	2	HK\$10	—	100	Property investment
Team Deco International Limited	2	HK\$1	—	57	Interior design
Top Flash Investments Limited	10,000	HK\$1	80	80	Property investment
True Hope Investment Limited	4,998	HK\$1	—	57	Investment holding
	2 ¹	HK\$1	—	57	
Try Force Limited	4,998	HK\$1	—	57	Investment holding
	2 ¹	HK\$1	—	57	
Tsuen Wan Properties Limited	200	HK\$100	—	100	Property investment
Uniformity Security Company Limited	2	HK\$100	—	57	Security services
	2,500 ¹	HK\$100	—	—	
Urban Parking Limited	10,000,000	HK\$1	—	57	Carpark management
Urban Property Management Limited	49,995,498	HK\$1	—	57	Property management
	4,502 ¹	HK\$1	—	38	
Vibro (H.K.) Limited	20,000,004	HK\$3	—	57	Piling, ground investigation and civil engineering
Wai Hong Environmental Services Limited	400,000	HK\$100	—	57	Cleaning and pest control services
Waking Builders, Limited	20,000	HK\$1,000	—	57	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	—	57	Mechanical and electrical engineering
<i>Incorporated in the Cayman Islands and operate in Hong Kong</i>					
New World China Land Limited	3,834,502,332	HK\$0.10	66	70	Investment holding
New World Department Store China Limited	1,686,145,000	HK\$0.10	72	72	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	—	57	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

> Notes to the Financial Statements (Continued)

48 PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2008

	Registered capital	Attributable interest ^o (%)		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 sales
Beijing Xintong Media & Advertising Co., Ltd. (formerly known as 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.	US\$99,500,000	—	51	Property development
Dalian New World Plaza International Co., Ltd.	Rmb58,000,000	—	62	Property investment and development
Dalian New World Tower Co., Ltd.	US\$37,500,000	—	70	Property investment, development and hotel investment
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	—	53	Operation of golf club and property development
Foshan Gaoming Xinming Bridge Co., Ltd.	Rmb60,000,000	—	17	Operation of toll bridge
Guangxi Beiliu Xinbei Highways Co., Ltd.	Rmb99,200,000	—	34	Operation of toll road
Guangxi Cangwu Xincang Highways Limited	Rmb64,000,000	—	40	Operation of toll road
Guangxi Rongxian Xinrong Highways Limited	Rmb82,400,000	—	40	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
Harbin New World Department Store Co., Ltd.	Rmb126,000,000	—	72	Department store operation
Hip Hing Construction (China) Co., Ltd.	HK\$50,000,000	—	57	Construction

> Notes to the Financial Statements (Continued)

48 PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2008

	Registered capital	Attributable interest ^a (%)		Principal activities
		To the Company	To the Group	
<i>Incorporated and operate in the PRC (Continued)</i>				
Huamei Wealth (Beijing) Technology Co., Ltd.	Rmb40,000,000	—	70	Investment holding and property investment
Hubei New World Department Store Co., Ltd.	Rmb50,000,000	—	72	Department store operation
Hunan Success New Century Investment Company Limited	Rmb250,000,000	—	77	Property development
Jinan New World Sunshine Development Ltd.	US\$29,980,000	—	70	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 (Anshan) Property Development Co., Ltd.	Rmb700,000,000	—	70	Property development
New World (China) Investment Limited	US\$130,000,000	—	100	Investment holding
New World China Land Investments Company Limited	US\$40,000,000	—	70	Investment holding
New World Department Store (China) Co., Ltd.	Rmb50,000,000	—	72	Department store operation
New World Department Stores Investment (China) Co., Ltd.	US\$40,262,068	—	72	Investment holding
New World Development (Wuhan) Co., Ltd.	US\$49,750,000	—	70	Property investment and development
New World (Shenyang) Property Development Limited	Rmb97,720,000	—	63	Property development
Ningbo Firm Success Consulting Development Co., Ltd.	US\$5,000,000	—	72	Investment holding and provision of consultancy services
Ningbo New World Department Store Co., Ltd.	Rmb40,000,000	—	72	Department store operation
NWS Engineering Ltd	Rmb150,000,000	—	57	Mechanical and electrical engineering
Shanghai Juyi Real Estate Development Co., Ltd.	Rmb641,590,000	—	49	Property development
Shanghai New World Caixuan Department Store Co., Ltd.	Rmb30,000,000	—	72	Department store operation
Shanghai New World Department Store Co., Ltd.	Rmb18,000,000	—	72	Department store operation
Shanghai New World Trendy Plaza Co., Ltd.	Rmb50,000,000	—	72	Department store operation
Shanghai Ramada Plaza Ltd.	US\$42,000,000	—	53	Property investment and hotel operation
Shanxi Xinda Highways Ltd.	Rmb49,000,000	—	51	Operation of toll road
Shanxi Xinhuang Highways Ltd.	Rmb56,000,000	—	51	Operation of toll road
Shenyang New World Department Store Co., Ltd.	Rmb30,000,000	—	72	Department store operation
Shenyang New World Hotel Co., Ltd.	Rmb201,520,000	—	70	Hotel operation
Shenyang Trendy Property Company Limited	Rmb27,880,000	—	72	Property investment

