

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this prospectus or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

A copy of this prospectus, together with copies of the provisional allotment letter and the form of application for excess Rights Shares (as defined herein), has been registered by the Registrar of Companies in Hong Kong as required by Section 38D of the Companies Ordinance of Hong Kong. The Registrar of Companies in Hong Kong and the Securities and Futures Commission take no responsibility for the contents of any of these documents.

Dealings in the securities of **New World Development Company Limited** and the Rights Shares in their nil-paid form and fully-paid form may be settled through Central Clearing and Settlement System ("CCASS") and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

If you have sold or transferred all your shares in **New World Development Company Limited**, you should at once hand this prospectus and the accompanying provisional allotment letter and form of application for excess Rights Shares to the purchaser or other transferee or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Subject to the granting of listing of and permission to deal in the Rights Shares in their nil-paid and fully-paid forms on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as well as compliance with the stock admission requirements of Hong Kong Securities Clearing Company Limited ("HKSCC"), the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms or such other dates as determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Stock Exchange and HKSCC take no responsibility for the contents of this prospectus, the provisional allotment letter and the form of application for excess Rights Shares, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of these documents.



新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

RIGHTS ISSUE OF 987,817,877 RIGHTS SHARES IN THE PROPORTION OF TWO RIGHTS SHARES FOR EVERY FIVE SHARES HELD ON THE RECORD DATE AT HK\$5.40 PER RIGHTS SHARE PAYABLE IN FULL ON ACCEPTANCE

Underwriters

周大福
CHOW TAI FOOK

HSBC 

 UBS Investment Bank

The Shares (as defined herein) have been dealt in on an ex-rights basis since 11th March, 2004.

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on 6th April, 2004.

The procedure for acceptance or transfer of Rights Shares is set out in the "Letter From the Board" on pages 10 and 11 of this prospectus.

It should be noted that the Underwriting Agreement (as defined herein) contains provisions granting HSBC (as defined herein) and UBS Investment Bank (as defined herein) the right to terminate the Underwriting Agreement if certain events (including force majeure) happen at any time prior to 5:00 p.m. on the second Business Day after the last date for acceptance of entitlements to subscribe for the Rights Shares. For this purpose, force majeure events include the occurrence, coming into effect or becoming public knowledge any events or circumstances concerning or relating to (whether or not foreseeable) (1) any significant change in the local, national or international financial, political, military, industrial, economic, legal, fiscal, regulatory or securities market conditions or currency exchange rates or exchange controls the effect of which in the opinion of HSBC and UBS Investment Bank (i) is or may be materially adverse to, or prejudicially affect, the Group or its prospects; (ii) is or may be material in the context of the Rights Issue; or (iii) is or may prejudicially affect the success of the Rights Issue, or may make it inadvisable to proceed with the Rights Issue; (2) the declaration of a banking moratorium by Hong Kong authorities; (3) any moratorium, suspension or material restriction on trading in securities generally on The Stock Exchange of Hong Kong Limited and/or the New York Stock Exchange; (4) any new law or regulation or any change in existing laws or regulations which in the opinion of HSBC and UBS Investment Bank has or is likely to have a material adverse effect on the financial position of the Group as a whole. In the event that HSBC and UBS Investment Bank exercise such right to terminate the Underwriting Agreement, the Rights Issue will not proceed. For further details, please refer to the section headed "Termination of the Underwriting Agreement under Force Majeure" as set out on page 4 of this prospectus. Existing Shares have been dealt in on an ex-rights basis from 11th March, 2004. Dealings in the Rights Shares in nil-paid form will take place from 24th March, 2004 to 31st March, 2004 (both days inclusive). Any person dealing in the Shares and/or nil-paid Rights Shares during such periods will bear the risk that the Rights Issue may not become unconditional and may not proceed. Any person who is in any doubt about his position is recommended to consult his professional adviser.

22nd March, 2004

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DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the press announcement dated 13th February, 2004 released by the Company in connection with, inter alia, the proposed Rights Issue;
“Business Day”	a day (excluding Saturday) on which commercial banks in Hong Kong are generally open for and carrying on banking business in Hong Kong;
“Board”	board of Directors;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“CEPA”	Closer Economic Partnership Arrangement;
“Company”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange;
“Company Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“Completion”	completion of the Rights Issue;
“Convertible Bonds”	the US\$350,000,000 3 per cent. convertible guaranteed bonds due 2004 issued by New World Capital Finance Limited (a wholly-owned subsidiary of the Company) in 1999 and convertible into Shares at the initial conversion price of HK\$24.60 per share at any time after 9th August, 1999 up to the close of business on 9th May, 2004 and such outstanding convertible bonds, which will be redeemed at 123.104% of their principal amount together with accrued interest on 9th June, 2004, are listed on the Luxembourg Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Excess Application Form(s)”	application form(s) for excess Rights Shares;
“Final Acceptance Date”	6th April, 2004, being the last date for acceptance and payment in respect of provisional allotments under the Rights Issue, provided that if on such date a Storm Warning is issued in Hong Kong at any time between 9:00 a.m. and 4:00 p.m. then references to the “Final Acceptance Date” shall mean the first Business Day thereafter on which no Storm Warning remains issued at any time between 9:00 a.m. and 4:00 p.m.;
“GFA”	gross floor area;
“Government”	the Government of Hong Kong;
“Group”	the Company and its subsidiaries;
“HKSCC”	Hong Kong Securities Clearing Company Limited;

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited;
“Latest Practicable Date”	17th March, 2004, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information herein;
“Latest Termination Time”	5:00 p.m. on the second Business Day immediately following the Final Acceptance Date;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Major Shareholder”	Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong with limited liability which, together with the Major Shareholder’s Subsidiaries, beneficially owned approximately 35.26% of the total issued share capital of the Company as at the Latest Practicable Date;
“Major Shareholder’s Subsidiaries”	wholly-owned subsidiaries of the Major Shareholder which are beneficially interested in the Shares, namely, Anderson & Kirkwood Limited, Wing Fung Development Limited, Yu Yek Enterprises Company Limited and Fook Hop Securities Company Limited;
“Non-Qualifying Shareholders”	the Shareholders whose names appear on the register of members of the Company on the Record Date but whose addresses as shown on the register of members of the Company are outside Hong Kong;
“NWS”	New World Services Limited, a company incorporated in the Cayman Islands with limited liability, which is a subsidiary of the Company;
“NWSH”	NWS Holdings Limited (formerly known as Pacific Ports Company Limited), a company incorporated in Bermuda with limited liability the shares of which are listed on the Stock Exchange, being a subsidiary of the Company;
“NWTMT”	New World TMT Limited (formerly known as New World Infrastructure Limited), a company incorporated in the Cayman Islands with limited liability the shares of which are listed on the Stock Exchange, being a subsidiary of the Company;
“PRC” or “Mainland China”	the People’s Republic of China;
“Prospectus Documents”	this prospectus, the Provisional Allotment Letter and the Excess Application Form;
“Provisional Allotment Letter(s)”	provisional allotment letter(s) for the Rights Shares;

DEFINITIONS

“Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose address(es) as shown on the register of members of the Company on the Record Date are in Hong Kong;
“Record Date”	22nd March, 2004, being the date by reference to which entitlements to the Rights Issue are determined;
“Rights Issue”	the issue by the Company of the Rights Shares at HK\$5.40 per Rights Share by way of rights on the basis of two Rights Shares for every five Shares held on the Record Date and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement;
“Rights Shares”	987,817,877 new Shares to be issued under the Rights Issue;
“SARS”	Severe Acute Respiratory Syndrome;
“Shareholder(s)”	holder(s) of Shares(s);
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company;
“Share Registrar”	Tengis Limited, being the share registrar of the Company, the address of which is at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong
“sq.ft.”	square feet;
“sq.m.”	square metre;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Storm Warning”	either a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal;
“Subscription Price”	HK\$5.40 per Rights Share payable upon acceptance;
“UBS Investment Bank”	UBS AG, Hong Kong Branch;
“Underwriters”	HSBC, UBS Investment Bank and the Major Shareholder;
“Underwriting Agreement”	the underwriting agreement dated 13th February, 2004 and entered into between the Company and the Underwriters in relation to the Rights Issue;
“\$”, “HK\$” and “cents”	Hong Kong dollars and cents;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“WTO”	World Trade Organisation.

TERMINATION OF THE UNDERWRITING AGREEMENT UNDER FORCE MAJEURE

It should be noted that the Underwriting Agreement contains provisions granting HSBC and UBS Investment Bank the right to terminate the Underwriting Agreement if certain events (including force majeure) happen at any time prior to 5:00 p.m. on the second Business Day after the Final Acceptance Date.

For this purpose, force majeure events include the occurrence, coming into effect or becoming public knowledge any events or circumstances relating to or concerning (whether or not foreseeable):

- (1) any significant change in, or otherwise having a material adverse effect on (whether or not permanent) local, national or international financial, political, military, industrial, economic, legal, fiscal, regulatory or securities market matters or conditions or currency exchange rates or exchange controls (including without limitation, any declaration by the People's Republic of China, Hong Kong, the United Kingdom of Great Britain and Northern Ireland or the United States of America of a national emergency, any outbreak or escalation of hostilities, any risks of terrorism, or any other epidemics, calamity or crisis, in any of those places), the effect of which in the opinion of HSBC and UBS Investment Bank (i) is or may be materially adverse to, or prejudicially affect, the Group or its prospects; (ii) is or may be material in the context of the Rights Issue; or (iii) is or may prejudicially affect the success of the Rights Issue, or may make it inadvisable or inexpedient to proceed with the Rights Issue;
- (2) the declaration of a banking moratorium by Hong Kong authorities;
- (3) any moratorium, suspension or material restriction on trading in shares or securities generally on The Stock Exchange of Hong Kong Limited and/or the New York Stock Exchange;
- (4) any suspension of dealings in the Shares for a period of over 3 consecutive Business Days (other than as a result of announcing the Rights Issue); or
- (5) any new law or regulation or any change in existing laws or regulations which in the opinion of HSBC and UBS Investment Bank has or is likely to have a material adverse effect on the financial position of the Group as a whole.

Please also refer to the paragraph headed "Termination of the Underwriting Agreement" in the Letter from the Board in this prospectus for details of other events or matters which will entitle HSBC and UBS Investment Bank to terminate the Underwriting Agreement.

In the event that HSBC and UBS Investment Bank exercise such right to terminate the Underwriting Agreement, the Rights Issue will not proceed.

Existing Shares have been dealt in on an ex-rights basis from 11th March, 2004. Dealings in the Rights Shares in nil-paid form will take place from 24th March, 2004 to 31st March, 2004 (both days inclusive). Any person dealing in the Shares and/or nil-paid Rights Shares during such period will bear the risk that the Rights Issue may not become unconditional and may not proceed.

EXPECTED TIMETABLE

2004

Record Date	Monday, 22nd March
Register of members of the Company reopens	Tuesday, 23rd March
First day of dealings in nil-paid Rights Shares	Wednesday, 24th March
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Friday, 26th March
Last day of dealings in nil-paid Rights Shares	Wednesday, 31st March
Latest time for acceptance of, and payment for, Rights Shares and application for excess Rights Shares	4:00 p.m. on Tuesday, 6th April
Latest time for the Rights Issue to become unconditional	5:00 p.m. on Thursday, 8th April
Announcement of results of acceptance of and excess applications for Rights Shares	Wednesday, 14th April
Despatch of refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares	Thursday, 15th April
Despatch of certificates for fully-paid Rights Shares	Thursday, 15th April
Dealings in fully-paid Rights Shares to commence on	9:30 a.m. on Monday, 19th April

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this prospectus.

Number of Rights Shares to be issued	987,817,877 new Shares
Amount to be raised by the Right Issue	Approximately HK\$5,334 million before expenses
Basis of the Rights Issue	Two Rights Shares for every five existing Shares held by the Qualifying Shareholders on the Record Date
Subscription price and latest time for acceptance	HK\$5.40 per Rights Share, payable in full on acceptance by 4:00 p.m. on 6th April, 2004
Excess application	Qualifying Shareholders have the right to apply for Rights Share in excess of their provisional allotments
Status of Rights Shares	When fully-paid, issued and allotted, the Rights Shares will rank pari passu in all respects with the Shares then in issue and holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of issue and allotment of the fully-paid Rights Shares
Undertaking of the Major Shareholder	The Major Shareholder has irrevocably undertaken to, and to procure the Major Shareholder's Subsidiaries to, take up their respective entitlements under the Rights Issue in full
Non-Qualifying Shareholders	Non-Qualifying Shareholders are not entitled to take part in the Rights Issue and no provisional allotment will be made to Non-Qualifying Shareholders. The Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders will be sold in the market in nil-paid form. If a premium, net of expenses, can be obtained, the Underwriter will procure the sale of such Rights Shares after dealings in the nil-paid Rights Shares start. Any net proceeds of sale, after deduction of expenses, will be distributed in Hong Kong dollars to the Non-Qualifying Shareholders pro rata to their respective entitlements, except that any individual amount of less than HK\$100 will be retained for the benefit of the Company. Any unsold entitlements of the Non-Qualifying Shareholders, any Rights Shares allotted provisionally but not accepted and any Rights Shares arising from the aggregation of fractional entitlements will be available for applications in the Excess Application Form by Qualifying Shareholders



新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

Directors:

Executive Directors:

Dato' Dr. CHENG Yu-Tung (*Chairman*)
Dr. CHENG Kar-Shun, Henry (*Managing Director*)
Dr. SIN Wai-Kin, David
LIANG Chong-Hou, David

Registered Office:

30th Floor, New World Tower,
18 Queen's Road Central,
Hong Kong

Non-executive Directors:

The Honourable LEE Quo-Wei*
Lord SANDBERG, Michael*
Dr. HO Tim*
CHENG Yue-Pui
YEUNG Ping-Leung, Howard*
Dr. CHA Mou-Sing, Payson*
CHENG Kar-Shing, Peter
LEUNG Chi-Kin, Stewart
CHAN Kam-Ling
CHOW Kwai-Cheung

CHA Mou-Zing, Victor
(*Alternate Director to Dr. CHA Mou-Sing, Payson*)
HO Hau-Hay, Hamilton
(*Alternate Director to Dr. HO Tim*)

* *Independent Non-Executive Directors*

22nd March, 2004

To the Shareholders

Dear Sir or Madam,

**RIGHTS ISSUE OF 987,817,877 RIGHTS SHARES
IN THE PROPORTION OF
TWO RIGHTS SHARES FOR EVERY FIVE SHARES
HELD ON THE RECORD DATE
AT HK\$5.40 PER RIGHTS SHARE
PAYABLE IN FULL ON ACCEPTANCE**

1. INTRODUCTION

On 13th February, 2004, the Board announced that the Company proposed to raise approximately HK\$5,334 million, before expenses, by way of the Rights Issue at a price of HK\$5.40 per Rights Share on the basis of two Rights Shares for every five Shares held on the Record Date.

LETTER FROM THE BOARD

At the extraordinary general meeting of the Company held on 22nd March, 2004, an ordinary resolution approving the Rights Issue was duly passed by the Shareholders.

The purpose of this prospectus is to provide you with details on the Rights Issue as well as financial and other information in respect of the Group.

2. RIGHTS ISSUE

Issue Statistics

Basis of the Rights Issue	:	two Rights Shares for every existing five Shares held on the Record Date
Number of Shares in issue on the Record Date	:	2,469,544,694 Shares
Number of Rights Shares to be issued	:	987,817,877 Rights Shares, representing 40.00% of the existing issued share capital of the Company and approximately 28.57% of the issued share capital of the Company as enlarged by the Rights Issue
Subscription price for the Rights Shares	:	HK\$5.40 per Right Share
Underwriters	:	the Major Shareholder, HSBC and UBS Investment Bank

Basis of entitlement

Subject to fulfillment of the conditions set out below in the paragraph headed “Conditions of the Rights Issue”, Qualifying Shareholders have been provisionally allotted two Rights Shares for every five Shares held on the Record Date at the subscription price of HK\$5.40 for each Rights Share payable in full on acceptance.

Qualifying Shareholders

The Company sends this prospectus, Provisional Allotment Letters and Excess Application Forms to the Qualifying Shareholders only. This prospectus is sent to the Non-Qualifying Shareholders for information only.

To qualify for the Rights Issue, Shareholders must:

- be registered as a member of the Company on the Record Date; and
- have an address on the register of members of the Company on the Record Date in Hong Kong.

Subscription price

The subscription price of HK\$5.40 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotments of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares accepts the Rights Shares.

LETTER FROM THE BOARD

The subscription price of HK\$5.40 per Rights Share was determined with reference to the closing prices of the Shares on the Stock Exchange prior to the date of the Announcement and represents:

- (i) a discount of approximately 37.93% to the closing price of HK\$8.70 per Share quoted on the Stock Exchange on 12th February, 2004 (being the last half-trading day prior to the suspension of trading of the Shares on the Stock Exchange pending the release of the Announcement);
- (ii) a discount of approximately 30.41% to the theoretical ex-rights price of HK\$7.76 per Share based on the closing price per Share on 12th February, 2004 (being the last half-trading day prior to the suspension of trading of the Shares on the Stock Exchange pending the release of the Announcement);
- (iii) a discount of approximately 38.07% to the average closing price of HK\$8.72 per Share for the last ten full trading days prior to the date of the Announcement; and
- (iv) a discount of approximately 28.95% to the closing price of HK\$7.60 per Share quoted on the Stock Exchange on the Latest Practicable Date.

