1 PRINCIPAL ACCOUNTING POLICIES

In preparing these accounts, the Directors have taken into account the extension of existing unsecured revolving credit facility of HK$2,700 million and additional unsecured revolving credit facilities of HK$830 million granted by a fellow subsidiary and all other information that could reasonably be expected to be available and have ascertained that the Group and the Company have obtained adequate financial resources to support the Group and the Company to continue their operations for the foreseeable future. Under these circumstances, the Directors consider that it is appropriate to prepare the accounts on a going concern basis.

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

(a) Basis of preparation

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

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

HKFRS 3	Business Combination
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets

The adoption of HKFRS 3, HKASs 36 and 38 has resulted in a change in the accounting policy for goodwill. Details of the change in the accounting policy are set out in note (f)(i) below.

The early adoption of the above standards has not resulted in any changes to the opening reserves as at 1 July 2004 and does not have any significant impact to the results for the year ended 30 June 2005.

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation

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

All material intra-group transactions and balances have been eliminated on consolidation.

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

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

In the Company's balance sheet, the 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 income.

(c) Subsidiaries

Subsidiaries are companies, including equity or co-operative joint ventures in the People's Republic of China (the "PRC"), in which the Group has the power to exercise control governing the financial and operating policies of the companies.

(d) 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 they have established a contractual arrangement among them to define their joint control over the economic activity of the entity.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Jointly controlled entities (Continued)

The Group's interests in jointly controlled entities include the Group's share of net assets and goodwill (net of any accumulated impairment loss) on acquisition. The share of post-acquisition results and reserves is based on the relevant profit sharing ratios which vary according to the nature of the jointly controlled entities explained as follows:

(i) 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 equity share capital held thereby.

(ii) Co-operative joint ventures

Co-operative joint ventures are Sino-foreign joint ventures established in the PRC in respect of which the venturers' profit sharing ratios and share of net assets upon the expiration of the joint venture periods are not in proportion to their capital contribution ratios but are as defined in the joint venture contracts. Where the Group is not entitled to share the net assets of a cooperative joint venture at the end of the joint venture period, the cost of investment in such co-operative joint venture is amortized over the joint venture period.

(e) Associated companies

An associated company is a company other than a subsidiary or a jointly controlled entity, in which the Group's interest is held for the long-term and is substantial, and significant influence is exercised through representations on the board of directors. The Group's investments in associated companies include the Group's share of net assets and goodwill (net of any accumulated impairment loss) on acquisition.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Intangible assets

(i) Goodwill

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

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies and jointly controlled entities is included in investments in associated companies and jointly controlled entities. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal 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 impairment testing.

In prior years, goodwill arising from acquisitions on or after 1 July 2001 was amortized using the straight-line method over its estimated useful live of not more than 20 years. Goodwill was assessed for an indication of impairment at each balance sheet date.

In accordance with HKFRS 3, the Group ceased amortization of goodwill from 1 July 2004. The accumulated amortization as at 30 June 2004 has been eliminated with a corresponding decrease in the cost of goodwill.

(ii) Licenses and software

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

(iii) Development costs

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Impairment of assets

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(h) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of fixed assets is calculated to write off their costs less accumulated impairment losses over their estimated useful lives, using the straight-line method. The estimated useful lives are summarized as follows:

Leasehold land	Remaining lease terms
Buildings	11 to 60 years
Machinery and other equipment	5 to 10 years
Interactive television network system and equipment	7 to 10 years
Leasehold improvements	2 to 10 years
Furniture and fixtures	3 to 10 years
Motor vehicles	3 to 10 years

No depreciation is provided in respect of construction in progress.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the profit and loss account.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Other investments

Other investments are securities held by the Group for non-trading purposes. They are stated at their fair values at the balance sheet date. Fair value is estimated by the Directors with reference to market price or, in case of unquoted investments, net asset value of the respective investment. Changes in fair value of individual securities are accounted for as movements in the investment revaluation reserve until the security is sold or is determined to be impaired. Upon disposal, the cumulative gain or loss is transferred from the investment revaluation reserve to the profit and loss account. Transfers from the investment revaluation reserve to the profit and loss account as a result of impairment are written back to the profit and loss account when the circumstances and events that led to the impairment cease to exist.

(j) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in-first-out method. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

(k) Programmes

Programmes are stated at cost less accumulated amortization and impairment losses. Cost comprises direct expenditure and appropriate proportion of production overheads. Programmes costs are amortized based on the ratio of the actual gross revenues of the current year to the estimated remaining total gross revenues from all sources on an individual production basis.

(l) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits with banks which are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes and bank overdrafts.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(m) Provisions

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

(n) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized 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 recognized but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognized but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

(o) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) Operating leases

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

(q) Employee benefits

(i) Retirement benefit costs

The Group operates a defined contribution retirement scheme (the “ORSO Scheme”) which is available to all the Company’s employees in Hong Kong whose employment commenced before 1 October 2000. The assets of the ORSO Scheme are held separately in an independently administered fund. The Group’s contributions to the ORSO Scheme are based on rates ranging from 5% to 15% of employees’ salaries depending on length of service and are expensed as incurred. The Group’s contributions in respect of employees who leave the ORSO Scheme are not forfeited to reduce the employer’s contributions for the year.

A mandatory provident fund scheme (the “MPF Scheme”) was established under the Hong Kong Mandatory Provident Fund Scheme Ordinance in December 2000. Commencing on 1 December 2000, newly-joined employees are compulsorily required to join the MPF Scheme. Employees under the ORSO Scheme were offered an option to elect between the ORSO Scheme and the MPF Scheme. The Group’s contributions to the MPF Scheme are ranging from 5% to 15% of employees’ salaries depending on length of service and are expensed as incurred.

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 retired employees of the Group. Contributions to these schemes are expensed as incurred.

(ii) Employee leave entitlements

Employee entitlements to annual leave are recognized 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.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

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

(s) Borrowing costs

All borrowing costs are expensed in the profit and loss account in the year in which they are incurred.