> Notes to the Financial Statements (Continued)

48 PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2008

	Registered capital/ Issued share capital	Attributable interest ^o (%)		Principal activities
		To the Company	To the Group	
<i>Incorporated and operate in the PRC (Continued)</i>				
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	—	70	Property development
Tianjin New World Department Store Co., Ltd.	US\$5,000,000	—	72	Department store operation
Tianjin New World Trendy Plaza Co., Ltd.	Rmb30,000,000	—	72	Department store operation
Tianjin Xin Guang Development Co., Ltd.	US\$4,500,000	—	70	Property investment
Wuhan New Eagle Development Co., Ltd.	US\$15,630,000	—	72	Property investment and department store operation
Wuhan New Eagle Properties Co., Limited	US\$2,830,000	—	70	Property investment
Wuhan New World Trendy Department Store Co., Ltd.	Rmb41,910,490	—	72	Department store operation
Wuhan New World Trendy Plaza Co., Ltd.	Rmb50,000,000	—	72	Department store operation
Wuxi New World Department Store Ltd.	US\$5,000,000	—	72	Department store operation
Wuzhou Xinwu Highways Limited	Rmb72,000,000	—	57	Operation of toll road
Xiamen New World Xiangyu Warehouse & Processing Zone Limited	US\$5,000,000	—	57	Management consultation
<i>Incorporated and operate in Macau</i>				
Barbican (Macau) Limited	MOP25,000	—	57	Construction
Hip Hing Engineering (Macau) Company Limited	MOP100,000	—	57	Construction
Majestic Engineering (Macao) Company Limited	MOP25,000	—	57	Mechanical and electrical engineering
Ngo Kee (Macau) Limited	MOP25,000	—	57	Construction
Vibro (Macau) Limited	MOP1,000,000	—	57	Foundation works
Young's Engineering (Macao) Company Limited	MOP100,000	—	57	Mechanical and electrical engineering

^o Profit sharing percentage was adopted for certain PRC entities

> Notes to the Financial Statements (Continued)

48 PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2008

	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	2,057,626,809	HK\$1	—	57	Investment holding
Taifook Securities Group Limited	655,799,699	HK\$0.1	—	33	Investment holding
<i>Incorporated in the British Virgin Islands</i>					
Beauty Ocean Limited	1	US\$1	—	57	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
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	Financing
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 Strategic Investment Limited	1	US\$1	100	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	—	57	Investment holding
NWS Financial Management Services Limited	1	US\$1	—	57	Investment holding
NWS Infrastructure Bridges Limited	1	US\$1	—	57	Investment holding
NWS Infrastructure Management Limited	2	US\$1	—	57	Investment holding
NWS Infrastructure Power Limited	1	US\$1	—	57	Investment holding
NWS Infrastructure Roads Limited	1	US\$1	—	57	Investment holding
NWS Infrastructure Water Limited	1	US\$1	—	57	Investment holding
NWS Ports Management Limited	2	US\$1	—	57	Investment holding
Park New Astor Hotel Limited	101	US\$1	—	100	Property investment
Power Palace Group Limited	1	US\$1	100	100	Investment holding
Quick Wealth Investments Limited	100	US\$1	—	64	Investment holding
Radiant Glow Limited	1	US\$1	—	70	Investment holding
Right Choice International Limited	200	US\$1	—	42	Property investment
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

> Notes to the Financial Statements (Continued)

49 PRINCIPAL JOINTLY CONTROLLED ENTITIES

As at 30 June 2008

	Registered capital	Attributable interest ⁿ (%)		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	Rmb2,800,000,000	—	13	Operation of rail container terminal and related business
Guodian Chengdu Jintang Power Generation Co., Ltd.	Rmb924,000,000	—	20	Generation and supply of electricity
Kunming Fulintang Pharmaceutical Co., Ltd.	Rmb80,000,000	—	52	Pharmaceutical chain stores
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	Rmb436,000,000	—	31	Development, operation and management of pier and related business
Xiamen New World Xiangyu Terminals Co. Ltd.	Rmb384,040,000	—	29	Container handling and storage
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	—	39	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 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

> Notes to the Financial Statements (Continued)