Status of the Rights Shares

When fully paid, issued and allotted, the fully-paid Rights Shares will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of issue and allotment of the fully-paid Rights Shares.

Accordingly, the Rights Shares will rank for the interim dividend of HK\$0.02 per Share recommended by the Directors for the six-month period ended 31st December, 2003 as announced by the Company on 18th March, 2004.

Rights of Non-Qualifying Shareholders

The Prospectus Documents have not been registered or filed under any applicable securities or equivalent legislation of any jurisdictions other than Hong Kong. The Company does not offer the Rights Shares to the Non-Qualifying Shareholders with registered addresses in territories outside Hong Kong. Accordingly, no provisional allotment of Rights Shares is or has been made to Non-Qualifying Shareholders. The Company sends copies of this prospectus to Non-Qualifying Shareholders for their information only. The Company does not send Provisional Allotment Letters or Excess Application Forms to Non-Qualifying Shareholders. Accordingly, no Non-Qualifying Shareholders receiving a copy of this prospectus shall treat it as an offer or invitation to apply for the Rights Shares.

The Company will make arrangements for the Rights Shares, which would otherwise have been provisionally allotted to Non-Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealing in the nil-paid Rights Shares commences, if a premium (net of expenses) can be obtained. The proceeds of each sale, less expenses, of HK\$100 or more will be paid to Non-Qualifying Shareholders in Hong Kong dollars pro rata to their respective shareholding as soon as possible. The Company will retain individual amounts of less than HK\$100. Any unsold entitlements of the Non-Qualifying Shareholders will be available for excess application by Qualifying Shareholders.

Fractional Entitlement to the Rights Shares

Fractional entitlements to Rights Shares will not be provisionally allotted and will be rounded down to the nearest whole number. Rights Shares representing the aggregate of fractions of Rights Shares (rounded down to the nearest whole number) will be provisionally allotted to a nominee appointed by the Company and, if a premium of HK\$100 or more (net of expenses) can be obtained, will be sold by the Company or its appointed nominee in the market in their nil-paid form after the dealings in the nil-paid Rights Shares commence and the net proceeds of sale will be retained by the Company for its own benefit. Any unsold fractions of Rights Shares will be available for excess application by Qualifying Shareholders.

Undertaking of the Major Shareholder

The Major Shareholder has irrevocably undertaken to, and to procure the Major Shareholder's Subsidiaries to, take up their respective entitlements under the Rights Issue in full.

Procedures for acceptance or transfer of Rights Shares by Qualifying Shareholders

For each Qualifying Shareholder, a Provisional Allotment Letter is enclosed with this prospectus which entitles the Qualifying Shareholder to subscribe for the number of Rights Shares shown therein. If you are a Qualifying Shareholder and wish to exercise your right to take up the Rights Shares specified in the enclosed Provisional Allotment Letter, you must lodge the Provisional Allotment Letter in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Share Registrar at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by no later than 4:00 p.m. on 6th April, 2004. **All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's orders must be issued by, a bank in Hong Kong and made payable to "New World Development Company Limited — Provisional Allotment Account" and crossed "Account Payee Only".**

It should be noted that unless the Provisional Allotment Letter, together with the appropriate remittance, has been lodged with the Share Registrar by 4:00 p.m. on 6th April, 2004 whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If you wish to transfer all of your rights to subscribe for the Rights Shares provisionally allotted to you, you must complete and sign the form of transfer and nomination in the Provisional Allotment Letter, and hand the Provisional Allotment Letter to the transferee(s) or through whom you are transferring your such rights to subscribe for the Rights Shares. The transferee(s) must then complete and sign the registration application form in the Provisional Allotment Letter, and lodge the Provisional Allotment Letter intact together with a remittance for the full amount payable on acceptance with the Share Registrar at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 6th April, 2004. If you wish to accept only part of your provisional allotment or if you wish to transfer all or part of your provisional allotment to more than one person, the Provisional Allotment Letter must be surrendered by not later than 4:00 p.m. on 26th March, 2004 to the Share Registrar which will cancel the original Provisional Allotment Letter and issue new Provisional Allotment Letters in the denominations required. All enquiries in connection with the Provisional Allotment Letter should be addressed to the Share Registrar at its address mentioned above.

LETTER FROM THE BOARD

All cheques and cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any Provisional Allotment Letter in respect of which the accompanying cheque or cashier's order is not honoured on first presentation is liable to be rejected, and in that event the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If HSBC and UBS Investment Bank exercise their right to terminate the Underwriting Agreement before the Latest Termination Time (expected to be 5:00 p.m. on 8th April, 2004) and/or if any of the conditions mentioned in the paragraph headed "Conditions of the Rights Issue" in this Letter from the Board are not fulfilled, the monies received from the Qualifying Shareholders in respect of the acceptance of the Rights Shares or such other persons to whom the Rights Shares in their nil-paid form shall have been validly transferred will be returned to the Qualifying Shareholders or such other persons without interest, by means of cheques crossed "Account Payee Only" despatched by ordinary post at the risk of such Qualifying Shareholders or such other persons on or about 15th April, 2004.

Application for excess Rights Shares by Qualifying Shareholders

Qualifying Shareholders may apply for any unsold entitlements of Non-Qualifying Shareholders and any Rights Shares provisionally allotted but not accepted by Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares. Application can be made by completing the Excess Application Form and lodging the same with remittance for the excess Rights Shares with the Share Registrar at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by no later than 4:00 p.m. on 6th April, 2004. **All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's orders must be issued by, a bank in Hong Kong and made payable to "New World Development Company Limited — Excess Application Account" and crossed "Account Payee Only".**

All cheques and cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and lodgment of an Excess Application Form together with a cheque or cashier's order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or cashier's order will be honoured on first presentation. Any Excess Application Form in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation is liable to be rejected.

If no excess Rights Shares are allotted to you, the amount tendered on application by you is expected to be refunded in full without interest by means of cheque(s) despatched by ordinary post at your own risk on or about 15th April, 2004. If the number of excess Rights Shares allotted to you is less than the number applied for, the surplus application monies are also expected to be returned to you without interest by means of cheque(s) despatched by ordinary post at your own risk on or about 15th April, 2004.

If HSBC and UBS Investment Bank exercise their right to terminate the Underwriting Agreement before the Latest Termination Time (expected to be 5:00 p.m. on 8th April, 2004) and/or if any of the conditions mentioned in the paragraph headed "Conditions of the Rights Issue" in this Letter from the Board are not fulfilled, the monies received in respect of the application for excess Rights Shares will be returned to the applicants without interest by means of cheque(s) despatched by ordinary post at the risk of such applicants on or about 15th April, 2004.

LETTER FROM THE BOARD

The Excess Application Form is for use only by the person(s) to whom it is addressed and is not transferable. All enquiries in connection with the Excess Application Form should be addressed to the Share Registrar at its address mentioned above.

Any excess Rights Shares will, at the sole discretion of the Directors, be allocated and allotted on a fair and reasonable basis and as far as practicable, preference will be given to those applications that will top up odd lots into whole board lots.

Listing and Dealings

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. It is expected that dealings in the Rights Shares in nil-paid form will commence on 24th March, 2004 and will end on 31st March, 2004 (both days inclusive) and dealings in the Rights Shares in fully-paid form will commence on 19th April, 2004.

Subject to the granting of listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted to CCASS.

For the purpose of trading on the Stock Exchange, a board lot for the Shares and the Rights Shares in both their nil-paid and fully-paid forms will be 1,000 Shares. Dealings in the nil-paid and fully-paid Rights Shares will be subject to payment of stamp duty in Hong Kong.

3. UNDERWRITING ARRANGEMENTS

Underwriting Agreement:

Date	:	13th February, 2004
Underwriters	:	the Major Shareholder, HSBC and UBS Investment Bank
Number of Rights Shares underwritten	:	All Rights Shares other than those undertaken by the Major Shareholder to be taken up by the Major Shareholder and the Major Shareholder's Subsidiaries (the Major Shareholder has undertaken to underwrite the first 69,000,000 such Rights Shares not taken up by the Shareholders by way of their rights entitlements, with the balance to be underwritten by HSBC and UBS Investment Bank in equal share)
Commission	:	2% of the aggregate price payable on the Rights Shares underwritten by the Underwriters

LETTER FROM THE BOARD

The Major Shareholder, being also the controlling Shareholder of the Company, together with the Major Shareholder's Subsidiaries were interested in aggregate in 870,785,889 Shares as at the Latest Practicable Date, representing approximately 35.26% of the issued share capital of the Company. The Major Shareholder has irrevocably undertaken to, and to procure the Major Shareholder's Subsidiaries to, take up their respective entitlements under the Rights Issue in full. Other than the 69,000,000 Rights Shares that the Major Shareholder has undertaken to underwrite, the Major Shareholder and the Major Shareholder's Subsidiaries will not apply for the excess Rights Shares.

Assuming that (a) the Rights Issue proceeds and is completed; (b) the Major Shareholder and the Major Shareholder's Subsidiaries have taken up their respective entitlements under the Rights Issue in full (i.e. 348,314,354 Rights Shares in aggregate) and (c) the Major Shareholder is required to take up the 69,000,000 Rights Shares under its underwriting obligation pursuant to the Underwriting Agreement, the Major Shareholder and the Major Shareholder's Subsidiaries will be interested in approximately 37.26% of the issued Share Capital of the Company immediately after completion of the Rights Issue.

Save for the interest arising from the transactions contemplated by the Underwriting Agreement, HSBC and UBS Investment Bank are respectively independent of and not connected with the Company or its subsidiaries or any directors, chief executive or substantial shareholders of the Company or its subsidiaries or an associate of any of them. The commission rate payable to the Underwriters under the Underwriting Agreement is in line with the current market practice.

Termination of the Underwriting Agreement

If, at any time prior to the Latest Termination Time, one or more of the following events or matters shall develop occur, arise or exist or come into effect:

- (1) any material breach by the Company or the Major Shareholder of any of its representations, warranties or undertakings in the Underwriting Agreement comes to the knowledge of either of HSBC and UBS Investment Bank, or there has been a material breach on the part of the Company of any other provision of the Underwriting Agreement, or either of HSBC and UBS Investment Bank has reasonable cause to believe that any such material breach has occurred; or**
- (2) any event occurs or matters arises, which, if it had occurred before the date of the Underwriting Agreement or before any of the dates or before any time on which the representations, warranties and undertakings are deemed to be given by the Company or the Major Shareholder pursuant to the Underwriting Agreement would have rendered any of those representations, warranties or undertakings untrue, incorrect, incomplete or misleading in any material respect, comes to the knowledge of either of HSBC and UBS Investment Bank; or**
- (3) any statement contained in this prospectus has become or has been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or**
- (4) matters have arisen or have been discovered which would, if this prospectus was to be issued at the time, constitute a material omission therefrom; or**

LETTER FROM THE BOARD

- (5) there is any adverse change in the business or in the financial or trading position or prospects of any member of the Group which, in the opinion of HSBC and UBS Investment Bank, is material in the context of the issue of the Rights Shares; or
- (6) there has occurred, happened, come into effect or become public knowledge any event, series of events or circumstances concerning or relating to (whether or not foreseeable):
 - (i) any significant change in, or otherwise having a material adverse effect on (whether or not permanent), local, national or international financial, political, military, industrial, economic, legal, fiscal, regulatory or securities market matters or conditions or currency exchange rates or exchange controls (including without limitation, any declaration by the PRC, Hong Kong, the United Kingdom of Great Britain and Northern Ireland or the United States of America of a national emergency, any outbreak or escalation of hostilities, any acts of terrorism, or any other epidemics, calamity or crisis, in any of those places), the effect of which (in the opinion of HSBC and UBS Investment Bank): (1) is or may be materially adverse to, or prejudicially affect, the Group or its prospects; (2) is or may be material in the context of the Rights Issue; or (3) is or may prejudicially affect the success of the Rights Issue, or may make it inadvisable or inexpedient to proceed with the Rights Issue;
 - (ii) the declaration of a banking moratorium by Hong Kong authorities;
 - (iii) any moratorium, suspension or material restriction on trading in shares or securities generally, or the establishment of minimum prices, on the Stock Exchange and/or the New York Stock Exchange;
 - (iv) any suspension of dealings in the Shares for a period of over three consecutive Business Days (other than as a result of announcing the Rights Issue);
 - (v) any new law or regulation or any change in existing laws or regulations which in the opinion of HSBC and UBS Investment Bank has or is likely to have a material adverse effect on the financial position of the Group as a whole,

then HSBC and UBS Investment Bank may jointly, in addition to and without prejudice to any other remedies to which HSBC and UBS Investment Bank may be entitled, by notice in writing to the Company, terminate the Underwriting Agreement.

If HSBC and UBS Investment Bank terminate the Underwriting Agreement, the Rights Issue will not proceed. Further announcement will be made if the Underwriting Agreement is terminated by HSBC and UBS Investment Bank.

Restriction on dealings

The Major Shareholder has undertaken to HSBC and UBS Investment Bank that, for a period of three months from the date of the completion of the Rights Issue, it will not and will procure that none of its nominees and companies controlled by it (whether individually or together and whether directly or indirectly) will lend, pledge, sell, transfer or otherwise dispose of any Shares or any interest therein beneficially owned or held by the Major Shareholder or any securities convertible into or exercisable or exchangeable for any such Shares or interests.

LETTER FROM THE BOARD

The Company has undertaken, and the Major shareholder has also undertaken, to HSBC and UBS Investment Bank, that, for a period of three months from the date of the completion of the Rights Issue, the Company will not (except for the Rights Shares and save pursuant to: (a) the terms of any employee share option scheme of the Company; or (b) conversion of outstanding convertible bonds) allot or issue or offer or grant any option or warrant to subscribe any Shares or any securities convertible into or exercisable or exchangeable for any such Shares or interests.

4. CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon each of the following events happening:

- (i) the passing of resolutions by the Shareholders at the extraordinary general meeting of the Company to approve the Rights Issue and the increase in the authorised share capital of the Company by no later than the Record Date;
- (ii) the delivery by or on behalf of the Company of one copy of each of the Prospectus Documents, duly signed by or on behalf of all Directors together with any requisite accompanying documents to the Stock Exchange and the Registrar of Companies of Hong Kong for filing and registration in accordance with the provisions of the Companies Ordinance by no later than the Record Date;
- (iii) the posting of this prospectus to Shareholders and the posting of the Provisional Allotment Letters and Excess Application Forms to Qualifying Shareholders by no later than the Record Date;
- (iv) the Listing Committee of the Stock Exchange granting (subject to allotment and despatch of the appropriate documents of title) listing of and permission to deal in, the Rights Shares, in their nil-paid and fully-paid forms, by no later than the Record Date (and such permission not being withdrawn prior to the Latest Termination Time); and
- (v) the obligations of HSBC and UBS Investment Bank under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms thereof by no later than the Latest Termination Time.

As at the date of issue and despatch of this prospectus, the conditions referred to in items (i) to (iii) and (iv) (but subject to the listing permission not being withdrawn prior to the Latest Termination Time) set out above have been fulfilled. The Rights Issue is, however, subject to the remaining condition being fulfilled.

As the Rights Issue is subject to the condition referred to in item (v) above, it may or may not proceed accordingly.

5. WARNING OF THE RISKS OF DEALING IN SHARES AND NIL-PAID RIGHTS SHARES

Existing Shares have been dealt in on an ex-rights basis from 11th March, 2004. Dealings in the Rights Shares in nil-paid form will take place from 24th March, 2004 to 31st March, 2004 (both days inclusive). If HSBC and UBS Investment Bank terminate the Underwriting Agreement (see the paragraph headed “Termination of the Underwriting Agreement” above), or if the conditions of the Rights Issue (see the paragraph headed “Conditions of the Rights Issue” above) are not fulfilled, the Rights Issue will not proceed.

Any buying or selling of the Shares from now up to the date on which all the conditions of the Rights Issue are fulfilled (which is expected to be at or before 5:00 p.m. on 8th April, 2004), and any buying or selling of nil-paid Rights Shares, is at investors' own risk.

If in any doubt, investors should consider obtaining professional advice.

6. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE GROUP

The Group is principally engaged in property development, provision of various services including transport and facilities, infrastructure, ports and telecommunications.

The business review below is for the six months ended 31st December, 2003:

Hong Kong Property Development

The Hong Kong property market was very encouraging in the fourth quarter of 2003. The launch of Parc Palais and Sky Tower captured enormous interest.

During the six months ended 31st December, 2003, the Group's property sales revenues amounted to HK\$387 million from Sereno Verde, La Pradera and Monte Carlton.

The Group currently has 6 million sq. ft. of development projects in progress. At present, the Group's agricultural land bank amounts to 19.7 million sq.ft., of which 10.6 million sq.ft. is under the land use conversion process.

Hong Kong Property Investment

Rental revenue for the Group's Hong Kong investment properties amounted to HK\$440 million for the six months ended 31st December, 2003.

Shopping Malls

Discovery Park Shopping Mall and Telford Plaza recorded 90% and 100% occupancy respectively, while New World Centre shopping mall was 88% leased.

New World Centre is expected to benefit from greater accessibility and higher pedestrian traffic with the scheduled completion of the KCR East Tsim Sha Tsui Station and its associated road works in 2004. Scheduled to open in April 2004, the adjacent Avenue of Stars, a major new attraction donated by the Group to honour Hong Kong's film professionals, is expected to be a big draw for tourists and locals alike.

Offices

The increase in office space supply puts pressure on both rental rates and occupancy. With a slight drop of 3% in rental rates, New World Tower attained occupancy of 87% whilst New World Centre office buildings maintained 70%.