(t) Revenue recognition

Advertising income is recognized when the advertisements are telecast or commercials appear before the public.

Income from the distribution of television programmes is recognized when the Group's entitlement to such payments has been established which is upon the delivery of the master copy or materials to the customers.

Other service fee income including call centre, media or software related services is recognized when services are rendered.

Interest income is recognized on a time proportion basis that takes into account the principal outstanding and the effective interest rates applicable.

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

Notes to the Accounts

2 TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION

(a) Turnover and other revenue

	2005 HK$'000	2004 HK$'000
Turnover		
Advertising	317,984	333,622
Programme distribution	17,908	28,398
Other service fee	21,822	13,033
	357,714	375,053
Business tax	(3,940)	(6,206)
	353,774	368,847
Other revenue		
Bank and other interest	38,884	7,254
	392,658	376,101

The Group is principally engaged in telecommunications, media and technology ("TMT") businesses.

(b) Segment information

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

The Group focuses in TMT segment. No analysis of the Group's segment information by business segments is presented as all the Group's activities and operations are attributable to TMT segment.

In respect of geographical segment reporting, turnover, total assets and capital expenditure are where the assets are located. There are no sales or other transactions between the geographical segments. Segment assets consist primarily of fixed assets, receivables and operating cash. Capital expenditure comprises additions to fixed assets, intangible assets, including additions resulting from acquisitions through purchases of subsidiaries.

2 TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

An analysis of the Group's segment information by geographical segments is as follows:

	Revenues HK$'000	Total assets HK$'000	Capital expenditure HK$'000
2005			
China mainland	**342,789**	**2,076,671**	**8,426**
Hong Kong	**10,985**	**16,524**	**159**
Overseas	**–**	**46,922**	**–**
	353,774	**2,140,117**	**8,585**
Associated companies		**191,252**	
Jointly controlled entities		**72,600**	
Unallocated assets		**1,822,871**	
Total assets		**4,226,840**	
2004			
China mainland	359,457	2,113,699	289,989
Hong Kong	9,390	65,027	43,504
Overseas	–	596,998	–
	368,847	2,775,724	333,493
Associated companies		263,190	
Jointly controlled entities		64,536	
Unallocated assets		2,064,261	
Total assets		5,167,711	

Notes to the Accounts

3 OTHER CHARGES, NET

	2005 **HK$'000**	2004 HK$'000
Impairment losses on:		
Intangible assets (note 12)	**(4,138)**	(401,232)
Fixed assets (note 13)	**(1,314)**	(663,663)
Other investments	**(512,881)**	(2,272,361)
Provision for:		
Amounts due from jointly controlled entities	**(1,394)**	(14,469)
Amounts due from associated companies	**(4)**	(113,040)
Other receivables	**(77,071)**	(29,246)
Deposits for proposed investments	**(28,858)**	(81,281)
Deposits for purchase of fixed assets (note 20)	**–**	(843,869)
Loans receivable	**(6,542)**	(99,806)
Loans to investee companies	**–**	(304,201)
Write-down of inventories to net realizable value	**(12,955)**	(291,406)
(Loss)/gain on disposal of:		
Fixed assets	**(2,638)**	58
Other investments	**–**	3,876
Gain in relation to disposal of Wuhan bridges by NWSH	**154,878**	–
Write-back of impairment loss on other investments	**–**	4,738
Write-back of provision for amounts due from associated companies	**32,005**	–
	(460,912)	(5,105,902)

Other charges for the year ended 30 June 2004 include charges of HK$4,392 million comprising (i) impairment losses on intangible assets and fixed assets and write-down of inventories to net realizable value totaling HK$1,310 million; and (ii) provisions for deposits for purchase of fixed assets and loans to investee companies and impairment losses on other investments totaling HK$3,082 million, all of which are the subject of the NWTMT Complaint (note 29(a)).

4 STAFF COSTS

	2005 **HK$'000**	2004 HK$'000
Salaries, wages and allowances	**71,935**	78,956
Pension costs for defined contribution plans	**4,131**	3,813
	76,066	82,769

Staff costs are stated net of reimbursement from New World PCS Limited ("NWPCS") and New World Telecommunications Limited ("NWT") in respect of call centre management services provided to NWPCS and NWT.

5 OPERATING LOSS

Operating loss is stated after charging the following:

	2005 **HK$'000**	2004 HK$'000
Amortization of:		
Intangible assets	**1,274**	903
Programmes	**14,194**	18,533
Auditors' remuneration		
Provision for the year	**4,286**	3,334
Underprovision in respect of prior year	**1,300**	–
Depreciation	**7,970**	22,525
Rental for leased premises	**12,264**	11,897

Depreciation is stated net of reimbursement from NWPCS and NWT in respect of call centre management services provided to NWPCS and NWT.

6 FINANCE COSTS

	2005 HK$'000	2004 HK$'000
Interest on bank loans		
Wholly repayable within five years	**86,177**	103,336
Not wholly repayable within five years	**402**	478
Interest on other borrowings		
Wholly repayable within five years	**52,123**	22,302
	138,702	126,116
Reimbursement from NWSH (note 17)	**(32,400)**	(43,241)
	106,302	82,875

7 TAXATION

	2005 HK$'000	2004 HK$'000
Company and subsidiaries		
PRC income tax	**4,164**	714
Deferred tax	**–**	23
	4,164	737

No Hong Kong profits tax has been provided for the year as the Group has no estimated assessable profit arising in or deriving from Hong Kong. PRC income tax has been provided on the estimated assessable profits for the year at the prevailing rate of taxation.