49 PRINCIPAL JOINTLY CONTROLLED ENTITIES (Continued)

As at 30 June 2008

	Registered capital	Attributable interest ^Ω (%)		Principal activities
		To the Company	To the Group	
Haikou New World Housing Development Limited	US\$8,000,000	—	42	Property development
Huishen (Yantian) Expressway Huizhou Company Limited	Rmb139,980,000	—	19	Operation of toll road
Huizhou City Huixin Expressway Company Limited	Rmb34,400,000	—	29	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	—	49	Property investment
Shanghai Trio Property Development Co., Ltd.	US\$81,000,000	—	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	—	51 [@]	Operation of toll road
Tianjin Xinlong Expressway Co., Ltd.	Rmb99,400,000	—	51 [@]	Operation of toll road
Tianjin Xinlu Expressway Co., Ltd.	Rmb99,092,000	—	51 [@]	Operation of toll road
Tianjin Xinming Expressway Co., Ltd.	Rmb85,468,000	—	51 [@]	Operation of toll road
Tianjin Xinqing Expressway Co., Ltd.	Rmb99,368,000	—	51 [@]	Operation of toll road
Tianjin Xinquan Expressway Co., Ltd.	Rmb92,016,000	—	51 [@]	Operation of toll road
Tianjin Xinsen Expressway Co., Ltd.	Rmb87,300,000	—	51 [@]	Operation of toll road
Tianjin Xinshi Expressway Co., Ltd.	Rmb99,388,000	—	51 [@]	Operation of toll road
Tianjin Xinsi Expressway Co., Ltd.	Rmb96,624,000	—	51 [@]	Operation of toll road
Tianjin Xintong Expressway Co., Ltd.	Rmb99,448,000	—	51 [@]	Operation of toll road
Tianjin Xintuo Expressway Co., Ltd.	Rmb99,316,000	—	51 [@]	Operation of toll road
Tianjin Xinxiang Expressway Co., Ltd.	Rmb90,472,000	—	51 [@]	Operation of toll road
Tianjin Xinyan Expressway Co., Ltd.	Rmb89,028,000	—	51 [@]	Operation of toll road
Tianjin Xinzhan Expressway Co., Ltd.	Rmb89,392,000	—	51 [@]	Operation of toll road
Wuhan Airport Road Development Limited	Rmb60,000,000	—	23	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

> Notes to the Financial Statements (Continued)

49 PRINCIPAL JOINTLY CONTROLLED ENTITIES (Continued)

As at 30 June 2008

	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' 20,000'B** 54,918*	1 1 1	— — 100	32 45 100	Operation of cargo handling and storage facilities
ATL Logistics Centre Yantian Limited	10,000	1	—	26	Investment holding
China Aerospace New World Technology Limited	30,000,000	1	—	50	Investment holding
Direct Profit Development Limited	200,000	0.05	—	15	Property investment
Far East Landfill Technologies Limited	1,000,000	1	—	27	Landfill
First Star Development Limited	100	1	—	29	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	—	29	Property development
Sheenity Enterprises Limited	10,000	1	—	50	Property investment
Super Lion Enterprises Limited	2	1	50	50	Property investment
Supertime Holdings Limited	100	1	—	29	Property development
Tate's Cairn Tunnel Company Limited	1,100,000 600,000,000*	0.01 1	— —	17 —	Operation of toll tunnel
United Asia Terminals (Yantian) Limited	52,000'A' 52,000'B' 26,000'C'	1 1 1	— — —	— 57 —	Operation of cargo handling and storage facilities
Wise Come Development Limited	30	1	—	40	Property investment

> Notes to the Financial Statements (Continued)

49 PRINCIPAL JOINTLY CONTROLLED ENTITIES (Continued)

As at 30 June 2008

	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\$20,820,000	—	—	41	Property development
Guangzhou Oriental Power Co., Ltd.	Rmb990,000,000	—	—	14	Generation and supply of electricity
Guangzhou Pearl River Power Company Limited	Rmb420,000,000	—	—	29	Generation and supply of electricity
<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	US\$1	—	71	Investment holding
	100**	US\$1	—	—	
NWS Transport Services Limited	500,000,016	HK\$1	—	29	Investment holding
<i>Incorporated and operate in Malaysia</i>					
Great Union Properties Sdn. Bhd.	100,000,000	M\$1	—	38	Property investment
	10,000,000 [^]	M\$0.10	—	38	
T & T Properties Sdn. Bhd.	9,500,000	M\$1	—	33	Property investment
<i>Incorporated in Hong Kong and operate in Macau and the PRC</i>					
Sino-French Holdings (Hong Kong) Limited	1,850,680'A'	HK\$100	—	—	Investment holding, operation
	3,559,000'B'	HK\$100	—	57	of water and electricity
	1,708,320'C'	HK\$100	—	—	plants

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

> Notes to the Financial Statements (Continued)

50 PRINCIPAL ASSOCIATED COMPANIES

As at 30 June 2008

	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	—	100	
	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	—	29	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

> Notes to the Financial Statements (Continued)

50 PRINCIPAL ASSOCIATED COMPANIES (Continued)

As at 30 June 2008

	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>					
Guangdong Baolihua New Energy Stock Co., Limited	Rmb1,127,295,000	—	—	5	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.	Rmb1,145,000,000	—	—	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
CSL New World Mobility Limited	1,100,000,000 ^{***}	HK\$0.01	—	—	
	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
[#]	<i>Represented ordinary shares, unless otherwise stated</i>				
[*]	<i>Non-voting deferred shares</i>				
^{**}	<i>Non-voting preference shares</i>				
^{***}	<i>Convertible preference shares</i>				