Hotels and Restaurants

The Group's hotel portfolio consists of 14 hotels in Hong Kong, Mainland China and Southeast Asia. During the period under review, Hong Kong's visitor arrivals were boosted by a dramatic increase in Mainland travellers under the new policy for individual travellers from selected cities. Room rates for the Group's hotels in Hong Kong were recovering with steady occupancy. Moreover, the performance of our hotels in Mainland China and Southeast Asia remained stable.

Mainland China Property

During the six months ended 31st December, 2003, New World China Land ("NWCL") completed 9 property development projects of 431,125 sq.m., an increase of 29% from that of last interim period.

NWCL continued to place emphasis in building up a strong rental base in Mainland China with the completion of the final 110,049 sq.m. at Hong Kong New World Tower in Shanghai.

Service

For the six months ended 31st December, 2003, Hong Kong gradually recovered from the economic downturn as a result of SARS. Most of the service business units achieved excellent results, especially the Hong Kong Convention and Exhibition Centre ("HKCEC"). HKCEC captured HK\$42 million more in revenues over the same period last year, representing a 12% increase.

Construction operations were still struggling under tough construction market conditions in Hong Kong. The Group intends to increase its participation in Mainland China. In addition to forming wholly foreign-owned enterprises in Beijing, we have also invested a 10% interest in one of the largest Mainland China construction groups, China Construction Third Engineering Bureau Co.

New World First Bus Services Limited, the major contributor to the Group's transport business, returned to a pre-SARS patronage level at the end of 2003. Furthermore, the Group's transport business has undergone a reorganization to form a joint venture with a subsidiary of the Major Shareholder to obtain the synergistic benefits.

Infrastructure

For the infrastructure division, all businesses showed an improvement in operations during the period under review. Zhujiang Power Station Phase I and II recorded a 22% increase in electricity sold. For the water treatment and waste management operations, the projects also posed steady growth. Guangzhou City Northern Ring Road, the highest contributor to the roads and bridges business, had a 15% increase in toll income. The Group is in the process of disposing of 13 toll road projects in Zhaoqing (particulars of which are contained in the announcement of the Company dated 14th November, 2003 and the circular issued by NWSH dated 8th December, 2003) and the Wuhan Bridge (particulars of which are contained in the announcement of NWSH dated 12th December, 2003).

Ports

The Group's ports operations in Hong Kong faced the dual challenges of the SARS impact and the slowing throughput in Hong Kong. However, the Group's ports operations in Mainland China remained robust and continued to increase its contribution to the Group. Xiamen and Tianjin ports recorded throughput growth of 39% and 16% respectively.

Telecommunications

New World Mobility (“NWM”)

NWM provided steady revenue to the Group. The subscriber base of NWM grew from 990,000 in June 2003 to 1.2 million in December 2003 with 40% prepaid customers.

During the six months ended 31st December, 2003, NWM reinforced its position as an innovative service provider by launching a number of new initiatives. The company regrouped its multimedia value-added services under the brand-new “M kee” service platform, giving customers easier access to their desired services with an icon-based colour WAP interface.

In the face of the launch of 3G mobile services in Hong Kong, the Group believes that providing services tailored to customer needs via NWM’s existing 2.5G network will remain the most cost-effective strategy for staying competitive in the market.

New World Telecommunications (“NWT”)

The IDD rates of NWT dropped 24%. NWT made significant progress in launching its new market strategies over the last six months in corporate, carrier and personal businesses. We are currently servicing over 200,000 fixed lines, up 23% in 6 months.

In the corporate market, NWT successfully unveiled “Managed Network” in November 2003, an innovative service delivering one of the most advanced and comprehensive portfolios of managed end-to-end telecom and IT solutions.

On the international front, NWT had established bilateral relationships with more than 100 incumbent and other key operators. An agreement signed with China Netcom in November 2003 has enabled NWT to position itself to capture the massive business opportunities arising from CEPA.

New World Department Stores (“NWDS”)

During the six months ended 31st December, 2003, total sales of NWDS amounted to HK\$1.5 billion, up 16% year-on-year. Currently, NWDS is operating 15 department stores with a total GFA of 4,610,000 sq.ft. in nine Mainland cities and Hong Kong.

NWDS opened its third store in Shanghai in the city’s Hongkou district in October 2003. The Group plans to open three more stores by the end of 2004.

New World TMT (“NWTMT”)

NWTMT completed its evolution from an infrastructure company to a telecommunications, media and technology enterprise. Armed with a clear focus, NWTMT aims to take advantage of significant technology investments to develop opportunities in the telecom and media sectors in concurrence with regulatory guidelines established by authorities in Mainland China.

New World China Enterprises

Since the inception of New World Liberty China Ventures Limited in December 2000, ten projects have been invested in and 65% of the initial US\$150 million capital has been invested in small and medium-size enterprises in China. Amongst the investments, healthcare and automobile downstream services achieved steady growth.

Outlook

With the revival of the Hong Kong economy and the continuing prosperity in Mainland China, the Directors are optimistic about the economy of the Greater China region.

The Hong Kong economy maintains its momentum since its rebound in the last quarter of 2003. The property market is growing steadily. In year 2004, the Group plans to launch 9 property development projects providing approximately 1.6 million sq.ft.. Furthermore, to maintain a reasonable development schedule, the Group is actively negotiating on agricultural land conversion.

In Mainland China, the Group expects to complete 10 development projects of approximately 627,854 sq.m. in the second half of 2004.

The Group is actively looking for growth opportunities in infrastructure and ports projects in Mainland China, while at the same time seeking to enhance and expand its service businesses in Hong Kong.

The Group's energy business will benefit from the increasing electricity demand in Guangdong and Macau. Furthermore, in line with the PRC Central Government's policy for the privatization of utility assets, more Mainland China cities are offering their water and waste water assets for sale. Efforts will be directed to prospective projects that reach the Group's investment benchmark.

NWDS are expected to benefit from the booming consumer market in Mainland China. The Group's hotels in Hong Kong will benefit from the improving relaxed policy of Mainland China for its residents to travel to Hong Kong.

There are also included in Appendix I, among others, the unaudited interim financial statements of the Group for the six months ended 31st December, 2003.

7. REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

Subsequent to the placing of Shares of the Company as disclosed in its announcement dated 29th October, 2003 (from which the entire net proceeds of approximately HK\$1,225 million had been used to repay bank borrowings), the Directors continue to adopt a financing strategy on debt reduction and liquidity generation. In this regard, the Directors consider that the Rights Issue will strengthen the capital base and the financial position of the Company so as to facilitate the Company's plans to further develop its existing urban and agricultural land bank and pay for land conversion premium to the Government. The Directors also consider that the most appropriate means of raising the required capital is by way of rights issue, which enables all Shareholders to participate in the future development of the Company on equal terms. The net proceeds of the Rights Issue are estimated to be approximately HK\$5,259 million. The Directors intend to use approximately HK\$3,308 million of the net proceeds of the Rights Issue to repay the outstanding Convertible Bonds which will be due on 9th June, 2004 and the balance will be partly used to pay land conversion premium to the Government for existing agricultural land bank and partly used for general

working capital purposes. Other than the placing of Shares of the Company as mentioned above (which was completed on 11th November, 2003), the Company had not implemented any fund raising exercise within the 12-month period prior to the Latest Practicable Date.

8. ADJUSTMENT TO THE CONVERSION PRICE OF THE OUTSTANDING CONVERTIBLE BONDS

No outstanding Convertible Bonds were converted into Shares before the closure of the register of members of the Company during the period from 15th March, 2004 up to the Record Date (both days inclusive) for the purpose of determining the entitlements to the Rights Issue. The outstanding Convertible Bonds in the aggregate principal amount of US\$344.50 million as at the date of the Announcement have remained unchanged and continue to remain the same on the Record Date as no Convertible Bonds are allowed to be converted into Shares during the period of closure of the Company's register of members under the terms of the Convertible Bonds. According to the deed governing the Convertible Bonds, the issue of or grant of the rights to the Rights Shares constitutes an event giving rise to an adjustment to the conversion price of the Convertible Bonds. Therefore, the initial conversion price of HK\$24.60 per Share originally set for the outstanding Convertible Bonds has been adjusted to HK\$21.51 per Share with effect on 11th March, 2004 pursuant to the terms of the Convertible Bonds. PricewaterhouseCoopers, the auditor of the Company, was instructed to perform specific procedures on the calculation of adjustments to the conversion price. PricewaterhouseCoopers reported on the actual findings of those procedures and that the calculation of the adjusted conversion price was mathematically accurate. If the Rights Issue does not proceed because of its conditions not being satisfied by 5:00 p.m. on 8th April, 2004, the conversion price of the outstanding Convertible Bonds will revert to HK\$24.60 per Share immediately following such date.

Other than the outstanding Convertible Bonds, no member of the Group has any outstanding option, convertibles or warrant which confers the right to subscribe for Shares.

9. SHARE CERTIFICATES

Subject to fulfillment of the conditions of the Rights Issue, it is expected that the certificates for the Rights Shares will be despatched by ordinary post to those entitled thereto at their own risk by the Share Registrar on or about 15th April, 2004.

Where entitlements to the Rights Shares in fully-paid form exceed one board lot, it is proposed, so far as is practicable, to issue Share certificates in board lots of 1,000 Rights Shares each, with a separate Share certificate for the balance.

10. TAXATION

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding, disposing of or dealing in the Rights Shares (in their nil-paid and/or fully-paid forms) and, as regards the Non-Qualifying Shareholders, their receipt of the net proceeds of the nil-paid forms of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, the Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding, disposal of, or dealing in the Rights Shares (in their nil-paid and/or fully-paid forms).

11. ADDITIONAL INFORMATION

Your attention is also drawn to additional information set out in the appendices to this prospectus.

Yours faithfully,
For and on behalf of
the Board of Directors of
New World Development Company Limited
Dato' Dr. Cheng Yu-Tung
Chairman

1. FINANCIAL STATEMENTS OF THE GROUP

(1) Annual financial statements

Set out below is an extract from the audited financial statements of the Group for the year ended 30th June, 2003 (the date to which the latest audited financial statements were made up), together with certain comparative figures for the years ended 30th June, 2002 and 2001 and the relevant notes to such annual financial statements of the Group.

Consolidated Profit and Loss Account

	Note	Year ended 30 June		
		2003 HK\$m	2002 HK\$m	2001 HK\$m
Turnover	2	21,056.3	22,874.6	24,382.4
Cost of sales		<u>(16,912.8)</u>	<u>(15,623.7)</u>	<u>(18,038.7)</u>
Gross profit		4,143.5	7,250.9	6,343.7
Other revenues	3	36.6	93.4	34.5
Other (charge)/income	4	(4,778.9)	(774.2)	(1,079.4)
Selling and marketing expenses		(431.4)	(423.7)	(432.7)
Administrative expenses		(1,085.4)	(1,144.1)	(1,243.1)
Other operating expenses		<u>(1,895.5)</u>	<u>(1,899.7)</u>	<u>(1,852.3)</u>
Operating (loss)/profit before financing costs and income	2	(4,011.1)	3,102.6	1,770.7
Financing costs	5	(1,824.1)	(2,017.7)	(2,451.2)
Financing income		<u>337.9</u>	<u>615.1</u>	<u>912.7</u>
Operating (loss)/profit	6	(5,497.3)	1,700.0	232.2
Share of results of				
Associated companies		93.7	250.5	307.1
Jointly controlled entities		<u>212.7</u>	<u>314.6</u>	<u>578.4</u>
(Loss)/profit before taxation		(5,190.9)	2,265.1	1,117.7
Taxation	7	<u>(401.6)</u>	<u>(524.7)</u>	<u>(494.9)</u>
(Loss)/profit after taxation		(5,592.5)	1,740.4	622.8
Minority interests		<u>781.0</u>	<u>(465.0)</u>	<u>(576.4)</u>
(Loss)/profit attributable to shareholders	8, 27	<u>(4,811.5)</u>	<u>1,275.4</u>	<u>46.4</u>
Dividends	9	<u>131.5</u>	<u>431.5</u>	<u>425.7</u>
(Loss)/earnings per share — basic	10	<u>HK\$(2.21)</u>	<u>HK\$0.60</u>	<u>HK\$0.02</u>

1. FINANCIAL STATEMENTS OF THE GROUP (Continued)

(1) Annual financial statements (Continued)

Consolidated Balance Sheet

	<i>Note</i>	As at 30 June 2003 HK\$m	2002 HK\$m (As restated)
Non-current assets			
Intangible assets	13	506.1	123.3
Fixed assets	14	38,134.2	41,046.1
Associated companies	16	8,265.4	8,871.9
Jointly controlled entities	17	22,464.8	27,637.9
Other investments	18	5,220.8	6,148.0
Other assets	19	<u>4,142.7</u>	<u>1,747.2</u>
		<u>78,734.0</u>	<u>85,574.4</u>
Current assets			
Properties held for sale	20	22,663.0	23,279.1
Stocks	21	647.4	1,394.0
Current portion of long term receivables	19	149.2	75.2
Other loans receivable		299.3	365.6
Debtors and prepayments	22	7,332.5	9,004.3
Cash and bank balances	23		
Restricted		1,673.3	2,404.4
Unrestricted		<u>4,151.8</u>	<u>4,689.5</u>
		<u>36,916.5</u>	<u>41,212.1</u>
Current liabilities			
Creditors and accrued charges	24	10,665.0	12,377.2
Contracts in progress	25	313.7	301.9
Deposits received on sale of properties		242.5	34.2
Bank loans and overdrafts			
Secured		962.3	1,528.2
Unsecured		3,142.3	2,190.1
Other unsecured loans		48.0	47.4
Current portion of long term liabilities	28	7,424.1	13,752.9
Taxation		<u>780.4</u>	<u>859.6</u>
		<u>23,578.3</u>	<u>31,091.5</u>
Net current assets		<u>13,338.2</u>	<u>10,120.6</u>
Employment of funds		<u>92,072.2</u>	<u>95,695.0</u>
Financed by			
Share capital	26	2,219.5	2,166.4
Reserves	27	43,916.7	51,216.9
Proposed final dividend	27	<u>—</u>	<u>216.6</u>
Shareholders' funds		46,136.2	53,599.9
Minority interests		16,827.2	18,019.0
Non-current liabilities			
Long term liabilities	28	29,027.9	24,013.2
Deferred tax liabilities	29	<u>80.9</u>	<u>62.9</u>
Funds employed		<u>92,072.2</u>	<u>95,695.0</u>

1. FINANCIAL STATEMENTS OF THE GROUP (Continued)

(1) Annual financial statements (Continued)

Company Balance Sheet

		As at 30 June	
	<i>Note</i>	2003	2002
		<i>HK\$m</i>	<i>HK\$m</i>
Non-current assets			
Fixed assets	14	24.7	29.7
Subsidiaries	15	33,175.2	32,312.1
Associated companies	16	179.5	249.6
Jointly controlled entities	17	283.8	1,196.6
Other investments	18	<u>61.5</u>	<u>221.2</u>
		<u>33,724.7</u>	<u>34,009.2</u>
Current assets			
Properties held for sale	20	489.8	851.4
Other loans receivable		3.0	3.0
Debtors and prepayments	22	308.7	747.5
Cash and bank balances		<u>0.7</u>	<u>0.6</u>
		<u>802.2</u>	<u>1,602.5</u>
Current liabilities			
Creditors and accrued charges	24	694.2	1,167.9
Unsecured bank loans and overdrafts		2.8	8.6
Other unsecured loans		6.6	6.5
Current portion of long term liabilities	28	86.0	86.0
Taxation		<u>0.2</u>	<u>0.8</u>
		<u>789.8</u>	<u>1,269.8</u>
Net current assets		<u>12.4</u>	<u>332.7</u>
Employment of funds		<u>33,737.1</u>	<u>34,341.9</u>
Financed by			
Share capital	26	2,219.5	2,166.4
Reserves	27	31,431.6	31,786.9
Proposed final dividend	27	<u>—</u>	<u>216.6</u>
Shareholders' funds		33,651.1	34,169.9
Non-current liabilities			
Long term liabilities	28	<u>86.0</u>	<u>172.0</u>
Funds employed		<u>33,737.1</u>	<u>34,341.9</u>

1. FINANCIAL STATEMENTS OF THE GROUP (Continued)

(1) Annual financial statements (Continued)

Consolidated Statement of Changes in Equity

	<i>Note</i>	Year ended 30 June	
		2003	2002
		<i>HK\$m</i>	<i>HK\$m</i>
Total equity as at 1 July, as previously reported		53,651.3	57,648.0
Effect of changes in accounting policies	27	<u>(51.4)</u>	<u>(51.4)</u>
Total equity as at 1 July, as restated		<u>53,599.9</u>	<u>57,596.6</u>
Investment and hotel properties revaluation deficit	27	(1,747.3)	(1,856.0)
Reversal of revaluation surplus arising from impairment of land and buildings	27	—	(33.8)
Share of revaluation (deficit)/surplus of Associated companies	27	(75.0)	5.9
Jointly controlled entities	27	(116.3)	(263.9)
Investment securities revaluation deficit	27	(531.9)	(220.1)
Investment securities revaluation deficit for the year charged as impairment loss to the profit and loss account		35.6	93.0
Exchange differences arising on translation of subsidiaries, associated companies and jointly controlled entities	27	<u>(85.6)</u>	<u>(6.6)</u>
Net losses not recognised in the profit and loss account		<u>(2,520.5)</u>	<u>(2,281.5)</u>
(Loss)/profit attributable to shareholders	27	(4,811.5)	1,275.4
Investment and hotel properties revaluation surplus realised upon disposal	27	—	(2,406.3)
Investment securities revaluation surplus realised upon disposal	27	(35.0)	(5.3)
Investment securities revaluation deficit from previous years charged as impairment loss to the profit and loss account		59.2	46.5
Release of goodwill upon			
Disposal of subsidiaries	27	—	169.9
Disposal of a jointly controlled entity	27	6.2	6.7
Release of reserve upon			
Disposal of subsidiaries	27	—	(349.4)
Partial disposal of subsidiaries	27	—	(27.1)
Disposal of an investee company	27	—	(216.2)
Goodwill impairment loss charged to profit and loss account	27	17.7	1.5
Dividends	27	(348.1)	(428.3)
Issue of shares	26, 27	168.5	217.7
Share issue expenses	27	<u>(0.2)</u>	<u>(0.3)</u>
Total equity as at 30 June		<u><u>46,136.2</u></u>	<u><u>53,599.9</u></u>