7 TAXATION (Continued)

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the applicable income tax rate prevailing in the territory in which the Group's principal operating subsidiaries operate as follows:

	2005	2004
	HK$'000	HK$'000
Loss before taxation	**(877,072)**	(5,527,129)
Calculated at a taxation rate of 17.5%	**(153,488)**	(967,247)
Effect of different taxation rates in other countries	**(17,042)**	(15,149)
Income not subject to taxation	**(30,276)**	(4,491)
Expenses not deductible for taxation purposes	**197,989**	983,681
Tax losses not recognized	**3,667**	–
Utilisation of previously unrecognized tax losses	**(34)**	(354)
Temporary differences not recognized	**3,348**	4,016
Other items	**–**	281
Taxation charge	**4,164**	737

8 LOSS FOR THE YEAR

Loss for the year includes a loss of HK$869,191,000 (2004: HK$5,537,024,000) which is dealt with in the accounts of the Company.

9 DIVIDEND

The Board of Directors does not recommend the payment of a dividend for the year ended 30 June 2005 (2004: Nil).

10 LOSS PER SHARE

The calculation of loss per share is based on the loss for the year of HK$866,224,000 (2004: HK$5,507,258,000) and 952,180,007 (2004: 952,180,007) shares in issue during the year.

Diluted loss per share is not presented as there is no dilutive potential share in issue.

11 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

Details of the emoluments paid to the Directors are as follows:

	2005			
Name of Director	Fees HK$'000	Salaries and other emoluments HK$'000	Contributions to retirement benefit scheme HK$'000	Total HK$'000
Executive Directors				
Dr Cheng Kar-Shun, Henry	150	3,600	–	3,750
Mr Wong Chi-Chiu, Albert	100	1,667	129	1,896
Dr Wai Fung-Man, Norman	100	–	–	100
Mr Chan Wing-Tak, Douglas	–	1,754	–	1,754
Non-executive Directors				
Mr Fu Sze-Shing	100	–	–	100
Mr Wilfried Ernst Kaffenberger	100	–	–	100
Mr Yeung Kun-Wah, David (alternate Director to Mr Wilfried Ernst Kaffenberger)	–	–	–	–
Mr Lee Sean, Sammy	100	–	–	100
Mr Lai Hing-Chiu, Dominic (note)	100	–	–	100
Independent Non-executive Directors				
Dr Lam Man-Kit, Dominic	150	–	–	150
The Honourable Shek Lai-Him, Abraham	150	–	–	150
Mr Kong Chi-How, Johnson	150	–	–	150
Total	1,200	7,021	129	8,350

11 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

	2004			
Name of Director	Fees HK$'000	Salaries and other emoluments HK$'000	Contributions to retirement benefit scheme HK$'000	Total HK$'000
Executive Directors				
Dr Cheng Kar-Shun, Henry	50	3,600	–	3,650
Mr Wong Chi-Chiu, Albert	50	–	–	50
Dr Wai Fung-Man, Norman	50	–	–	50
Mr Chan Wing-Tak, Douglas	–	3,078	462	3,540
Non-executive Directors				
Mr Fu Sze-Shing	100	–	–	100
Mr Wilfried Ernst Kaffenberger	100	–	–	100
Mr Yeung Kun-Wah, David (alternate Director to Mr Wilfried Ernst Kaffenberger)	–	–	–	–
Mr Lee Sean, Sammy	100	–	–	100
Independent Non-executive Directors				
Dr Lam Man-Kit, Dominic	100	–	–	100
The Honourable Shek Lai-Him, Abraham	–	–	–	–
Mr Kong Chi-How, Johnson	–	–	–	–
Mr Lai Hing-Chiu, Dominic (note)	100	–	–	100
Total	650	6,678	462	7,790

Note: Mr Lai Hing-Chiu, Dominic was re-designated as Non-executive Director on 28 September 2004.

The emoluments have been included as part of the staff costs in note 4 to the accounts.

11 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

The five individuals whose emoluments were the highest in the Group for the year include 3 (2004: 2) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 (2004: 3) individuals during the year are as follows:

	2005	2004
	HK$'000	HK$'000
Salaries and other emoluments	**3,000**	5,138
Contributions to retirement benefit scheme	**183**	328
	3,183	5,466

The emoluments fell within the following bands:

Emolument band	**Number of individuals**	
HK$	**2005**	2004
1,000,000 – 1,500,000	**1**	1
1,500,001 – 2,000,000	**1**	1
2,000,001 – 2,500,000	**–**	1
	2	3

12 INTANGIBLE ASSETS

Group

	Goodwill HK$'000	Development costs HK$'000	Licenses HK$'000	Software HK$'000	Total HK$'000
At 1 July 2003					
Cost	–	–	327,600	73,632	401,232
Accumulated amortization and impairment losses	–	–	–	–	–
Net book amount	–	–	327,600	73,632	401,232
Year ended 30 June 2004					
Opening net book amount	–	–	327,600	73,632	401,232
Acquisition of subsidiaries	2,636	5,806	–	–	8,442
Amortization	(509)	(394)	–	–	(903)
Impairment losses	–	–	(327,600)	(73,632)	(401,232)
Closing net book amount	2,127	5,412	–	–	7,539
At 30 June 2004					
Cost	2,127	5,847	327,600	73,632	409,206
Accumulated amortization and impairment losses	–	(435)	(327,600)	(73,632)	(401,667)
Net book amount	2,127	5,412	–	–	7,539
Year ended 30 June 2005					
Opening net book amount	**2,127**	**5,412**	**–**	**–**	**7,539**
Additions	**12,756**	**–**	**–**	**–**	**12,756**
Amortization	**–**	**(1,274)**	**–**	**–**	**(1,274)**
Impairment losses	**–**	**(4,138)**	**–**	**–**	**(4,138)**
Closing net book amount	**14,883**	**–**	**–**	**–**	**14,883**
At 30 June 2005					
Cost	**14,883**	**5,847**	**327,600**	**73,632**	**421,962**
Accumulated amortization and impairment losses	**–**	**(5,847)**	**(327,600)**	**(73,632)**	**(407,079)**
Net book amount	**14,883**	**–**	**–**	**–**	**14,883**

12 INTANGIBLE ASSETS (Continued)

Company

	Licenses HK$'000	Software HK$'000	Total HK$'000
At 1 July 2003			
Cost	327,600	73,632	401,232
Accumulated amortization and impairment losses	–	–	–
Net book amount	327,600	73,632	401,232
Year ended 30 June 2004			
Opening net book amount	327,600	73,632	401,232
Impairment losses	(327,600)	(73,632)	(401,232)
Closing net book amount	–	–	–
At 30 June 2004 and 2005			
Cost	327,600	73,632	401,232
Accumulated amortization and impairment losses	(327,600)	(73,632)	(401,232)
Net book amount	–	–	–

Licenses and software were purchased from PrediWave Corporation ("PrediWave") and are relating to billing system for PrediWave's interactive television, video-on-demand and other digital broadcasting and related Technology, which are the subject of the NWTMT Complaint (note 29(a)). As a result of the NWTMT Complaint, the Directors decided to discontinue the use of the Technology in launching the interactive television services in the PRC, and accordingly, a full impairment charge of HK$401,232,000 (note 3) was made against these assets during the year ended 30 June 2004.

Impairment test for goodwill

Goodwill is allocated to a Group's cash-generating unit in the PRC. The recoverable amount of the business unit is determined based on value-in-use calculations. The key assumptions used in the value-in-use calculations are based on management's best estimates of growth rates and discount rates.

13 FIXED ASSETS

Group

	Land and buildings HK$'000	Construction in progress HK$'000	Machinery and other equipment HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Interactive television network system and equipment HK$'000	Total HK$'000
Cost								
At 1 July 2004	38,958	8,575	86,252	9,029	28,981	10,492	619,224	801,511
Additions	–	553	3,086	2,537	2,628	1,751	–	10,555
Disposals	–	(275)	(447)	(292)	(3,808)	(2,894)	–	(7,716)
At 30 June 2005	**38,958**	**8,853**	**88,891**	**11,274**	**27,801**	**9,349**	**619,224**	**804,350**
Accumulated depreciation and impairment losses								
At 1 July 2004	5,534	7,539	71,998	4,338	12,863	5,605	619,224	727,101
Charge for the year	1,226	–	4,525	2,298	4,675	1,447	–	14,171
Impairment losses	–	1,314	–	–	–	–	–	1,314
Disposals	–	–	(350)	(75)	(1,761)	(2,160)	–	(4,346)
At 30 June 2005	**6,760**	**8,853**	**76,173**	**6,561**	**15,777**	**4,892**	**619,224**	**738,240**
Net book value								
At 30 June 2005	**32,198**	**–**	**12,718**	**4,713**	**12,024**	**4,457**	**–**	**66,110**
At 30 June 2004	33,424	1,036	14,254	4,691	16,118	4,887	–	74,410

13 FIXED ASSETS (Continued)

Company

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Interactive television network system and equipment HK$'000	Total HK$'000
Cost					
At 1 July 2004	988	4,283	2,751	775,031	783,053
Additions	1,358	278	306	–	1,942
Disposals	(292)	(475)	(1,287)	–	(2,054)
At 30 June 2005	**2,054**	**4,086**	**1,770**	**775,031**	**782,941**
Accumulated depreciation and impairment losses					
At 1 July 2004	427	3,132	2,066	775,031	780,656
Charge for the year	296	709	414	–	1,419
Disposals	(75)	(423)	(1,287)	–	(1,785)
At 30 June 2005	**648**	**3,418**	**1,193**	**775,031**	**780,290**
Net book value					
At 30 June 2005	**1,406**	**668**	**577**	**–**	**2,651**
At 30 June 2004	561	1,151	685	–	2,397

(a) The Group's land and buildings, all held in the PRC, at their net book values are analyzed as follows:

	2005 HK$'000	2004 HK$'000
Short-term lease	**3,666**	4,140
Medium-term lease	**13,737**	14,206
Long-term lease	**14,795**	15,078
	32,198	33,424

13 FIXED ASSETS (Continued)

(b) Interactive television network system and equipment were purchased from PrediWave, and are the subject of the NWTMT Complaint (note 29(a)). As a result of the NWTMT Complaint, the Directors decided to discontinue the use of the Technology launching the interactive television services in the PRC, and accordingly, a full impairment charge was made against these assets during the year ended 30 June 2004.

(c) The net book value of fixed assets pledged as security for the Group's long-term bank loans amounted to HK$21,035,000 (2004: HK$21,526,000).

14 SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost less provision	**1,135,905**	1,135,905
Amounts receivable, net of provision	**580,630**	760,594
	1,716,535	1,896,499
Amounts payable	**(1,935,624)**	(2,243,080)
	(219,089)	(346,581)

Particulars of the Company's subsidiaries, which, in the opinion of the Directors, principally affect the results of the Group for the year and/or assets of the Group as at 30 June 2005, are given in note 37.

15 ASSOCIATED COMPANIES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Group's share of net assets	**124,952**	232,325	**–**	–
Amounts receivable, net of provision (note a)	**66,300**	30,865	**66,300**	84,177
	191,252	263,190	**66,300**	84,177

15 ASSOCIATED COMPANIES (Continued)

(a) The amounts receivable were unsecured, had no fixed terms of repayment and carried interest at the London Inter Bank Offered Rate except for an amount of HK$5,460,000 (2004: Nil) which was interest free.

(b) Particulars of the associated company, which, in the opinion of the Directors, principally affect the results of the Group for the year and/or assets of the Group as at 30 June 2005, are given in note 38.