1. FINANCIAL STATEMENTS OF THE GROUP (Continued)

(1) Annual financial statements (Continued)

Consolidated Cash Flow Statement

	<i>Note</i>	Year ended 30 June	
		2003	2002
		<i>HK\$m</i>	<i>HK\$m</i>
		<i>(As restated)</i>	
Operating activities			
Net cash inflow generated from operations	32(a)	763.8	1,942.1
Hong Kong profits tax paid		(260.2)	(190.5)
Overseas taxation paid		<u>(43.9)</u>	<u>(41.2)</u>
Net cash from operating activities		<u>459.7</u>	<u>1,710.4</u>
Investing activities			
Interest received		337.9	615.1
Dividends received from			
Associated companies		415.5	201.2
Jointly controlled entities		700.2	762.2
Other investments		36.6	93.4
Purchase of fixed assets		(1,760.2)	(2,449.0)
Increase in investments in associated companies		(321.7)	(1,722.2)
Decrease/(increase) in investments in jointly controlled entities		2,325.5	(1,645.0)
Increase in other investments		(200.0)	(425.3)
Increase in other assets		(1,374.4)	(633.9)
Acquisition of additional interests in subsidiaries		(231.2)	(908.9)
Acquisition of subsidiaries (net of cash and cash equivalents)	32(b), (c)	0.8	(38.6)
Proceeds from disposal of			
Fixed assets and properties		314.9	2,679.3
Associated companies		62.8	15.2
Jointly controlled entities		119.9	296.6
Other investments		426.9	52.0
Partial interests in subsidiaries		85.3	48.0
Disposal of subsidiaries (net of cash and cash equivalents)	32(d), (e)	<u>954.5</u>	<u>458.1</u>
Net cash from/(used in) investing activities		<u>1,893.3</u>	<u>(2,601.8)</u>

1. FINANCIAL STATEMENTS OF THE GROUP (Continued)

(1) Annual financial statements (Continued)

Consolidated Cash Flow Statement (Continued)

	<i>Note</i>	Year ended 30 June	
		2003	2002
		<i>HK\$m</i>	<i>HK\$m</i>
		<i>(As restated)</i>	
Financing activities	32(f)		
Repurchase of convertible bonds		(40.4)	(39.6)
Redemption of convertible bonds		(1,935.9)	(931.5)
Share issue expenses		(0.2)	(0.3)
Increase in bank and other loans		18,751.2	6,639.4
(Decrease)/increase in long term accounts payable		(143.6)	20.1
Repayment of bank and other loans		(17,941.8)	(6,586.4)
Capital element of finance lease rental payment		(28.3)	(25.6)
(Decrease)/increase in short term bank and other loans		(365.1)	1,291.3
Decrease/(increase) in restricted cash and bank balances		731.1	(657.4)
Increase in loans from minority shareholders		0.6	81.3
Contribution from minority shareholders		32.0	40.0
Interest paid		(1,585.9)	(1,762.8)
Dividends paid		(179.6)	(210.6)
Dividends paid to minority shareholders		<u>(92.9)</u>	<u>(325.3)</u>
Net cash used in financing activities		<u>(2,798.8)</u>	<u>(2,467.4)</u>
Net decrease in cash and cash equivalents		(445.8)	(3,358.8)
Cash and cash equivalents at 1 July		4,594.7	7,932.9
Effect of foreign exchange rate changes		<u>(14.7)</u>	<u>20.6</u>
Cash and cash equivalents at 30 June		<u><u>4,134.2</u></u>	<u><u>4,594.7</u></u>
Analysis of balances of cash and cash equivalents			
Cash and bank balances — unrestricted		4,151.8	4,689.5
Bank overdrafts		<u>(17.6)</u>	<u>(94.8)</u>
		<u><u>4,134.2</u></u>	<u><u>4,594.7</u></u>

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). The accounts are prepared under the historical cost convention as modified by the revaluation of investment properties, hotel properties and investment securities.

In the current year, the Group adopted the following revised or new Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34 (revised)	:	Employee benefits

Certain presentational changes have been made upon the adoption of SSAP 1 (revised) and SSAP 15 (revised). The adoption of SSAP 11 (revised) and SSAP 34 (revised) has resulted in changes in accounting policies which has been applied retrospectively. The adoption of the revised accounting policies did not have a material effect to the profit attributable to shareholders of the Group for the year ended 30 June 2002 and the retained profits of the Group as at 30 June 2002 and 2001 have both been reduced by HK\$51.4 million.

(b) Basis of consolidation

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

All material intra-group transactions, including unrealised profits arising from intra-group construction contracts, sales of properties and interest income on loans and advances, have been eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group’s share of its net assets together with any unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves which was not previously charged or recognised in the consolidated profit and loss account.

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

(c) Subsidiaries

A company is a subsidiary if the Group controls more than half of the voting power, controls the composition of the board of directors or holds more than half of the issued share capital. Provision is made when, in the opinion of Directors, there is any impairment loss.

The Company’s investments in subsidiaries are carried at cost or at Directors’ valuation less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Associated companies

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

1. PRINCIPAL ACCOUNTING POLICIES (Continued)**(d) Associated companies (Continued)**

The Group's investments in associated companies are stated at the Group's share of net assets and goodwill/negative goodwill (net of accumulated amortisation) on acquisition. The Company's investments in associated companies are carried at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

(e) Jointly controlled entities

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

The Group's interests in jointly controlled entities are stated at cost plus the Group's share of their post-acquisition results and reserves and goodwill/negative goodwill (net of accumulated amortisation) on acquisition less provision for impairment losses. The share of post-acquisition results and reserves is based on the relevant profit sharing ratios which vary according to the nature of the jointly controlled entities explained as follows:

(i) Equity joint ventures

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

(ii) Co-operative joint ventures

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

(iii) Companies limited by shares

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

The Company's interests in jointly controlled entities are classified as long term investments and are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(f) Joint ventures in the People's Republic of China

The Group's investments in these Sino-foreign joint ventures are accounted for as subsidiaries (where the Group controls either the voting power or the composition of the board of directors) or as jointly controlled entities (where the Group and the other venturers of the joint ventures established joint control over the economic activity thereof).

(g) Intangible assets**(i) Goodwill**

Goodwill represents the excess of the cost of acquisition over the fair value of the attributable net assets of the subsidiaries, jointly controlled entities or associated companies acquired.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)**(g) Intangible assets (Continued)****(i) Goodwill (Continued)**

Goodwill on acquisitions of subsidiaries occurring on or after 1 July 2001 is included in intangible assets. Goodwill on acquisitions of associated companies or jointly controlled entities occurring on or after 1 July 2001 is included in investments in associated companies or jointly controlled entities. Goodwill is amortised using the straight-line method over its estimated useful life of not more than 20 years.

Goodwill on acquisitions that occurred prior to 1 July 2001 was taken to reserves on acquisition.

(ii) Negative goodwill

Negative goodwill represents the excess of the fair value of the attributable net assets acquired over the cost of acquisition.

For acquisitions on or after 1 July 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

For acquisitions prior to 1 July 2001, negative goodwill was taken directly to reserves on acquisition.

(iii) Licences and software

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

(iv) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously taken to reserves, is assessed and written down immediately to its recoverable amount.

(h) Revenue recognition

Revenue is recognised when it is probable that future economic benefits will accrue to the Group and these benefits can be measured reliably on the following bases:

(i) Rental income

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

(ii) Property sales

Revenue from sale of properties is recognised either when the sale agreement is completed or when the development is completed which is determined by the issuance of the relevant occupation permit, whichever is the later. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)**(h) Revenue recognition (Continued)***(iii) Joint property development projects*

Revenue from joint property development projects is recognised either when the sale agreement is completed or when the relevant project is completed which is determined by the issuance of occupation permit, whichever is the later and in the case of multi-phase development projects, on completion of a distinct phase.

(iv) Construction and engineering

Revenue from construction and engineering service contracts is recognised using the percentage of completion method when the contracts have progressed to a stage where a profitable outcome can be prudently foreseen and is measured by reference to the proportion of costs incurred for work performed to the balance sheet date as compared to the estimated total costs to completion. Anticipated losses on contracts are fully provided when identified.

(v) Service fee income

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

(vi) Infrastructure operations

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

(vii) Telecommunication services

Subscription fee and services income from provision of telecommunication services is recognised when services are rendered and based on the usage of the digital mobile radio telephone network and facilities. Revenue from sale of telecommunication equipment and accessories is recognised when goods are delivered and title has passed. Telecommunication revenue in respect of standard service plans billed in advance at year end is deferred and recognised on a straight-line basis over the relevant service agreement period.

(viii) Sale of goods

Income from sale of goods in the department store operations is recognised upon delivery of goods.

(ix) Hotel and restaurant operations

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

(x) Interest income

Interest income is recognised on a time proportion basis. Interest received and receivable in respect of loan financing provided to associated companies, equity and co-operative joint ventures (where they are not accounted for as subsidiaries) during their pre-operational period are deferred and amortised over the repayment periods.

(xi) Income from investments in other joint ventures

Income from investments in and loans to other joint ventures is recognised on an accrual basis so as to provide a constant return on the investment and loan balance (net of capital repayments) on a combined basis, over the joint venture periods.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)**(h) Revenue recognition (Continued)***(xii) Dividend income*

Dividend income is recognised when the shareholder's right to receive payment is established.

(i) Assets under leases*(i) Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated on the basis described in Note 1(j)(v).

(ii) Operating leases

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

(j) Fixed assets*(i) Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and are held for their investment potential. Investment properties are stated at their open market value based on an annual professional valuation at the balance sheet date. Increases in valuation are credited to the investment properties revaluation reserve; decreases are first set off against earlier revaluation surpluses on a portfolio basis and thereafter charged to the profit and loss account. Upon sale of an investment property, the revaluation surplus realised is transferred to operating profit. No depreciation is provided on investment properties held on leases of more than 20 years.

(ii) Hotel properties

Hotel properties are interests in land and buildings and their integral fixed plant which are collectively used in the operation of hotel. They are stated at their open market value based on an annual professional valuation at the balance sheet date. No depreciation is provided on hotel properties held on leases of more than 20 years. It is the Group's practice to maintain the buildings in a continual state of sound repairs and to make improvements thereto from time to time and accordingly, the Directors consider that given the estimated lives of the hotel properties, any depreciation would be insignificant due to their high residual value. Such expenditure on repairs and improvements is charged to the profit and loss account in the year in which they are incurred.

(iii) Assets under construction

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

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Fixed assets (Continued)

(iv) *Other fixed assets*

Other fixed assets, comprising land and buildings, toll roads, bridges, port facilities, telecommunication equipment systems and other assets, are stated at cost or carrying value less accumulated depreciation and accumulated impairment losses.

(v) *Depreciation*

No depreciation is provided on assets under construction.

Depreciation of toll roads and toll bridges is provided for using sinking fund method or the straight-line method. For the sinking fund method, annual depreciation amounts compounded at rates ranging from 2% to 13% per annum will equal the costs of the relevant toll roads and toll bridges, at the expiry of the relevant joint venture periods. Certain toll roads and toll bridges are depreciated at rates sufficient to write off their costs less accumulated impairment losses on a straight-line basis over their remaining toll collection periods ranging from 18 to 29 years.

Depreciation of other fixed assets is calculated to write off their cost or carrying value less accumulated impairment losses over their estimated useful lives or, if shorter, the relevant finance lease periods, using the straight-line method. Estimated useful lives are summarised as follows:

Land	Unexpired period of the lease
Buildings	20 to 40 years
Port facilities	7 to 44 years
Telecommunication equipment and systems	5 to 15 years
Other assets	3 to 14 years

(vi) *Maintenance of fixed assets*

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

(vii) *Impairment and gain or loss on sale*

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in assets under construction and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation deficit.

The gain or loss on disposal of a fixed asset other than investment properties and hotel properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)**(k) Other investments**

Other investments are long term investments other than subsidiaries, associated companies and jointly controlled entities.

(i) Investment securities

Investment securities are held for non-trading purpose and are stated at fair value at the balance sheet date using the alternative method under the provisions of SSAP 24 issued by the HKSA. Fair value is estimated by the Directors by 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 credited or debited to the investments revaluation reserve until the security is sold. Where the Directors determine that there is an impairment loss, it is removed from the investments revaluation reserve and recognised in the profit and loss account.

Upon disposal, the gain or loss representing the difference between net sales proceeds and the carrying amount of the relevant security, together with any surplus or deficit transferred from the investments revaluation reserve, is dealt with in the profit and loss account. Impairment loss previously transferred from the investments revaluation reserve to the profit and loss account are written back in the profit and loss account when the circumstances and events leading to the impairment cease to exist.

(ii) Investments in joint property development projects

Investments in joint property development projects held for investment purpose are stated at cost less accumulated amortisation and accumulated impairment losses. Cost includes development costs and other charges capitalised during the course of development. Amortisation is provided on a straight-line basis over the terms of the respective projects.

(iii) Other joint ventures

Where investment income derived from investments in and loans to joint ventures is predetermined in accordance with the provisions of the joint venture contracts for a substantial portion of the joint venture period, these co-operative joint ventures are accounted for as other joint ventures. Other joint ventures are carried at cost less capital repayments received.

(l) Properties held for sale, stocks and contracts in progress

Properties held for sale are stated at cost comprising land cost, development expenditure, professional fees and interest capitalised less any provision for possible loss.

Stocks are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Contracts in progress is stated at cost plus attributable profits recognised on the basis set out in Note 1 (h)(iv) above, less provision for anticipated losses and progress payments received and receivable.

(m) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)**(n) Provisions**

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

(o) Contingent liabilities and contingent assets

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

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

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

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(p) Deferred taxation

Deferred taxation is accounted for at current tax rates in respect of timing differences between profits as computed for taxation purposes and profits as stated in the accounts to the extent that a liability or asset is expected to be payable or recoverable in the foreseeable future.

(q) Capitalisation of interest and finance charges

Interest and finance charges on borrowings relating to assets under construction and properties under development, after elimination of intra-group interest charges, are included in the project cost and cost of development during the relevant period of construction and development respectively.

Borrowing costs and foreign exchange differences which are deemed borrowing costs incurred by the Group on the related borrowed funds which have been used to finance the construction of fixed assets by the associated companies and jointly controlled entities, are capitalised as the carrying value of these associated companies and jointly controlled entities.

(r) Employee benefits**(i) *Employee leave entitlements***

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

(ii) *Bonus plans*

Provision for bonus 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.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)**(r) Employee benefits (Continued)***(iii) Defined contribution schemes*

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

(iv) Defined benefit schemes and long service payments

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

(s) Foreign currencies

Foreign currency transactions during the year are converted at exchange rates ruling at the transaction dates. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at exchange rates ruling at that date. Exchange differences arising in these cases are included in the determination of operating profit, other than those dealt with in Note 1 (j)(iii) and (q).

The balance sheets of subsidiaries, jointly controlled entities and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at average rates. Exchange differences arising therefrom are dealt with as a movement in reserves. In prior years, the profit and loss accounts of these foreign enterprises were translated at closing rates and hence there has been a change in accounting policy, however, the translation of the profit and loss accounts of foreign enterprises in prior years has not been restated as the effect of this change in accounting policy is not material to the current and prior years.

(t) Segment reporting

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

Segment assets consist primarily of intangible assets, fixed assets, other investments, other assets, properties held for sale, stocks and receivables. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings. Capital expenditure comprises additions to intangible assets and fixed assets (Notes 13 and 14), including those resulting from acquisitions of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Segment assets and capital expenditure are where the investments/operating assets are located.

2. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in property investment and development, contracting, provision of service including property and facilities management; transport and other services, infrastructure operations including roads and bridges operations; container handling, logistics and warehousing services, telecommunication services, department store operations, hotel and restaurant operations and telecommunications, media and technology businesses. Turnover recognised during the year are as follows:

	2003	2002
	<i>HK\$m</i>	<i>HK\$m</i>
Rental income	983.5	1,070.4
Property sales	761.8	4,308.6
Contracting	8,570.7	6,881.2
Provision of service	3,521.6	3,408.5
Infrastructure operations	494.7	676.1
Telecommunication services	2,712.4	2,554.8
Department store operations	2,673.3	2,128.5
Hotel and restaurant operations	1,151.8	1,368.6
Others	186.5	477.9
	<u>21,056.3</u>	<u>22,874.6</u>

2. TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Primary reporting format — business segments

	Property investment and development	Service	Infrastructure	Telecom- munications	Department stores	Others	Eliminations	Consolidated
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Year 2003								
External sales	1,745.3	12,092.3	494.7	2,712.4	2,673.3	1,338.3	—	21,056.3
Inter-segment sales	211.0	1,299.9	—	7.0	—	0.9	(1,518.8)	—
Total turnover	<u>1,956.3</u>	<u>13,392.2</u>	<u>494.7</u>	<u>2,719.4</u>	<u>2,673.3</u>	<u>1,339.2</u>	<u>(1,518.8)</u>	<u>21,056.3</u>
Segment results	476.0	377.9	136.3	221.8	40.2	(4.4)	—	1,247.8
Other (charge)/income	(2,596.6)	—	(47.9)	(8.5)	(1.9)	(2,124.0)	—	(4,778.9)
Unallocated corporate expenses	—	—	—	—	—	—	—	(480.0)
Operating loss before financing costs and income	—	—	—	—	—	—	—	(4,011.1)
Financing costs	—	—	—	—	—	—	—	(1,824.1)
Financing income	—	—	—	—	—	—	—	337.9
Operating loss	—	—	—	—	—	—	—	(5,497.3)
Share of results of	—	—	—	—	—	—	—	—
Associated companies	(42.6)	88.9	291.0	—	—	(243.6)	—	93.7
Jointly controlled entities	(627.6)	117.9	925.0	—	—	(202.6)	—	212.7
Loss before taxation	—	—	—	—	—	—	—	(5,190.9)
Taxation	—	—	—	—	—	—	—	(401.6)
Loss after taxation	—	—	—	—	—	—	—	(5,592.5)
Minority interests	—	—	—	—	—	—	—	781.0
Loss attributable to shareholders	—	—	—	—	—	—	—	(4,811.5)
Segment assets	45,261.4	8,118.3	6,054.0	3,724.2	1,081.6	14,855.7	—	79,095.2
Associated companies	3,714.1	1,014.3	940.0	—	—	2,597.0	—	8,265.4
Jointly controlled entities	11,934.4	250.5	8,210.9	—	—	2,069.0	—	22,464.8
Cash and bank balances	—	—	—	—	—	—	—	5,825.1
Total assets	—	—	—	—	—	—	—	115,650.5
Segment liabilities	3,471.0	4,115.2	804.1	1,165.9	556.1	2,342.4	—	12,454.7
Gross borrowings	—	—	—	—	—	—	—	39,371.1
Taxation	—	—	—	—	—	—	—	861.3
Total liabilities	—	—	—	—	—	—	—	52,687.1
Minority interests	—	—	—	—	—	—	—	16,827.2
Capital expenditure	596.3	411.4	19.6	463.0	130.2	1,446.2	—	3,066.7
Depreciation	88.6	385.7	211.3	412.8	69.1	33.2	—	1,200.7
Impairment charge and provision	2,945.7	—	74.8	—	1.9	1,603.6	—	4,626.0

2. TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Primary reporting format — business segments (Continued)

	Property investment and development	Service	Infrastructure	Telecom- munications	Department stores	Others	Eliminations	Consolidated
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Year 2002								
External sales	5,379.0	10,289.7	676.1	2,554.8	2,128.5	1,846.5	—	22,874.6
Inter-segment sales	123.1	1,437.9	—	6.7	—	—	(1,567.7)	—
Total turnover	<u>5,502.1</u>	<u>11,727.6</u>	<u>676.1</u>	<u>2,561.5</u>	<u>2,128.5</u>	<u>1,846.5</u>	<u>(1,567.7)</u>	<u>22,874.6</u>
Segment results	2,913.2	937.2	197.3	23.7	16.1	275.0	—	4,362.5
Other (charge)/income	(980.9)	(16.2)	(55.3)	191.3	(18.9)	105.8	—	(774.2)
Unallocated corporate expenses	—	—	—	—	—	—	—	(485.7)
Operating profit before financing costs and income	—	—	—	—	—	—	—	3,102.6
Financing costs	—	—	—	—	—	—	—	(2,017.7)
Financing income	—	—	—	—	—	—	—	615.1
Operating profit	—	—	—	—	—	—	—	1,700.0
Share of results of								
Associated companies	75.3	55.6	249.6	—	—	(130.0)	—	250.5
Jointly controlled entities	(384.0)	93.5	740.4	—	—	(135.3)	—	314.6
Profit before taxation	—	—	—	—	—	—	—	2,265.1
Taxation	—	—	—	—	—	—	—	(524.7)
Profit after taxation	—	—	—	—	—	—	—	1,740.4
Minority interests	—	—	—	—	—	—	—	(465.0)
Profit attributable to shareholders	—	—	—	—	—	—	—	<u>1,275.4</u>
Segment assets	47,246.5	8,118.6	8,371.7	3,654.8	1,040.5	14,750.7	—	83,182.8
Associated companies	4,616.2	1,132.0	1,120.5	—	—	2,003.2	—	8,871.9
Jointly controlled entities	14,146.5	279.4	8,966.4	—	—	4,245.6	—	27,637.9
Cash and bank balances	—	—	—	—	—	—	—	7,093.9
Total assets	—	—	—	—	—	—	—	<u>126,786.5</u>
Segment liabilities	3,395.2	5,378.5	1,941.1	1,164.9	401.5	2,188.4	—	14,469.6
Gross borrowings	—	—	—	—	—	—	—	39,775.5
Taxation	—	—	—	—	—	—	—	922.5
Total liabilities	—	—	—	—	—	—	—	55,167.6
Minority interests	—	—	—	—	—	—	—	18,019.0
	—	—	—	—	—	—	—	<u>73,186.6</u>
Capital expenditure	801.3	695.8	73.4	797.3	159.9	90.7	—	2,618.4
Depreciation	63.3	354.6	250.3	388.2	68.8	49.0	—	1,174.2
Impairment charge and provision	988.9	31.9	141.6	—	18.9	318.2	—	1,499.5

2. TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Secondary reporting format — geographical segments

	Turnover <i>HK\$m</i>	Operating (loss)/ profit before financing costs and income <i>HK\$m</i>	Segment assets <i>HK\$m</i>	Capital expenditure <i>HK\$m</i>
Year 2003				
Hong Kong and Southeast Asia	15,890.6	(2,201.5)	52,492.9	1,306.0
Mainland China	<u>5,165.7</u>	<u>(1,809.6)</u>	<u>26,602.3</u>	<u>1,760.7</u>
	<u>21,056.3</u>	<u>(4,011.1)</u>	<u>79,095.2</u>	<u>3,066.7</u>
Year 2002				
Hong Kong and Southeast Asia	18,465.8	3,684.8	58,497.4	1,830.0
Mainland China	<u>4,408.8</u>	<u>(582.2)</u>	<u>24,685.4</u>	<u>788.4</u>
	<u>22,874.6</u>	<u>3,102.6</u>	<u>83,182.8</u>	<u>2,618.4</u>

The turnover and operating (loss)/profit before financing costs and income derived from the Group's activities in Southeast Asia comprised less than 10.0% of the Group's turnover and operating (loss)/profit before financing costs and income.

The Group's segment assets and capital expenditure attributed to other markets comprised less than 10.0% of the Group's total segment assets and total capital expenditure respectively, and have been included in the Hong Kong and Southeast Asia segment.

3. OTHER REVENUES

	2003 <i>HK\$m</i>	2002 <i>HK\$m</i>
Dividend income from investments in		
Listed shares	10.8	9.0
Unlisted shares	<u>25.8</u>	<u>84.4</u>
	<u>36.6</u>	<u>93.4</u>

4. OTHER (CHARGE)/INCOME

	2003	2002
	<i>HK\$m</i>	<i>HK\$m</i>
Amortisation of negative goodwill/(goodwill)/(cost of investment)		
Associated companies	—	15.7
Jointly controlled entities	(10.4)	(1.1)
Subsidiaries	(5.4)	(8.5)
Dilution loss on reorganisation of subsidiaries	(196.4)	—
Reorganisation expenses	(78.1)	—
Impairment loss on		
Fixed assets	(386.8)	(166.3)
Goodwill	(21.0)	(2.1)
Jointly controlled entities	—	(41.4)
Provision for investments in		
A joint property development project	(36.3)	(75.0)
Associated companies	(138.2)	(37.3)
Jointly controlled entities	(47.2)	(67.7)
Listed shares	(39.0)	(59.2)
Unlisted shares	(62.4)	(189.5)
Provision for		
Advances to associated companies	(62.5)	—
Advances to jointly controlled entities	(480.8)	(535.4)
Bad debts	(35.5)	—
Other assets	(122.4)	—
Other investments	(286.1)	—
Payments on account	(111.6)	—
Provision for diminution in value of		
Completed properties	(243.1)	(181.9)
Joint development projects	(1,140.5)	—
Properties under development	(954.2)	(143.7)
Loss on dilution of interests in subsidiaries	(0.3)	(132.3)
Premium on redemption of convertible bonds	(1.9)	—
Loss on disposal of		
Jointly controlled entities	(33.2)	—
Other investments	(211.7)	(2.1)
Subsidiaries	—	(51.7)
Hotel property revaluation deficit	(178.3)	—
Profit on disposal of		
Associated companies	3.1	4.7
Jointly controlled entities	8.3	114.9
Other investments	283.1	201.0
Subsidiaries	107.6	492.1
Profit on partial disposal of subsidiaries	56.4	—
Surplus on liquidation of a subsidiary	64.3	—
Write down of stocks to net realisable value	(458.4)	—
Write back of provision for		
Advance to an associated company	—	92.6
Diminution in value of properties under development	40.0	—
	<u>(4,778.9)</u>	<u>(774.2)</u>

5. FINANCING COSTS

	2003	2002
	<i>HK\$m</i>	<i>HK\$m</i>
Interest on bank loans and overdrafts	1,385.2	1,493.9
Interest on other loans wholly repayable within five years	—	9.0
Interest on finance leases	7.8	4.9
Interest on convertible bonds	90.2	146.5
Provision for premium on redemption of convertible bonds	344.0	347.0
Interest on loans from minority shareholders	<u>102.6</u>	<u>119.3</u>
Total borrowing costs incurred	1,929.8	2,120.6
Interest capitalised as cost of		
Fixed assets	(46.1)	(60.1)
Properties under development	<u>(59.6)</u>	<u>(42.8)</u>
	<u><u>1,824.1</u></u>	<u><u>2,017.7</u></u>

6. OPERATING LOSS/PROFIT

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

	2003	2002
	<i>HK\$m</i>	<i>HK\$m</i>
Crediting		
Gross rental income from investment properties	977.3	1,018.2
Outgoings	<u>(281.0)</u>	<u>(309.3)</u>
	696.3	708.9
Net gain on disposal of fixed assets and properties	—	2,374.2
Charging		
Auditors' remuneration	33.2	29.7
Cost of inventories sold	3,132.8	4,028.5
Depreciation		
Leased fixed assets	43.4	13.0
Owned fixed assets	1,157.3	1,161.2
Net loss on disposal of fixed assets	33.1	—
Operating lease rental expense		
Land and buildings	391.2	382.7
Other equipment	44.9	55.1
Staff costs (<i>Note 11a</i>)	<u>3,623.2</u>	<u>3,769.2</u>

7. TAXATION

	2003 <i>HK\$m</i>	2002 <i>HK\$m</i>
Company and subsidiaries		
Hong Kong profits tax	199.4	256.4
Overseas taxation	25.0	45.5
Deferred taxation	<u>18.0</u>	<u>38.1</u>
	<u>242.4</u>	<u>340.0</u>
Associated companies		
Hong Kong profits tax	68.3	68.6
Overseas taxation	<u>0.7</u>	<u>6.4</u>
	<u>69.0</u>	<u>75.0</u>
Jointly controlled entities		
Hong Kong profits tax	29.0	43.0
Overseas taxation	<u>61.2</u>	<u>66.7</u>
	<u>90.2</u>	<u>109.7</u>
	<u><u>401.6</u></u>	<u><u>524.7</u></u>

Hong Kong profits tax is provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the year. Tax on overseas profits has been calculated on the estimated taxable profits for the year at the rate of taxation prevailing in the countries in which the Group operates.

Deferred taxation (credit)/charge for the year has not been provided in respect of the following:

	2003 <i>HK\$m</i>	2002 <i>HK\$m</i>
Accelerated depreciation allowances	(31.0)	(103.3)
Other timing differences	<u>(24.4)</u>	<u>88.1</u>
	<u><u>(55.4)</u></u>	<u><u>(15.2)</u></u>

8. LOSS/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$177.0 million (2002: profit of HK\$1,398.7 million).

9. DIVIDENDS

	2003 <i>HK\$m</i>	2002 <i>HK\$m</i>
Interim dividend paid of HK\$0.06 (2002: HK\$0.10) per share	131.5	214.9
Final dividend of HK\$0.10 per share for 2002	<u>—</u>	<u>216.6</u>
	<u><u>131.5</u></u>	<u><u>431.5</u></u>
Of which the following were settled by the issue of scrip:		
Interim dividend	<u>69.2</u>	<u>113.6</u>
Final dividend	<u>—</u>	<u>99.3</u>

10. LOSS/EARNINGS PER SHARE

The calculation of basic loss/earnings per share is based on loss of HK\$4,811.5 million (2002: profit of HK\$1,275.4 million) and the weighted average of 2,180.6 million (2002: 2,142.3 million) shares in issue during the year.

No dilutive effect was resulted on the loss/earnings per share for the current year and the previous year after taking into account the potential dilutive effect of the conversion of the outstanding convertible bonds.

11. STAFF COSTS**(a) Staff costs (including Directors' remuneration)**

	2003	2002
	<i>HK\$m</i>	<i>HK\$m</i>
Wages, salaries and other benefits	3,460.7	3,612.2
Pension costs — defined benefits plans (<i>Note 11bi</i>)	1.6	2.0
Pension costs — defined contribution plans (<i>Note 11bii</i>)	<u>160.9</u>	<u>155.0</u>
	<u><u>3,623.2</u></u>	<u><u>3,769.2</u></u>

(b) Retirement benefit costs

The Group operates various retirement benefit plans for staff. The assets of the plans are administered by independent trustees and are maintained independently of the Group.

(i) Defined benefit plans

Defined benefit plans are valued by independent qualified actuaries annually using the projected unit credit method. Defined benefit plans are valued by Watson Wyatt Hong Kong Limited.

	Group	
	2003	2002
	<i>HK\$m</i>	<i>HK\$m</i>
The amounts recognised in the balance sheet are as follows:		
Present value of funded obligations	(47.8)	(46.1)
Fair value of plan assets	<u>58.5</u>	<u>57.6</u>
	10.7	11.5
Unrecognised actuarial losses	<u>1.5</u>	<u>0.1</u>
Retirement benefit assets	<u><u>12.2</u></u>	<u><u>11.6</u></u>
Net expenses recognised in the profit and loss account, under administrative expenses, are as follows:		
Current service cost	3.0	3.3
Interest cost	2.8	2.5
Expected return on plan assets	<u>(4.2)</u>	<u>(3.8)</u>
Total, included in staff costs (<i>Note 11a</i>)	<u><u>1.6</u></u>	<u><u>2.0</u></u>
Movements in the retirement benefit assets are as follows:		
At 1 July	11.6	11.0
Net expenses recognised in the profit and loss account	(1.6)	(2.0)
Contributions paid	<u>2.2</u>	<u>2.6</u>
At 30 June	<u><u>12.2</u></u>	<u><u>11.6</u></u>

11. STAFF COSTS (Continued)

(b) Retirement benefit costs (Continued)

(i) Defined benefit plans (Continued)

The principal actuarial assumptions used were as follows:

	Group	
	2003	2002
Discount rate	4.5%	6.0%
Expected rate of return on plan assets	7.0%	7.0%
Expected rate of future salary increases	<u>0.0% to 4.0%</u>	<u>5.0%</u>

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 defined contribution schemes either by the Group or by the employees are based on a percentage of employees’ salaries ranging from 5.0% to 21.0%, depending upon the length of service of the employees. Commencing on 1 December 2000, newly-joined employees are compulsorily required to join the MPF Schemes. The Group’s contributions to the MPF Schemes are ranging from 5.0% to 15.0% of employees’ salaries depending on the length of service of the employees.

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

The amount charged to the profit and loss account in respect of these schemes was HK\$160.9 million (2002: HK\$155.0 million) after netting off forfeited contribution of HK\$4.6 million (2002: HK\$6.4 million). Forfeited contributions available at the year end to reduce future contributions amounted to HK\$1.9 million (2002: Nil).

(c) Share options

The Company’s subsidiaries, New World China Land Limited (“NWCL”), New World Infrastructure Limited (“NWI”) and NWS Holdings Limited (“NWSH”), operate share option schemes whereby options may be granted to eligible employees and directors, to subscribe for shares of NWCL, NWI and NWSH respectively. The consideration to be paid on each granting of option is HK\$10.0.

Details of share options held are as follows:

Grantor	Date of grant	Exercise price HK\$	Balance at 1 July 2002	Number of share options			Balance at 30 June 2003
				Granted during the year	Exercised during the year	Lapsed during the year	
NWCL	5 February 2001 to 6 June 2003	1,000 to 3,192	54,811,600	3,558,400	(42,400)	(3,436,000)	54,891,600 (Note i)
NWI	18 November 1998 to 23 September 1999	10,200 to 12,000	13,873,000	—	—	(7,520,200)	6,352,800 (Note ii)
NWSH	11 May 1999 to 16 February 2000	6,930	2,400,000	—	—	(400,000)	2,000,000 (Note iii)

11. STAFF COSTS (Continued)

(c) Share options (Continued)

- (i) The share options are exercisable during a period of 5 years commencing from the expiry of 1 month after the dates of each grant when the offers of share options were accepted, provided that the maximum number of share options that can be exercised during a year is 20.0% of the total number of the share options granted together with any unexercised share options carried forward from the previous year(s).
- (ii) Share options are exercisable either on or before 1 June 2004 or 1 June 2005 except for 960,000 share options which are divided into 3 tranches exercisable on or before 1 June 2005, of which one tranche is not exercisable until 1 July 2003.
- (iii) Certain share options are exercisable on or before 4 November 2004 while the others are exercisable on or before 15 August 2005.

12. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

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

	2003 HK\$m	2002 HK\$m
Fees	1.5	1.5
Salaries and other emoluments	22.0	24.7
Contributions to retirement benefit schemes	<u>1.6</u>	<u>1.5</u>
	<u>25.1</u>	<u>27.7</u>

The emoluments of the Directors fell within the following bands:

Emolument band (HK\$)	Number of Directors	
	2003	2002
0 – 1,000,000	9	9
2,500,001 – 3,000,000	1	—
3,000,001 – 3,500,000	1	2
3,500,001 – 4,000,000	1	1
4,000,001 – 4,500,000	1	1
11,000,001 – 11,500,000	1	—
12,000,001 – 12,500,000	<u>—</u>	<u>1</u>
	<u>14</u>	<u>14</u>

Fees disclosed above include HK\$0.3 million (2002: HK\$0.3 million) paid to Independent Non-executive Directors. There were no other emoluments paid to Independent Non-executive Directors. None of the Directors has waived the right to receive his emoluments.

The five individuals whose emoluments were the highest in the Group for the year include two Directors (2002: three Directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2002: two) individuals during the year are as follows:

	2003 HK\$m	2002 HK\$m
Salaries and other emoluments	12.5	8.6
Contributions to retirement benefit schemes	<u>0.6</u>	<u>0.3</u>
	<u>13.1</u>	<u>8.9</u>

12. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

The emoluments fell within the following bands:

Emolument band (HK\$)	Number of individuals	
	2003	2002
3,500,001 – 4,000,000	1	—
4,000,001 – 4,500,000	1	1
4,500,001 – 5,000,000	1	1
	<u>3</u>	<u>2</u>

13. INTANGIBLE ASSETS

	Goodwill HK\$m	Group		Total HK\$m
		Negative goodwill HK\$m	Licences and software HK\$m	
Cost				
At 1 July 2002	131.8	—	—	131.8
Additions	—	—	401.2	401.2
Acquisition of interests in subsidiaries	<u>17.2</u>	<u>(30.2)</u>	<u>—</u>	<u>(13.0)</u>
At 30 June 2003	<u>149.0</u>	<u>(30.2)</u>	<u>401.2</u>	<u>520.0</u>
Accumulated amortisation				
At 1 July 2002	8.5	—	—	8.5
Amortisation charge (Note 4)	<u>9.6</u>	<u>(4.2)</u>	<u>—</u>	<u>5.4</u>
At 30 June 2003	<u>18.1</u>	<u>(4.2)</u>	<u>—</u>	<u>13.9</u>
Net book amount				
At 30 June 2003	<u>130.9</u>	<u>(26.0)</u>	<u>401.2</u>	<u>506.1</u>
At 30 June 2002	<u>123.3</u>	<u>—</u>	<u>—</u>	<u>123.3</u>

Licences and software were acquired by the Group from an associated company for the deployment of the interactive television services in the PRC.

14. FIXED ASSETS

	Group								Total HK\$m
	Investment properties HK\$m	Hotel properties HK\$m	Land and buildings HK\$m	Toll roads, bridges and port facilities HK\$m	Telecom- munication equipment and systems HK\$m	Other assets HK\$m	Assets under construction HK\$m		
Cost or valuation									
At 1 July 2002	15,752.6	6,722.0	3,880.2	6,413.7	3,651.8	4,874.4	4,375.3	45,670.0	
Translation difference	—	—	(16.6)	—	—	(5.8)	—	(22.4)	
Acquisition of subsidiaries	—	380.6	108.5	—	—	197.7	190.1	876.9	
Disposal of subsidiaries	—	—	(61.9)	(93.5)	—	(13.0)	(1,513.0)	(1,681.4)	
Additions	59.8	—	49.4	12.3	441.9	704.6	651.9	1,919.9	
Reclassification and transfer	581.8	—	65.1	—	(1.1)	325.5	(858.0)	113.3	
Disposals	—	—	(28.8)	(1.3)	(10.3)	(594.7)	—	(635.1)	
Revaluation deficit	(1,351.3)	(735.1)	—	—	—	—	—	(2,086.4)	
At 30 June 2003	<u>15,042.9</u>	<u>6,367.5</u>	<u>3,995.9</u>	<u>6,331.2</u>	<u>4,082.3</u>	<u>5,488.7</u>	<u>2,846.3</u>	<u>44,154.8</u>	
Accumulated depreciation and impairment									
At 1 July 2002	—	—	552.7	789.6	1,198.8	2,080.3	2.5	4,623.9	
Translation difference	—	—	(3.0)	—	—	(3.6)	—	(6.6)	
Acquisition of subsidiaries	—	—	26.4	—	—	104.9	—	131.3	
Impairment charge	—	—	67.4	—	—	9.4	310.0	386.8	
Disposal of subsidiaries	—	—	(7.0)	(13.8)	—	(7.6)	—	(28.4)	
Charge for the year	—	—	138.8	193.6	396.8	471.5	—	1,200.7	
Reclassification	—	—	2.0	—	—	—	(2.0)	—	
Written back on disposals	—	—	(3.9)	(0.1)	(7.0)	(276.1)	—	(287.1)	
At 30 June 2003	<u>—</u>	<u>—</u>	<u>773.4</u>	<u>969.3</u>	<u>1,588.6</u>	<u>2,378.8</u>	<u>310.5</u>	<u>6,020.6</u>	
Net book value									
At 30 June 2003	<u>15,042.9</u>	<u>6,367.5</u>	<u>3,222.5</u>	<u>5,361.9</u>	<u>2,493.7</u>	<u>3,109.9</u>	<u>2,535.8</u>	<u>38,134.2</u>	
At 30 June 2002	<u>15,752.6</u>	<u>6,722.0</u>	<u>3,327.5</u>	<u>5,624.1</u>	<u>2,453.0</u>	<u>2,794.1</u>	<u>4,372.8</u>	<u>41,046.1</u>	

14. FIXED ASSETS (Continued)

	Company			Total HK\$m
	Investment properties HK\$m	Land and buildings HK\$m	Other assets HK\$m	
Cost or valuation				
At 1 July 2002	28.7	0.7	3.3	32.7
Revaluation deficit	<u>(4.2)</u>	<u>—</u>	<u>—</u>	<u>(4.2)</u>
At 30 June 2003	<u>24.5</u>	<u>0.7</u>	<u>3.3</u>	<u>28.5</u>
Accumulated depreciation				
At 1 July 2002	—	0.4	2.6	3.0
Charge for the year	<u>—</u>	<u>0.1</u>	<u>0.7</u>	<u>0.8</u>
At 30 June 2003	<u>—</u>	<u>0.5</u>	<u>3.3</u>	<u>3.8</u>
Net book value				
At 30 June 2003	<u>24.5</u>	<u>0.2</u>	<u>—</u>	<u>24.7</u>
At 30 June 2002	<u>28.7</u>	<u>0.3</u>	<u>0.7</u>	<u>29.7</u>

Cost or valuation of properties was made up as follows:

	Group				Company			
	2003		2002		2003		2002	
	At cost/ carrying value HK\$m	Professional valuation HK\$m	At cost/ carrying value HK\$m	Professional valuation HK\$m	At cost HK\$m	Professional valuation HK\$m	At cost HK\$m	Professional valuation HK\$m
Investment properties								
Hong Kong long lease	—	12,117.6	—	13,376.8	—	24.5	—	28.7
Hong Kong medium lease	—	758.7	—	837.5	—	—	—	—
Overseas long lease	—	89.3	—	84.1	—	—	—	—
Overseas medium lease	<u>—</u>	<u>2,077.3</u>	<u>—</u>	<u>1,454.2</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>15,042.9</u>	<u>—</u>	<u>15,752.6</u>	<u>—</u>	<u>24.5</u>	<u>—</u>	<u>28.7</u>
Hotel properties								
Hong Kong long lease	<u>—</u>	<u>6,367.5</u>	<u>—</u>	<u>6,722.0</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Land and buildings								
Hong Kong long lease (Note a)	948.4	—	940.1	—	0.7	—	0.7	—
Hong Kong medium lease	935.9	—	896.1	—	—	—	—	—
Hong Kong short lease	571.3	—	526.3	—	—	—	—	—
Overseas long lease	119.0	—	28.6	—	—	—	—	—
Overseas medium lease (Note a)	1,401.8	—	1,482.3	—	—	—	—	—
Overseas short lease	14.0	—	1.3	—	—	—	—	—
Overseas freehold	<u>5.5</u>	<u>—</u>	<u>5.5</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>3,995.9</u>	<u>—</u>	<u>3,880.2</u>	<u>—</u>	<u>0.7</u>	<u>—</u>	<u>0.7</u>	<u>—</u>
	<u>3,995.9</u>	<u>21,410.4</u>	<u>3,880.2</u>	<u>22,474.6</u>	<u>0.7</u>	<u>24.5</u>	<u>0.7</u>	<u>28.7</u>

14. FIXED ASSETS (Continued)

(a) Included in the Group's land and buildings are properties transferred from investment properties at carrying value of HK\$985.0 million (2002: HK\$985.0 million) based on professional valuations at dates of transfer.

(b) The investment properties and hotel properties were revalued on 30 June 2003 on an open market value basis by Chesterton Petty Limited and Vigers Hong Kong Limited, independent professional property valuers.

Toll roads, bridges and port facilities, telecommunication equipment and systems, assets under construction and other assets comprising plant, machinery, equipment, terminal equipment, furniture, fixtures, interactive television network and equipment, buses, coaches and motor vehicles are stated at cost.

(c) The aggregate net book value of assets pledged as securities for loans amounts to HK\$11,653.9 million (2002: HK\$11,752.1 million).

(d) The net book value of fixed assets includes telecommunication equipment and systems and other assets, which are held under finance leases amounting to HK\$322.0 million (2002: HK\$160.1 million) and HK\$0.1 million (2002: HK\$0.2 million) respectively.

(e) The Group is under negotiation with the Wuhan City Government in respect of the compensation for the cessation of toll collection right of a toll bridge in Wuhan City since October 2002. No depreciation has been charged since then. The Group expects the compensation will exceed the book value.

15. SUBSIDIARIES

	2003	2002
	<i>HK\$m</i>	<i>HK\$m</i>
Unlisted shares, at cost	4,893.1	5,666.0
Provision for impairment losses	<u>(567.1)</u>	<u>(605.1)</u>
	4,326.0	5,060.9
Listed shares in Hong Kong, at cost	16,455.6	12,087.3
At Directors' valuation in 1972	<u>72.0</u>	<u>72.0</u>
	20,853.6	17,220.2
Amounts due by subsidiaries less provision	<u>38,382.4</u>	<u>41,533.1</u>
	59,236.0	58,753.3
Amounts due to subsidiaries	<u>(26,060.8)</u>	<u>(26,441.2)</u>
	<u>33,175.2</u>	<u>32,312.1</u>
Market value of listed shares	<u>3,056.0</u>	<u>2,074.0</u>

Details of principal subsidiaries are given in Note 36.

16. ASSOCIATED COMPANIES

	Group		Company	
	2003	2002	2003	2002
	HK\$m	HK\$m	HK\$m	HK\$m
Group's share of net assets				
Listed shares in Hong Kong	884.9	824.9	—	—
Unlisted shares	3,841.7	3,687.0	6.8	6.8
	<u>4,726.6</u>	<u>4,511.9</u>	<u>6.8</u>	<u>6.8</u>
Negative goodwill on acquisition	(113.2)	(85.6)	—	—
Goodwill on acquisition	85.6	48.7	—	—
Less: amortisation	(14.9)	15.7	—	—
	<u>(42.5)</u>	<u>(21.2)</u>	<u>—</u>	<u>—</u>
Amounts due by associated companies (<i>Note a</i>)	3,820.8	4,587.2	194.0	261.4
Amounts due to associated companies (<i>Note b</i>)	(239.5)	(206.0)	(21.3)	(18.6)
	<u>3,581.3</u>	<u>4,381.2</u>	<u>172.7</u>	<u>242.8</u>
	<u>8,265.4</u>	<u>8,871.9</u>	<u>179.5</u>	<u>249.6</u>
Market value of listed shares	334.3	345.0	—	—

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

	Group	
	2003	2002
	HK\$m	HK\$m
Interest bearing		
Fixed rates (<i>Note i</i>)	388.6	413.6
Variable rates (<i>Note ii</i>)	271.5	878.0
Non-interest bearing (<i>Note iii</i>)	<u>3,160.7</u>	<u>3,295.6</u>
	<u>3,820.8</u>	<u>4,587.2</u>

(i) Fixed rates represent interest rates ranging from 5.8% to 8.0% (2002: 6.2% to 8.0%) per annum.

(ii) Variable rates represent interest rates ranging from 0.6% (2002: 0.6%) above the Hong Kong Interbank Offered Rate ("HIBOR") to the Hong Kong Prime rate (2002: 2% above Hong Kong Prime rate) per annum.

(iii) The balance included amounts totalling HK\$194.0 million (2002: HK\$261.4 million) due to the Company.

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

(b) The amounts due to associated companies are unsecured, interest free and repayable on demand.

(c) Dividends received and receivable by the Group from associated companies were HK\$415.5 million (2002: HK\$201.2 million).

(d) Details of principal associated companies are given in Note 37.

17. JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2003	2002	2003	2002
	HK\$m	HK\$m	HK\$m	HK\$m
Equity joint ventures				
Group's share of net assets	698.1	688.6	6.0	24.0
Goodwill on acquisition	2.4	25.2	—	—
Less: amortisation	(0.1)	(1.1)	—	—
Amounts due by joint ventures less provision (<i>Note b</i>)	145.9	754.1	—	—
Amounts due to joint ventures (<i>Note c</i>)	<u>(26.3)</u>	<u>(17.4)</u>	<u>—</u>	<u>—</u>
	<u>820.0</u>	<u>1,449.4</u>	<u>6.0</u>	<u>24.0</u>
Co-operative joint ventures (<i>Note a</i>)				
Cost of investment less provision	6,135.5	6,512.3	13.1	13.0
Goodwill on acquisition	17.7	17.7	—	—
Less: amortisation	(0.9)	—	—	—
Share of undistributed post-acquisition results	(313.5)	106.0	—	—
Amounts due by joint ventures less provision (<i>Note b</i>)	7,652.3	8,688.0	—	—
Amounts due to joint ventures (<i>Note c</i>)	<u>(142.0)</u>	<u>(26.5)</u>	<u>—</u>	<u>—</u>
	<u>13,349.1</u>	<u>15,297.5</u>	<u>13.1</u>	<u>13.0</u>
Companies limited by shares				
Group's share of net assets (<i>Note a</i>)	1,991.0	2,178.3	—	—
Subordinated loans (<i>Note b</i>)	889.6	377.8	—	—
Amounts due by investee companies (<i>Note b</i>)	5,675.9	7,331.9	251.0	1,145.9
Amounts due to investee companies (<i>Note c</i>)	<u>(741.3)</u>	<u>(895.3)</u>	<u>—</u>	<u>—</u>
	<u>7,815.2</u>	<u>8,992.7</u>	<u>251.0</u>	<u>1,145.9</u>
Deposits paid for joint ventures (<i>Note d</i>)	<u>480.5</u>	<u>1,898.3</u>	<u>13.7</u>	<u>13.7</u>
	<u>22,464.8</u>	<u>27,637.9</u>	<u>283.8</u>	<u>1,196.6</u>

(a) The Group's interests in certain co-operative joint ventures in the PRC and the toll collection rights of certain toll roads held by the Group have been pledged as securities for bank loan facilities granted to the Group. As at the balance sheet date, the outstanding amount under these bank loan facilities was approximately HK\$933.0 million (2002: HK\$1,021.9 million).

(b) Subordinated loans and amounts due by jointly controlled entities are analysed as follows:

	Subordinated loans		Amounts due by jointly controlled entities	
	2003	2002	2003	2002
	HK\$m	HK\$m	HK\$m	HK\$m
Interest bearing				
Fixed rates (<i>Note i</i>)	19.0	19.0	4,936.6	5,623.5
Variable rates (<i>Note ii</i>)	—	—	1,469.2	2,322.0
Non-interest bearing (<i>Note iii</i>)	<u>870.6</u>	<u>358.8</u>	<u>7,068.3</u>	<u>8,828.5</u>
	<u>889.6</u>	<u>377.8</u>	<u>13,474.1</u>	<u>16,774.0</u>

(i) Fixed rates represent interest rates ranging from 2.0% to 15.0% (2002: 4.0% to 15.0%) per annum.

17. JOINTLY CONTROLLED ENTITIES (Continued)

- (b) Subordinated loans and amounts due by jointly controlled entities are analysed as follows: (Continued)
- (ii) Variable rates represent interest rates ranging from 3-month HIBOR (2002: the Hong Kong Prime rate) to 2.0% above the Hong Kong Prime rate per annum.
- (iii) The balance included amounts of HK\$251.0 million (2002: HK\$1,145.9 million) due to the Company.
- The repayment terms of the amounts due by jointly controlled entities are specified in the relevant joint venture agreements.
- (c) The amounts due to jointly controlled entities are unsecured, interest free and repayable on demand.
- (d) The balances represent advances paid in respect of proposed joint ventures for which the jointly controlled entities have not yet been established as at the year end 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 joint venture balances.
- (e) Dividends received and receivable from jointly controlled entities were HK\$700.2 million (2002: HK\$762.2 million).
- (f) Particulars of principal jointly controlled entities are given in Note 38.