16 JOINTLY CONTROLLED ENTITIES

	Group	
	2005	2004
	HK$'000	HK$'000
Companies limited by shares		
Share of net assets	**72,189**	85,168
Goodwill on acquisition	**63,585**	63,585
Accumulated amortization and impairment losses	**(63,585)**	(4,239)
Amount receivable (note a)	**411**	22
Amount payable (note b)	**–**	(80,000)
	72,600	64,536
Co-operative joint ventures		
Cost of investments	**61,694**	58,886
Share of undistributed post-acquisition results	**(61,694)**	(58,886)
Amounts receivable, net of provision	**–**	–
	–	–
	72,600	64,536

(a) Amount receivable was unsecured, interest free and had no fixed terms of repayment.

(b) Amount payable was unsecured, interest free and was fully repaid during the year.

(c) Particulars of the jointly controlled entity, which, in the opinion of the Directors, principally affect the results of the Group for the year and/or assets of the Group as at 30 June 2005, are given in note 39.

(d) The share of results of jointly controlled entities for the year ended 30 June 2005 includes an impairment of goodwill of HK$59,346,000 (2004: an amortization of goodwill of HK$4,239,000).

17 AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts receivable include HK$505 million (2004: HK$687 million) due from NWSH in respect of the principal and interest outstanding from the Group under a bank loan, the repayments of which are undertaken by NWSH from time to time as they fall due.

The remaining receivable is unsecured, interest free and repayable within twelve months from the balance sheet date.

18 LOANS RECEIVABLE

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans receivable	**912,980**	937,823	**892,980**	917,823
Current portion included in current assets	**(719,855)**	(620,000)	**(699,855)**	(600,000)
	193,125	317,823	**193,125**	317,823

Loans receivable include a loan of HK$600 million (2004: HK$600 million) due from a third party which is unsecured and bears interest at 3% per annum. The loan, together with the refund of deposits from the withdrawal of the proposed investment in the Network (note 21), is fully repayable by 30 November 2005.

19 OTHER INVESTMENTS

	Group	
	2005	2004
	HK$'000	HK$'000
Non-trading securities		
Unlisted shares, at fair value (notes a and b)	**139,202**	605,162
Loans to investee companies (note c)	**304,201**	304,201
Provision for loans (note c)	**(304,201)**	(304,201)
	139,202	605,162

(a) The unlisted non-trading securities include the equity investments in PrediWave and certain former associated companies of the Group (collectively the "PrediWave Companies"), which are the subject of the NWTMT Complaint (note 29(a)). Since the Directors were of the opinion that the Group was no longer able to effectively exercise significant influence over the financial and operating decisions of these companies, they were reclassified from associated companies to other investments during the year ended 30 June 2004. A full impairment provision of HK$1,933,894,000 was made against these assets during the year ended 30 June 2004.

19 OTHER INVESTMENTS (Continued)

(b) Unlisted non-trading securities also include an unlisted investment in Intellambda Systems Inc. ("Intellambda"), a company engaged in developing optical transport and switching platforms and providing the optical networking solutions for carriers planning on building or upgrading their metro and regional infrastructures. In assessing the carrying value of the investment in Intellambda, the Directors have taken into account the latest financial information of Intellambda, advice received from industry expert, future funding requirements of Intellambda and expected returns from launching its products. Based on the above, a full provision of approximately HK$377 million was made against this investment during the year ended 30 June 2005.

(c) A full provision was made against the loans to the PrediWave Companies which are the subject of the NWTMT Complaint (note 29(a)) during the year ended 30 June 2004.

20 DEPOSITS FOR PURCHASE OF FIXED ASSETS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits	**843,869**	843,869	**843,869**	843,869
Provision	**(843,869)**	(843,869)	**(843,869)**	(843,869)
	–	–	**–**	–

The Group made deposits to PrediWave for purchase of interactive television network system and equipment which is the subject of the NWTMT Compliant (note 29(a)). A full provision of HK$843,869,000 (note 3) was made against these deposits during the year ended 30 June 2004.

21 DEPOSITS FOR PROPOSED INVESTMENTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost less provision				
Deposits for the Network	**1,531,196**	1,531,196	**1,531,196**	1,531,196
Others	**37,977**	82,255	**–**	–
	1,569,173	1,613,451	**1,531,196**	1,531,196
Current portion included in current assets	**(1,531,196)**	–	**(1,531,196)**	–
	37,977	1,613,451	**–**	1,531,196

21 DEPOSITS FOR PROPOSED INVESTMENTS (Continued)

In 2002, the Group entered into an option agreement (the "Option Agreement") with a PRC entity for the acquisition (the "Acquisition") of an interest in a fibre optic backbone network (the "Network") in the PRC. Subject to certain conditions as stipulated in the Option Agreement, the Group was entitled to acquire up to 70% interest in the Network within two years from the date of the Option Agreement at a consideration of approximately HK$2,563 million.

The Group had paid approximately HK$1,531 million (2004: HK$1,531 million) as deposits for the Network. On 23 June 2004, the Group requested to withdraw from the Acquisition and the counterparties agreed on 3 September 2004 that these deposits for the Network, loans and other amounts owing to the Group totaling HK$2,160 million together with interest would be fully repaid to the Group by 30 November 2004. As of 30 June 2005, these amounts remained outstanding and unpaid. Pursuant to the agreement on extension of repayment entered into between the Company and the counterparties, the counterparties agreed to (i) repay the deposits paid for the Network, loans and other amounts owing to the Group totaling HK$2,160 million together with interest by 30 November 2005; (ii) pledge the 70% interest in the Network as a security to secure their repayment; and (iii) allow the Group to retain its option to re-enter the project if the repayment was not made in accordance with the agreement.

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

22 INVENTORIES AND PROGRAMMES

	Group		**Company**	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Raw materials (note)	**11,456**	62,079	**11,285**	62,079
Programmes, at cost less amortization	**38,986**	8,722	**–**	–
	50,442	70,801	**11,285**	62,079

The carrying amount of inventories that were carried at net realizable value amounted to HK$11,285,000 (2004: HK$62,079,000). These inventories, representing parts for production of interactive television equipment, are the subject of the NWTMT Complaint (note 29(a)).

23 DEBTORS, DEPOSITS AND PREPAYMENTS

(a) Debtors, deposits and prepayments include trade receivables due by its customers. The Group allows its trade customers a credit period normally ranging from 30 days to 180 days. The ageing analysis of the trade receivables is as follows:

	2005	2004
	HK$'000	HK$'000
Current to 30 days	**33,494**	12,532
31 to 90 days	**15,776**	13,415
91 to 180 days	**10,937**	11,113
Over 180 days	**25,994**	24,735
	86,201	61,795

(b) Debtors, deposits and prepayments also include an amount of HK$2,804,000 (2004: Nil) due from a related company of which one of its directors is also a Director of the Company. The amount is unsecured, interest free and has no fixed terms of repayment.

24 PLEDGED DEPOSITS

Deposits have been pledged to banks as security for short-term loans granted to subsidiaries.

25 CREDITORS AND ACCRUALS

Creditors and accruals include trade payables and the ageing analysis of which is as follows:

	2005	2004
	HK$'000	HK$'000
Current to 30 days	**26,949**	8,342
31 to 90 days	**5,363**	4,811
91 to 180 days	**9,228**	4,486
Over 180 days	**10,945**	9,524
	52,485	27,163

26 BANK AND OTHER BORROWINGS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loan from a fellow subsidiary (note a)	**2,337,350**	1,406,825	**2,337,350**	1,406,825
Secured bank loans (note b)	**516,191**	699,336	**–**	–
	2,853,541	2,106,161	**2,337,350**	1,406,825
Current portion included in current liabilities	**(194,497)**	(183,124)	**–**	–
	2,659,044	1,923,037	**2,337,350**	1,406,825

(a) Loan from a fellow subsidiary is unsecured and bears interest at prevailing market rate. On 22 September 2005, the fellow subsidiary agreed to extend the revolving credit facility to the Company of HK$3,530 million (included the outstanding loan balance and accrued interest payable totalling HK$2,408 million as at 30 June 2005) to 21 March 2007 (note 1). Accordingly, the loan from a fellow subsidiary is classified as a non-current liability.

(b) Secured bank loans are repayable as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Within one year	**194,497**	183,124
Between one and two years	**206,568**	194,491
Between two and five years	**112,754**	317,346
After five years	**2,372**	4,375
	516,191	699,336

NWSH has undertaken to repay the principal and interest outstanding from the Group under certain bank loan of approximately HK$505 million (2004: HK$687 million) at 30 June 2005, from time to time as they fall due. The loan is secured by NWSH's interests in certain joint ventures in the PRC.

27 SHARE CAPITAL

	2005	2004
	HK$'000	HK$'000
Authorized:		
2,000,000,000 ordinary shares of HK$1 each	**2,000,000**	2,000,000
Issued and fully paid:		
952,180,007 ordinary shares of HK$1 each	**952,180**	952,180

Pursuant to the share option schemes adopted on 3 October 1997 (the "1997 Scheme") and 6 December 2001 (the "2001 Scheme"), the Company may grant options to directors and employees of the Company. No option had been granted under the 2001 Scheme since its adoption. The movements in the number of share options under the 1997 Scheme during the year and outstanding at 30 June 2005 are as follows:

Exercise price per share HK$	**At 1 July 2004**	**Lapsed during the year**	**At 30 June 2005**
10.20 (a)	240,000	(240,000)	–
12.00 (b)	960,000	(960,000)	–
	1,200,000	(1,200,000)	–

(a) Exercisable from 1 July 2000 to 1 June 2005.

(b) Divided into 3 tranches exercisable from 1 July 2001 to 1 June 2005, from 1 July 2002 to 1 June 2005 and from 1 July 2003 to 1 June 2005 respectively.

28 RESERVES

Group

	Contributed surplus HK$'000	Share premium HK$'000	Capital reserve HK$'000	Investment revaluation reserve HK$'000	Retained profit/ (accumulated losses) HK$'000	Total HK$'000
At 1 July 2003	2,650,991	660,047	–	–	2,825,339	6,136,377
Loss for the year	–	–	–	–	(5,507,258)	(5,507,258)
Net deficit on revaluation of non-trading securities	–	–	–	(2,267,623)	–	(2,267,623)
Impairment losses charged to profit and loss account (note 3)	–	–	–	2,272,361	–	2,272,361
Write-back of impairment loss transferred to profit and loss account (note 3)	–	–	–	(4,738)	–	(4,738)
At 30 June 2004	2,650,991	660,047	–	–	(2,681,919)	629,119
Company and subsidiaries	2,650,991	660,047	–	–	(2,482,628)	828,410
Jointly controlled entities	–	–	–	–	(68,337)	(68,337)
Associated companies	–	–	–	–	(130,954)	(130,954)
	2,650,991	660,047	–	–	(2,681,919)	629,119

Notes to the Accounts

28 RESERVES (Continued)

Group

	Contributed surplus HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Capital reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2004	2,650,991	660,047	–	–	–	(2,681,919)	629,119
Foreign exchange adjustment	–	–	(2,800)	–	–	–	(2,800)
Share of reserve of a jointly controlled entity	–	–	(257)	–	–	–	(257)
Loss for the year	–	–	–	–	–	(866,224)	(866,224)
Transfer to capital reserve	–	–	–	1,476	–	(1,476)	–
Net deficit on revaluation of non-trading securities	–	–	–	–	(512,881)	–	(512,881)
Impairment losses charged to profit and loss account (note 3)	–	–	–	–	512,881	–	512,881
At 30 June 2005	**2,650,991**	**660,047**	**(3,057)**	**1,476**	**–**	**(3,549,619)**	**(240,162)**
Company and subsidiaries	2,650,991	660,047	(2,800)	1,476	–	(3,168,079)	141,635
Jointly controlled entities	–	–	(257)	–	–	(143,213)	(143,470)
Associated companies	–	–	–	–	–	(238,327)	(238,327)
	2,650,991	660,047	(3,057)	1,476	–	(3,549,619)	(240,162)