18. OTHER INVESTMENTS

	Group		Company	
	2003 HK\$m	2002 HK\$m	2003 HK\$m	2002 HK\$m
Equity securities				
Unlisted shares, at fair value	963.3	1,444.9	61.5	221.2
Listed shares, at market value				
Hong Kong	247.5	292.4	—	—
Overseas	<u>418.7</u>	<u>607.8</u>	<u>—</u>	<u>—</u>
	<u>1,629.5</u>	<u>2,345.1</u>	<u>61.5</u>	<u>221.2</u>
Debt securities				
Unlisted debentures and convertible bonds, at fair value	<u>134.2</u>	<u>182.6</u>	<u>—</u>	<u>—</u>
Investments in joint property development projects				
At cost less provision and amortisation	<u>1,743.6</u>	<u>1,775.8</u>	<u>—</u>	<u>—</u>
Other joint ventures				
Cost of investment, less provision	106.5	212.5	—	—
Amounts due by joint ventures, less provision	<u>1,607.0</u>	<u>1,632.0</u>	<u>—</u>	<u>—</u>
	<u>1,713.5</u>	<u>1,844.5</u>	<u>—</u>	<u>—</u>
	<u>5,220.8</u>	<u>6,148.0</u>	<u>61.5</u>	<u>221.2</u>

Amounts due by joint ventures of HK\$1,281.8 million (2002: HK\$1,526.4 million) carry interest at 5.3% to 10.0% (2002: 10.0%) per annum. The remaining balance is non-interest bearing. All balances are unsecured and have repayment terms as specified in the relevant joint venture agreements.

19. OTHER ASSETS

	Group		Company	
	2003	2002	2003	2002
	HK\$m	HK\$m	HK\$m	HK\$m
Long term receivables (<i>Note a</i>)	1,494.1	948.7	—	—
Deposits for proposed investments (<i>Note b</i>)	1,699.9	786.9	—	—
Deposits for purchase of fixed assets (<i>Note c</i>)	936.5	—	—	—
Retirement benefit assets (<i>Note 11bi</i>)	12.2	11.6	—	—
	<u>4,142.7</u>	<u>1,747.2</u>	<u>—</u>	<u>—</u>

(a) Long term receivables

	Group		Company	
	2003	2002	2003	2002
	HK\$m	HK\$m	HK\$m	HK\$m
Accounts receivable	1,271.5	631.6	—	—
Other loans	371.8	392.3	—	—
	1,643.3	1,023.9	—	—
Amounts receivable within one year included in current assets	(149.2)	(75.2)	—	—
	<u>1,494.1</u>	<u>948.7</u>	<u>—</u>	<u>—</u>

Included in accounts receivable is an amount of HK\$600.0 million (2002: Nil) due from a third party which is unsecured, bears interest at 3.0% per annum and is wholly repayable by December 2004. The Group has a right to apply such loan as part of the consideration under the Option Agreement (Note 19b).

(b) Deposits for proposed investments

Cost less provision				
Deposits for the Network	1,531.2	786.9	—	—
Others	168.7	—	—	—
	<u>1,699.9</u>	<u>786.9</u>	<u>—</u>	<u>—</u>

In 2002, NWI 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 (“Network”) in the PRC, and subject to certain conditions as stipulated in the Option Agreement, the Group is entitled to acquire up to 70.0% interest in the Network within 2 years from the date of the Option Agreement at a consideration of approximately HK\$2,563.0 million.

As at 30 June 2003, approximately HK\$1,531.2 million (2002: HK\$786.9 million) was paid as a deposit for the Acquisition.

(c) Deposits for purchase of fixed assets

The balance represents trade deposits paid to an associated company for the purchase of interactive television network system and equipment.

20. PROPERTIES HELD FOR SALE

	Group		Company	
	2003	2002	2003	2002
	HK\$m	HK\$m	HK\$m	HK\$m
Properties under development, at cost less provision	15,104.8	14,720.4	—	—
Completed properties, at cost less provision	1,767.2	1,477.7	—	—
Joint property development projects, at cost less provision	5,791.0	7,081.0	489.8	851.4
	<u>22,663.0</u>	<u>23,279.1</u>	<u>489.8</u>	<u>851.4</u>

The aggregate carrying value of properties under development and completed properties pledged as securities for loans amounted to HK\$2,604.1 million (2002: HK\$981.3 million).

21. STOCKS

	Group		Company	
	2003	2002	2003	2002
	HK\$m	HK\$m	HK\$m	HK\$m
Raw materials	447.2	1,248.7	—	—
Work-in-progress	16.1	13.2	—	—
Finished goods	95.1	49.3	—	—
Merchandise	89.0	82.8	—	—
	<u>647.4</u>	<u>1,394.0</u>	<u>—</u>	<u>—</u>

At 30 June 2003, the amount of stocks carried at net realisable value amounted to HK\$417.8 million (2002: HK\$13.5 million).

22. DEBTORS AND PREPAYMENTS

- (a) At 30 June 2003, the retention receivable for contracts in progress amounting to HK\$807.8 million (2002: HK\$834.0 million) has been included in debtors and prepayments.
- (b) Debtors and prepayments include trade debtors, amounts advanced to investee companies, deposits and prepayments. The Group has various credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. Sales proceeds receivable from sale of properties and retention money receivables in respect of construction and engineering services are settled in accordance with the terms of respective contracts. Ageing analysis of trade debtors is as follows:

	Group		Company	
	2003	2002	2003	2002
	HK\$m	HK\$m	HK\$m	HK\$m
Current to 30 days	3,097.1	2,455.0	—	—
31 to 60 days	176.5	240.8	—	—
Over 60 days	1,754.9	1,958.2	—	—
	<u>5,028.5</u>	<u>4,654.0</u>	<u>—</u>	<u>—</u>

23. CASH AND BANK BALANCES

Restricted bank balances are funds which are pledged to secure for certain short term loans and long term loans.

24. CREDITORS AND ACCRUED CHARGES

- (a) At 30 June 2003, advances received from customers for contracts in progress amounting to HK\$31.2 million (2002: HK\$55.8 million) has been included in creditors and accrued charges.
- (b) Included in creditors and accrued charges are trade creditors with their ageing analysis as follows:

	Group		Company	
	2003	2002	2003	2002
	HK\$m	HK\$m	HK\$m	HK\$m
Current to 30 days	3,470.7	4,080.4	—	—
31 to 60 days	142.8	272.7	—	—
Over 60 days	2,114.3	2,178.6	—	—
	<u>5,727.8</u>	<u>6,531.7</u>	<u>—</u>	<u>—</u>

25. CONTRACTS IN PROGRESS

	Group		Company	
	2003	2002	2003	2002
	HK\$m	HK\$m	HK\$m	HK\$m
Contract costs incurred plus attributable profits less foreseeable losses to date	17,882.2	16,822.3	—	—
Progress payments received and receivable	<u>(18,195.9)</u>	<u>(17,124.2)</u>	<u>—</u>	<u>—</u>
	<u>(313.7)</u>	<u>(301.9)</u>	<u>—</u>	<u>—</u>
Representing:				
Gross amount due from customers for contract work	272.6	476.2	—	—
Gross amount due to customers for contract work	<u>(586.3)</u>	<u>(778.1)</u>	<u>—</u>	<u>—</u>
	<u>(313.7)</u>	<u>(301.9)</u>	<u>—</u>	<u>—</u>

26. SHARE CAPITAL

	2003	2003	2002	2002
	No. of shares (million)	HK\$m	No. of shares (million)	HK\$m
Authorised:				
Shares of HK\$1.00 each				
Balance at 30 June	<u>2,500.0</u>	<u>2,500.0</u>	<u>2,500.0</u>	<u>2,500.0</u>
Issued and fully paid:				
Shares of HK\$1.00 each				
Balance at 1 July	2,166.4	2,166.4	2,134.0	2,134.0
Issued as scrip dividends	<u>53.1</u>	<u>53.1</u>	<u>32.4</u>	<u>32.4</u>
Balance at 30 June	<u>2,219.5</u>	<u>2,219.5</u>	<u>2,166.4</u>	<u>2,166.4</u>

During the year, 25,371,708 and 27,766,413 new shares were issued at HK\$3.91395 and HK\$2.4929 per share for the settlement of 2002 final scrip dividend and 2003 interim scrip dividend respectively.

In 2002, 15,122,315 and 17,292,889 new shares were issued at HK\$6.887 and HK\$6.5669 per share for the settlement of 2001 final scrip dividend and 2002 interim scrip dividend respectively.

27. RESERVES

	Group						
	Capital redemption reserve	Share premium	Asset revaluation reserve	Capital reserve	General reserve	Retained profits	Total
	HK\$m	HK\$m	HK\$m (Note a)	HK\$m	HK\$m	HK\$m	HK\$m
Balance as at 1.7.2001 as previously reported	37.7	19,047.4	20,088.6	649.8	538.5	15,152.0	55,514.0
Effect of adoption of SSAP 34 (revised)	—	—	—	—	—	(51.4)	(51.4)
Balance as at 1.7.2001, as restated	37.7	19,047.4	20,088.6	649.8	538.5	15,100.6	55,462.6
Scrip dividends	—	185.3	—	—	—	—	185.3
Share issue expenses	—	(0.3)	—	—	—	—	(0.3)
Investment and hotel properties revaluation deficit for the year	—	—	(1,856.0)	—	—	—	(1,856.0)
Investment and hotel properties revaluation surplus realised upon disposal	—	—	(2,406.3)	—	—	—	(2,406.3)
Reversal of revaluation surplus arising from impairment of land and buildings	—	—	(33.8)	—	—	—	(33.8)
Share of revaluation surplus/(deficit) of associated companies	—	—	5.9	—	—	—	5.9
jointly controlled entities	—	—	(263.9)	—	—	—	(263.9)
Release of reserve upon disposal of subsidiaries	—	—	(348.9)	(0.5)	—	—	(349.4)
partial disposal of a subsidiary	—	—	—	(27.1)	—	—	(27.1)
disposal of an investee company	—	—	—	(216.2)	—	—	(216.2)
Release of goodwill upon disposal of subsidiaries	—	—	—	169.9	—	—	169.9
disposal of a jointly controlled entity	—	—	—	6.7	—	—	6.7
Goodwill impairment loss charged to profit and loss account	—	—	—	1.5	—	—	1.5
Investment securities revaluation deficit for the year	—	—	(220.1)	—	—	—	(220.1)
Investment securities revaluation surplus realised upon disposal	—	—	(5.3)	—	—	—	(5.3)
Investment securities impairment loss charged to profit and loss account	—	—	139.5	—	—	—	139.5
Profit for the year	—	—	—	—	—	1,275.4	1,275.4
Transfer to general reserve	—	—	—	—	34.4	(34.4)	—
Transfer to asset revaluation reserve	—	—	25.5	(25.5)	—	—	—
Translation difference	—	—	—	—	—	(6.6)	(6.6)
2001 final dividend paid	—	—	—	—	—	(213.4)	(213.4)
2002 interim dividend paid	—	—	—	—	—	(214.9)	(214.9)
	<u>37.7</u>	<u>19,232.4</u>	<u>15,125.2</u>	<u>558.6</u>	<u>572.9</u>	<u>15,906.7</u>	<u>51,433.5</u>
Representing:							
Balance at 30.6.2002	37.7	19,232.4	15,125.2	558.6	572.9	15,690.1	51,216.9
2002 proposed final dividend	—	—	—	—	—	216.6	216.6
	<u>37.7</u>	<u>19,232.4</u>	<u>15,125.2</u>	<u>558.6</u>	<u>572.9</u>	<u>15,906.7</u>	<u>51,433.5</u>
Retained by:							
Company and subsidiaries	37.7	19,232.4	14,814.1	666.1	572.9	18,395.9	53,719.1
Associated companies	—	—	329.2	0.5	—	(1,071.0)	(741.3)
Jointly controlled entities	—	—	(18.1)	(108.0)	—	(1,418.2)	(1,544.3)
	<u>37.7</u>	<u>19,232.4</u>	<u>15,125.2</u>	<u>558.6</u>	<u>572.9</u>	<u>15,906.7</u>	<u>51,433.5</u>

27. RESERVES (Continued)

	Group							Total
	Capital redemption reserve	Share premium	Asset revaluation reserve	Capital reserve	General reserve	Retained profits		
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m		
Balance as at 1.7.2002, as previously reported	37.7	19,232.4	15,125.2	558.6	572.9	15,958.1	51,484.9	
Effect of adoption of SSAP 34 (revised)	—	—	—	—	—	(51.4)	(51.4)	
Balance as at 1.7.2002, as restated	37.7	19,232.4	15,125.2	558.6	572.9	15,906.7	51,433.5	
Scrip dividends	—	115.4	—	—	—	—	115.4	
Share issue expenses	—	(0.2)	—	—	—	—	(0.2)	
Investment and hotel properties revaluation deficit for the year	—	—	(1,747.3)	—	—	—	(1,747.3)	
Share of revaluation deficit of associated companies	—	—	(75.0)	—	—	—	(75.0)	
jointly controlled entities	—	—	(116.3)	—	—	—	(116.3)	
Investment securities impairment loss charged to profit and loss account	—	—	94.8	—	—	—	94.8	
Release of goodwill upon disposal of a jointly controlled entity	—	—	—	6.2	—	—	6.2	
Goodwill impairment loss charged to profit and loss account	—	—	—	17.7	—	—	17.7	
Investment securities revaluation deficit for the year	—	—	(531.9)	—	—	—	(531.9)	
Investment securities revaluation surplus realised upon disposal	—	—	(35.0)	—	—	—	(35.0)	
Loss for the year	—	—	—	—	—	(4,811.5)	(4,811.5)	
Transfer to retained profits	—	—	(39.0)	—	(6.3)	45.3	—	
Translation difference	—	—	—	—	—	(85.6)	(85.6)	
2002 final dividend paid	—	—	—	—	—	(216.6)	(216.6)	
2003 interim dividend paid	—	—	—	—	—	(131.5)	(131.5)	
	<u>37.7</u>	<u>19,347.6</u>	<u>12,675.5</u>	<u>582.5</u>	<u>566.6</u>	<u>10,706.8</u>	<u>43,916.7</u>	
Retained by:								
Company and subsidiaries	37.7	19,347.6	12,555.7	690.0	566.6	14,595.6	47,793.2	
Associated companies	—	—	254.2	0.5	—	(1,522.8)	(1,268.1)	
Jointly controlled entities	—	—	(134.4)	(108.0)	—	(2,366.0)	(2,608.4)	
	<u>37.7</u>	<u>19,347.6</u>	<u>12,675.5</u>	<u>582.5</u>	<u>566.6</u>	<u>10,706.8</u>	<u>43,916.7</u>	

27. RESERVES (Continued)

	Company				
	Capital redemption reserve	Share premium	Asset revaluation reserve	Retained profits	Total
	HK\$m	HK\$m	(Note a) HK\$m	HK\$m	HK\$m
Balance as at 1.7.2001	37.7	19,047.4	358.8	11,568.7	31,012.6
Scrip dividends	—	185.3	—	—	185.3
Share issue expenses	—	(0.3)	—	—	(0.3)
Investment properties revaluation deficit for the year	—	—	(1.9)	—	(1.9)
Investment securities revaluation deficit for the year	—	—	(166.5)	—	(166.5)
Investment securities impairment loss charged to profit and loss account	—	—	3.9	—	3.9
Profit for the year	—	—	—	1,398.7	1,398.7
2001 final dividend paid	—	—	—	(213.4)	(213.4)
2002 interim dividend paid	—	—	—	(214.9)	(214.9)
	<u>37.7</u>	<u>19,232.4</u>	<u>194.3</u>	<u>12,539.1</u>	<u>32,003.5</u>
Representing:					
Balance at 30.6.2002	37.7	19,232.4	194.3	12,322.5	31,786.9
2002 proposed final dividend	—	—	—	216.6	216.6
	<u>37.7</u>	<u>19,232.4</u>	<u>194.3</u>	<u>12,539.1</u>	<u>32,003.5</u>
Balance as at 1.7.2002	37.7	19,232.4	194.3	12,539.1	32,003.5
Scrip dividends	—	115.4	—	—	115.4
Share issue expenses	—	(0.2)	—	—	(0.2)
Investment properties revaluation deficit for the year	—	—	(4.2)	—	(4.2)
Investment securities revaluation surplus realised upon disposal	—	—	(144.3)	—	(144.3)
Investment securities revaluation deficit for the year	—	—	(13.5)	—	(13.5)
Loss for the year	—	—	—	(177.0)	(177.0)
2002 final dividend paid	—	—	—	(216.6)	(216.6)
2003 interim dividend paid	—	—	—	(131.5)	(131.5)
	<u>37.7</u>	<u>19,347.6</u>	<u>32.3</u>	<u>12,014.0</u>	<u>31,431.6</u>

(a) Analysis of asset revaluation reserve

	Group		Company	
	2003 HK\$m	2002 HK\$m	2003 HK\$m	2002 HK\$m
Hotel properties	2,836.9	3,236.6	—	—
Investment properties	9,653.8	11,231.7	23.0	27.2
Investment securities	<u>184.8</u>	<u>656.9</u>	<u>9.3</u>	<u>167.1</u>
	<u>12,675.5</u>	<u>15,125.2</u>	<u>32.3</u>	<u>194.3</u>

(b) Distributable reserves of the Company at 30 June 2003 amounted to HK\$12,014.0 million (2002: HK\$12,539.1 million).