28 RESERVES (Continued)

Company

	Contributed surplus HK$'000	Share premium HK$'000	Investment revaluation reserve HK$'000	Retained profit/ (accumulated losses) HK$'000	Total HK$'000
At 1 July 2003	3,269,219	660,047	–	2,236,500	6,165,766
Loss for the year	–	–	–	(5,537,024)	(5,537,024)
Surplus on revaluation of non-trading securities	–	–	1,922	–	1,922
Write-back of impairment loss transferred to profit and loss account	–	–	(1,922)	–	(1,922)
At 30 June 2004	3,269,219	660,047	–	(3,300,524)	628,742
Loss for the year	–	–	–	(869,191)	(869,191)
At 30 June 2005	**3,269,219**	**660,047**	**–**	**(4,169,715)**	**(240,449)**

The contributed surplus of the Company arose in 1995 when the Company issued shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the companies acquired.

29 PENDING LITIGATIONS

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

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

As the Directors of the Company consider that they cannot effectively monitor the utilization of funds by the PrediWave Companies, they expect that the utilization of funds for legal costs and other causes beyond their control will be significant throughout the period up to the date when the NWTMT Complaint is concluded. In addition, in the absence of the availability of meaningful and updated financial information on the PrediWave Companies and given the uncertainty of the timing and the outcome of the litigation which would have a consequential significant effect on the amount of assets recoverable, the Directors have concluded that a full provision of HK$3,082 million made in the accounts for the year ended 30 June 2004 against the Group's investments in the PrediWave Companies, loans to the PrediWave Companies and deposits paid to PrediWave remains most appropriate for the purpose of the accounts for the year ended 30 June 2005.

29 PENDING LITIGATIONS (Continued)

(b) In May 2004, PrediWave filed complaints to the Superior Court of the State of California for the County of Los Angeles in the US against the Company (collectively the "PrediWave Complaint"). In January 2005, PrediWave dropped the PrediWave Complaint and filed a counter claim against the Company to the Superior Court of the State of California for the County of Santa Clara (the "PrediWave Cross-Complaint"). Under the PrediWave Cross-Complaint, PrediWave alleged that the Group had failed to make full payments under four purchase orders and one agreement for goods and services delivered or licenses granted by PrediWave to the Group relating to the Technology totalling approximately US$72 million (approximately HK$564 million). As a result, PrediWave claimed damages against the Company in an amount to be proved at trial, together with interest and costs of legal proceedings, restitution of the reasonable value of goods delivered to the Company and a declaration that PrediWave should be entitled to retain the deposits made by the Company under various purchase orders and agreements.

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

30 COMMITMENTS

(a) The capital commitments, principally for further investment in existing projects, are as follows:

	2005	2004
	HK$'000	HK$'000
Contracted but not provided for	**10,353**	118,118

The above capital commitments did not include commitments for purchase of fixed assets and intangible assets which are the subject of the PrediWave Complaint (note 29(b)).

(b) The Group has future aggregate minimum lease payments under operating leases in respect of land and buildings as follows:

	2005	2004
	HK$'000	HK$'000
Not later than one year	**6,083**	4,689
Later than one year but not later than five years	**3,421**	1,828
Later than five years	**–**	33
	9,504	6,550

31 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2005 **HK$'000**	2004 HK$'000
Operating loss	**(588,521)**	(5,306,510)
Depreciation	**14,171**	22,525
Amortization of intangible assets	**1,274**	903
Amortization of cost of programmes	**14,194**	18,533
Gain on disposal of other investments	**–**	(3,876)
Impairment losses on other investments	**512,881**	2,272,361
Impairment losses on intangible assets	**4,138**	401,232
Impairment losses on fixed assets	**1,314**	663,663
Provision for loans to investee companies	**–**	304,201
Provision for deposits for proposed investments	**28,858**	81,281
Provision for amount due from a jointly controlled entity	**1,394**	14,469
Provision for amounts due from associated companies	**4**	113,040
Write-back of amount due from associated companies	**(32,005)**	–
Write-down of inventories to net realizable value	**12,955**	291,406
Loss/(gain) on disposal of fixed assets	**2,638**	(58)
Write-back of impairment loss on other investments	**–**	(4,738)
Gain in relation to disposal of Wuhan bridges by NWSH	**(154,878)**	–
Provision for deposits for purchase of fixed assets	**–**	843,869
Provision for loans receivable	**6,542**	99,806
Provision for other receivables	**77,071**	29,246
Interest income	**(38,884)**	(7,254)
Operating loss before working capital changes	**(136,854)**	(165,901)
(Increase)/decrease in debtors, deposits and prepayments	**(39,795)**	11,774
Increase in amounts due from fellow subsidiaries	**(31,979)**	–
Increase in creditors and accruals	**31,904**	67,623
(Decrease)/increase in amounts due to minority shareholders	**(8)**	12,884
(Increase)/decrease in inventories	**(6,791)**	24,143
Net cash used in operations	**(183,523)**	(49,477)

31 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing

	Share capital including share premium HK$'000	**Pledged deposits** HK$'000	**Short-term bank loans and bank and other borrowings** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
At 1 July 2003	1,612,227	(362,483)	2,411,842	–	3,661,586
Net cash from financing activities	–	7,583	1,039,962	7,011	1,054,556
Reclassified from unpledged deposit	–	(92,040)	–	–	(92,040)
Loan repayment in respect of the loan undertaken by NWSH	–	–	(103,546)	–	(103,546)
Minority interests' share of loss	–	–	–	(20,608)	(20,608)
Acquisition of subsidiaries	–	–	4,258	27,602	31,860
At 30 June 2004	1,612,227	(446,940)	3,352,516	14,005	4,531,808
Net cash from financing activities	–	86,276	59,082	20,594	165,952
Minority interests' share of loss	–	–	–	(15,012)	(15,012)
Loan repayment in respect of the loan undertaken by NWSH	–	–	(181,635)	–	(181,635)
Acquisition of additional interest in a subsidiary	–	–	–	(8,734)	(8,734)
At 30 June 2005	**1,612,227**	**(360,664)**	**3,229,963**	**10,853**	**4,492,379**

Notes to the Accounts

31 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Acquisition of subsidiaries

	2005	2004
	HK$'000	HK$'000
Net assets acquired		
Fixed assets	–	13,617
Bank balances and cash	–	13,402
Debtors, deposits and prepayments	–	74,370
Intangible assets	–	5,806
Creditors and accruals	–	(49,153)
Taxation	–	(169)
Bank and other borrowings	–	(4,258)
Minority interests	–	(27,602)
	–	26,013
Goodwill on acquisition	–	2,636
Consideration	–	28,649
Satisfied by:		
Deposits for proposed investments	–	27,103
Cash	–	1,546
	–	28,649
Cash consideration	–	(1,546)
Bank balances and cash acquired	–	13,402
Net cash from acquisition of subsidiaries	–	11,856

32 RELATED PARTY TRANSACTIONS

In addition to those transactions with related parties disclosed elsewhere in the accounts, the following significant related party transactions were entered into by the Group during the year:

	2005 **HK$'000**	2004 HK$'000
Purchases from an associated company (note a)	**–**	365,558
Rental expense for leased premises reimbursed from an associated company (note b)	**(957)**	(1,200)
Interest expense to:		
A fellow subsidiary (note c)	**52,019**	20,955
A related company (note d)	**–**	1,139
Consultancy fee expense to a fellow subsidiary (note e)	**2,186**	1,414
Rental expense for leased premises to a fellow subsidiary (note f)	**496**	–
Call centre management services income from fellow subsidiaries (note g)	**(2,324)**	(1,417)

(a) This represented purchases of interactive television network system and equipment which were developed by PrediWave at prices mutually agreed by both parties. As at 30 June 2004, the Group paid approximately HK$843,869,000 as trade deposit to PrediWave (note 20).

(b) This represented the reimbursement of rental from an associated company. The reimbursement was based on the actual office space occupied by the associated company.

(c) Interest was charged at prevailing market rate.

(d) This represented interest on temporary advances from a related company which was charged at a rate mutually agreed between both parties.

(e) This represented consultancy fee paid in respect of consultancy services provided by NWT. The consultancy fee was charged based on the number and level of expertise of the NWT personnel deployed to provide the consultancy services and not exceeding HK$800,000 per month.

(f) The rental was charged at fixed monthly amounts as specified in the tenancy agreement.

(g) This represented call centre management services income received from NWPCS and NWT. The call centre management services income was charged based on the number of workstation used.

33 SUBSEQUENT EVENT

On 4 October 2005, the Group entered into an equity transfer agreement with Golden Strength Inc. in connection with the transfer of the entire equity interest in Dalian Shang Li De Heat Conduction Technology Co., Limited by Golden Strength Inc. to the Group in exchange for the Company's rights, title and interests in the loan in an aggregate amount of US$8.5 million due from Sunnet International Corporation. Upon completion of the transfer, the Company becomes the indirect sole owner of Dalian Shang Li De Heat Conduction Technology Co., Limited.

34 COMPARATIVE FIGURES

Certain comparative figures are reclassified or extended to conform with the current year's presentation.

35 ULTIMATE HOLDING COMPANY

The Directors of the Company consider New World Development Company Limited, incorporated and listed in Hong Kong, as being the ultimate holding company.

36 APPROVAL OF ACCOUNTS

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

37 PRINCIPAL SUBSIDIARIES

	Share capital issued		Percentage of equity shares held by		
	Number	Par value per share	the Company	the Group	Principal activities
Incorporated in the British Virgin Islands and operating in Hong Kong					
Lotsgain Limited	100 ordinary	US$1	100	–	Investment holding
Incorporated in the British Virgin Islands and operating in the PRC					
General Wireless Technologies Inc.	10 ordinary	US$1	–	100	Exploration of wireless telecommunication network
Incorporated and operating in Hong Kong					
New World Allmedia Services Limited	2 ordinary	HK$1	–	100	Development of multimedia business

37 PRINCIPAL SUBSIDIARIES (Continued)

	Paid-up registered capital	Attributable interest to the Company	Attributable interest to the Group	Principal activities
Incorporated and operating in the PRC				
New World Infrastructure (China) Investment Limited	US$130,000,000	100	–	Investment holding
深圳新世界翔龍網絡技術有限公司	Rmb550,000,000	–	100	Exploration of wireless telecommunication network
深圳新世界翔龍科技發展有限公司	Rmb100,000,000	–	100	Exploration of wireless telecommunication network
深圳市翔龍通訊有限公司	Rmb100,000,000	–	100	Provision of telecommunication related services
北京信通傳之媒文化發展有限公司	Rmb100,000,000	–	70.1	Provision of advertising agency services, business consultancy services, production and distribution of TV programs
北京新世界威邁特高新技術有限公司	US$1,800,000	–	55	Provision of ATM multimedia advertising system
北京新世界熱能高科技發展有限公司	US$700,000	–	65	Development of heat transfer devices

Notes to the Accounts

38 PRINCIPAL ASSOCIATED COMPANY

	Share capital issued		Percentage of equity share held by		
	Number	Par value per share	the Company	the Group	Principal activities
Incorporated in the British Virgin Islands and operating in Hong Kong					
New QU Energy Limited	65,000,000 Common	–	–	–	Development of heat transfer devices
	35,000,000 Series A Preferred	–	–	100	

39 PRINCIPAL JOINTLY CONTROLLED ENTITY

	Share capital issued		Percentage of equity share held by		
	Number	Par value per share	the Company	the Group	Principal activities
Incorporated in Hong Kong and operating in the PRC					
China Aerospace New World Technology Limited	30,000,000 Ordinary	HK$1	–	50	Investment holding