28. LONG TERM LIABILITIES

	Group		Company	
	2003 HK\$m	2002 HK\$m	2003 HK\$m	2002 HK\$m
Bank loans				
Secured	16,485.9	9,151.4	—	—
Unsecured	13,476.7	19,272.7	—	—
Other secured loans				
Wholly repayable within five years	—	250.0	—	—
Other unsecured loans				
Wholly repayable within five years	—	551.0	—	—
Not wholly repayable within five years	62.8	59.5	—	—
Obligations under finance leases (<i>Note a</i>)				
Wholly repayable within five years	200.3	115.1	—	—
	30,225.7	29,399.7	—	—
Convertible bonds (<i>Note b</i>)	2,678.1	4,063.5	—	—
Loans from minority shareholders (<i>Note c</i>)	2,314.7	2,546.6	—	—
Deferred income	464.8	642.7	—	—
Provision for long service payments (<i>Note d</i>)	107.3	83.9	—	—
Long term accounts payable	661.4	1,029.7	172.0	258.0
	36,452.0	37,766.1	172.0	258.0
Amounts repayable within one year included in current liabilities	(7,424.1)	(13,752.9)	(86.0)	(86.0)
	29,027.9	24,013.2	86.0	172.0

	Group				Obligations under finance leases HK\$m	Total HK\$m
	Secured bank loans HK\$m	Unsecured bank loans HK\$m	Other secured loans HK\$m	Other unsecured loans HK\$m		
The maturity of long term borrowings for 2003 is as follows:						
Within one year	2,634.7	1,445.9	—	—	90.5	4,171.1
In the second year	3,524.3	2,200.0	—	—	84.0	5,808.3
In the third to fifth year	8,050.2	9,830.8	—	—	25.8	17,906.8
After the fifth year	2,276.7	—	—	62.8	—	2,339.5
	16,485.9	13,476.7	—	62.8	200.3	30,225.7

The maturity of long term borrowings for 2002 is as follows:						
Within one year	931.4	10,371.1	250.0	351.0	39.3	11,942.8
In the second year	1,765.8	2,136.9	—	200.0	55.4	4,158.1
In the third to fifth year	6,041.6	6,764.7	—	—	20.4	12,826.7
After the fifth year	412.6	—	—	59.5	—	472.1
	9,151.4	19,272.7	250.0	610.5	115.1	29,399.7

28. LONG TERM LIABILITIES (Continued)

(a) Finance lease obligations — minimum lease payments

	Group	
	2003 <i>HK\$m</i>	2002 <i>HK\$m</i>
Within one year	93.6	42.3
In the second year	86.9	59.9
In the third to fifth year	<u>26.2</u>	<u>20.6</u>
	206.7	122.8
Future finance charges on finance leases	<u>(6.4)</u>	<u>(7.7)</u>
Present value of finance lease liabilities	<u><u>200.3</u></u>	<u><u>115.1</u></u>

(b) Convertible bonds

	Group	
	2003 <i>HK\$m</i>	2002 <i>HK\$m</i>
Bonds to be converted into shares of:		
The Company (<i>Note i</i>)	2,678.1	2,713.0
Subsidiaries (<i>Note ii</i>)	<u>—</u>	<u>1,350.5</u>
	<u><u>2,678.1</u></u>	<u><u>4,063.5</u></u>

- (i) In June 1999, a subsidiary has issued US\$300.0 million convertible guaranteed bonds which carry interest at 3.0% per annum payable semi-annually in arrears. The bonds are guaranteed by the Company and listed on the Luxembourg Stock Exchange. Each holder of the bonds has the option to convert the bonds into shares of HK\$1.00 each of the Company at a conversion price of HK\$24.60 per share, subject to adjustment, at any time between 9 August 1999 and 9 May 2004. A further US\$50.0 million convertible bonds was issued in July 1999 at the same terms and conditions. Unless previously converted, redeemed or cancelled, the bonds will be redeemed at 123.104% of their principal amount together with accrued interest on 9 June 2004. Provision for the premium payable has been made in the accounts so as to provide a constant periodic rate of charge to the profit and loss account over the term of the bonds.

During the year, the subsidiary redeemed bonds with an aggregate of US\$4.5 million (2002: Nil) for a total consideration of HK\$42.9 million. Provision for premium on redemption of the bonds of HK\$6.1 million was applied to set off against the deficit arising from the repurchase of the bonds.

- (ii) In March 1998, NWI issued US\$250.0 million convertible bonds which bear interest at 1.0% per annum payable semi-annually in arrears. The bonds were listed on the Luxembourg Stock Exchange. Each holder of the bonds had the option to convert the bonds into shares of HK\$1.00 each of NWI at the conversion price of HK\$23.05 per share, subject to adjustment, at any time until 1 April 2003. Subject to certain conditions being met, the bonds were redeemable at the option of NWI at any time on or after 15 April 2001, in whole or in part, in cash and/or for NWI shares. Unless previously converted, redeemed or repurchased the bonds would be redeemed at 143.4% of their principal amount together with the accrued interest on 15 April 2003.

During the year, NWI repurchased bonds with an aggregate principal amount of US\$3.9 million (2002: US\$4.0 million) for a total consideration of HK\$40.4 million (2002: HK\$39.6 million) and these bonds were then cancelled. Provision for premium on redemption of the bonds of HK\$9.9 million (2002: HK\$8.3 million) was applied to set off against the deficit arising from the repurchase of the bonds. The remaining balance of the bonds was redeemed by NWI on 3 March 2003.

28. LONG TERM LIABILITIES (Continued)

(c) Loans from minority shareholders

The loans from minority shareholders include loans of HK\$674.8 million (2002: HK\$1,052.5 million) to certain consolidated joint ventures, which are unsecured, carry interest at fixed rates ranging from 7.5% to 15.0% (2002: 10.0% to 15.0%) per annum and have repayment terms specified in the relevant joint venture agreements. The remaining balance is unsecured, interest free and has no specific repayment terms.

(d) Provision for long service payments

The Group's long service payment obligations as at 30 June 2003 are valued by Watson Wyatt Hong Kong Limited using the projected unit credit method.

The amounts recognised in the balance sheet were determined as follows:

	Group
	<i>HK\$m</i>
Present value of funded obligations	
At 30 June 2003	<u>107.3</u>
At 30 June 2002	<u>83.9</u>

	Group	
	2003	2002
	<i>HK\$m</i>	<i>HK\$m</i>
The amounts recognised in the profit and loss account were as follows:		
Current service cost	15.6	0.1
Interest cost	28.5	4.6
Net actuarial gains recognised during the year	<u>(12.7)</u>	<u>—</u>
	<u>31.4</u>	<u>4.7</u>

Movement in the long service payment obligations were as follows:

At 1 July	83.9	103.2
Net expense recognised in the profit and loss account	31.4	4.7
Payment made during the year	<u>(8.0)</u>	<u>(24.0)</u>
At 30 June	<u>107.3</u>	<u>83.9</u>

	Group	
	2003	2002
The principal actuarial assumptions used were as follows:		
Discount rate	3.5%	5.0%
	0.5%–	0.5%–
Expected rate of future salary increases	<u>2.5%</u>	<u>3.5%</u>

29. DEFERRED TAX LIABILITIES

	Group	
	2003	2002
	<i>HK\$m</i>	<i>HK\$m</i>
Balance at 1 July	62.9	24.8
Transfer from profit and loss account	<u>18.0</u>	<u>38.1</u>
Balance at 30 June	<u>80.9</u>	<u>62.9</u>
Provided for in respect of:		
Accelerated depreciation allowances	162.1	153.4
Other timing differences	<u>(81.2)</u>	<u>(90.5)</u>
	<u>80.9</u>	<u>62.9</u>
The potential deferred tax (assets)/liabilities not provided for in the accounts amounts to:		
Accelerated depreciation allowances	297.0	328.0
Other timing differences	<u>(830.5)</u>	<u>(806.1)</u>
	<u>(533.5)</u>	<u>(478.1)</u>

No provision has been made in respect of the revaluation surplus arising from the revaluation of the Group's and/or the Company's investment properties and hotel properties other than in the PRC as they do not constitute timing differences. Realisation of the surplus on revaluation of the Group's investment and hotel properties in the PRC would give rise to a taxation liability in the PRC. No provision has been made in the accounts for this liability as these properties are held for the long term and management has no intention to dispose of these properties in the foreseeable future.

30. COMMITMENTS

(a) Capital commitments

	Group		Company	
	2003	2002	2003	2002
	<i>HK\$m</i>	<i>HK\$m</i>	<i>HK\$m</i>	<i>HK\$m</i>
Contracted but not provided for				
Intangible assets	237.9	—	—	—
Fixed assets	708.9	713.3	—	—
An associated company	—	49.5	—	—
Subsidiaries	—	—	55.0	55.0
Jointly controlled entities	177.1	258.6	—	—
Other investments	<u>2.8</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>1,126.7</u>	<u>1,021.4</u>	<u>55.0</u>	<u>55.0</u>
Authorised but not contracted for				
Fixed assets	37.8	248.3	—	—
Jointly controlled entities	<u>—</u>	<u>628.8</u>	<u>—</u>	<u>—</u>
	<u>37.8</u>	<u>877.1</u>	<u>—</u>	<u>—</u>
The Group's share of capital commitments committed by the jointly controlled entities not included above are as follows:				
Contracted but not provided for	287.6	171.8	—	—
Authorised but not contracted for	<u>123.9</u>	<u>89.4</u>	<u>—</u>	<u>—</u>
	<u>411.5</u>	<u>261.2</u>	<u>—</u>	<u>—</u>

30. COMMITMENTS (Continued)

(b) Commitments under operating leases

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

	Group		Company	
	2003 HK\$m	2002 HK\$m	2003 HK\$m	2002 HK\$m
Land and buildings				
In the first year	338.5	351.2	—	—
In the second to fifth year inclusive	653.1	664.9	—	—
After the fifth year	<u>1,727.4</u>	<u>1,755.1</u>	—	—
	2,719.0	2,771.2	—	—
Equipment				
In the first year	15.4	21.2	—	—
In the second to fifth year inclusive	<u>13.8</u>	<u>19.7</u>	—	—
	<u>2,748.2</u>	<u>2,812.1</u>	—	—

(c) Other commitments

The future aggregate payments for other commitments are as follows:

In the first year	30.0	—	—	—
In the second to fifth year inclusive	<u>110.5</u>	—	—	—
	<u>140.5</u>	—	—	—

- (d) At 30 June 2003, the Group had issued performance guarantees amounting to approximately HK\$382.3 million (2002: HK\$316.2 million), in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of property projects developed by a subsidiary and certain jointly controlled entities of the Group. Pursuant to the terms of the performance guarantees, upon default in mortgage payments by these purchasers, the Group is obliged to repay the outstanding mortgage principals together with accrued interest owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties.

- (e) A subsidiary and certain jointly controlled entities are parties to agreements with third parties in respect of the joint development of Container Terminal 9 in Hong Kong, the related berth swap arrangement and the funding thereof. The Group's attributable share of capital commitments as at 30 June 2003 has been disclosed in Note (a) above.

In the event of default of any of the third parties, the relevant subsidiary and jointly controlled entities will be required to provide additional funds for the project. The Group has given guarantees in respect of the obligations of the relevant subsidiary and jointly controlled entities to provide additional funds. If the Group is required to fulfil its obligations under the guarantees, the maximum amount of the additional commitments assumed, in addition to the Group's share of the capital commitments as disclosed above, will be HK\$1,321.8 million (2002: HK\$1,482.0 million) out of which approximately HK\$781.0 million (2002: HK\$728.0 million) has been counter-indemnified by an associated company.

One of the jointly controlled entities has obtained banking facilities to finance 60.0% of its share of development costs for Container Terminal 9. The Group has given guarantee in respect of the banking facilities and is included in Note 31.

30. COMMITMENTS (Continued)

(f) Future minimum rental payments receivable

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

	Group		Company	
	2003	2002	2003	2002
	HK\$m	HK\$m	HK\$m	HK\$m
In the first year	481.2	509.5	—	—
In the second to fifth year inclusive	609.9	555.2	—	—
After the fifth year	410.6	146.1	—	—
	<u>1,501.7</u>	<u>1,210.8</u>	<u>—</u>	<u>—</u>

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

31. CONTINGENT LIABILITIES

	Group		Company	
	2003	2002	2003	2002
	HK\$m	HK\$m	HK\$m	HK\$m
Guarantees for				
Performance bonds in respect of construction contracts undertaken by the Group	1,373.2	1,140.4	100.8	—
Other performance bonds	211.9	384.7	77.7	333.0
Guarantees for credit facilities granted to				
Subsidiaries	—	—	24,081.8	25,033.5
Associated companies	1,581.4	159.1	105.0	—
Investee companies included under other investments	4.2	5.5	4.2	5.5
Jointly controlled entities	4,536.9	4,059.6	1,733.5	1,697.3
Indemnity to non-wholly owned subsidiaries for PRC tax liabilities	<u>2,008.1</u>	<u>2,135.3</u>	<u>6,645.1</u>	<u>7,059.0</u>
	<u>9,715.7</u>	<u>7,884.6</u>	<u>32,748.1</u>	<u>34,128.3</u>

The Group is in legal disputes with joint venture partners who took legal action against the Group in respect of certain property development projects in the PRC and a hotel project in Malaysia. For the PRC property development projects, no statement of claims setting out details of the claims have been rendered to the Group as at the date of this report and the Group also took counter action against this joint venture partner. For the hotel project in Malaysia, the hearing of the trial commenced on 9 June 2003 and finished on 14 July 2003. The judge reserved judgement until a date to be notified. The Directors have obtained legal advice on the matters and are of the opinion that the matters will not have adverse material impact on the financial position of the Group.

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating (loss)/profit to net cash inflow generated from operations

	2003 HK\$m	2002 HK\$m (As restated)
Operating (loss)/profit	(5,497.3)	1,700.0
Depreciation	1,200.7	1,174.2
Amortisation of goodwill/(negative goodwill)/cost of investment		
Associated companies	—	(15.7)
Jointly controlled entities	10.4	1.1
Subsidiaries	5.4	8.5
Dilution loss on reorganisation of subsidiaries	196.4	—
Impairment loss on		
Fixed assets	386.8	166.3
Goodwill	21.0	2.1
Jointly controlled entities	—	41.4
Provision for investments in		
A joint property development project	36.3	75.0
Associated companies	138.2	37.3
Jointly controlled entities	47.2	67.7
Listed and unlisted shares	101.4	248.7
Provision for		
Advances to associated companies	62.5	—
Advances to jointly controlled entities	480.8	535.4
Bad debts	35.5	—
Other assets	122.4	—
Other investments	286.1	—
Payments on account	111.6	—
Provision for diminution in value of completed properties and properties under development	1,197.3	325.6
Provision for joint development projects	1,140.5	—
Loss on dilution of interests in subsidiaries	0.3	132.3
Premium on redemption of convertible bonds	1.9	—
Loss on disposal of		
Fixed assets	33.1	—
Jointly controlled entities	33.2	—
Other investments	211.7	2.1
Subsidiaries	—	51.7
Profit on disposal of		
Fixed assets	—	(2,374.2)
Associated companies	(3.1)	(4.7)
Jointly controlled entities	(8.3)	(114.9)
Other investments	(283.1)	(201.0)
Subsidiaries	(107.6)	(492.1)
Profit on partial disposal of subsidiaries	(56.4)	—
Hotel property revaluation deficit	178.3	—
Write down of inventories to net realisable value	458.4	—
Write back of provision for		
Advance to an associated company	—	(92.6)
Diminution in value of properties under development	(40.0)	—
Exchange loss/(gain)	26.2	(19.6)
Net interest expenses and dividend income	1,449.6	1,309.2
Operating profit before working capital changes	1,977.4	2,563.8
Decrease/(increase) in stocks	271.0	(384.3)
Increase in properties held for sale	(1,713.2)	(1,225.4)
Decrease in debtors and prepayments	1,683.1	195.4
(Increase)/decrease in other loans receivable	(3.7)	7.5
(Decrease)/increase in creditors and accrued charges	(1,670.9)	1,867.5
Increase/(decrease) in contracts in progress	11.8	(580.9)
Increase/(decrease) in deposits received on sale of properties	208.3	(501.5)
Net cash inflow generated from operations	<u>763.8</u>	<u>1,942.1</u>

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of subsidiaries

	2003	2002
	<i>HK\$m</i>	<i>HK\$m</i>
Net assets acquired		
Fixed assets	745.6	3.3
Jointly controlled entities	775.4	—
Stocks	7.9	282.7
Properties held for sale	107.7	317.0
Debtors and prepayments	253.7	4.5
Taxation	(0.5)	—
Cash and bank balances	265.8	29.1
Creditors and accrued charges	(413.0)	(271.4)
Short term bank loans	(902.8)	—
Long term liabilities	(79.1)	(6.5)
Minority interests	(21.3)	3.2
	<u>739.4</u>	<u>361.9</u>
Less: Interests originally held by the Group		
Associated companies	66.1	(28.5)
Jointly controlled entities	(540.5)	(266.4)
	<u>265.0</u>	<u>67.0</u>
Goodwill on acquisition	<u>—</u>	<u>0.7</u>
	<u>265.0</u>	<u>67.7</u>
Represented by:		
Cash	<u>265.0</u>	<u>67.7</u>

(c) Analysis of net inflow/(outflow) of cash and cash equivalents

Cash consideration	(265.0)	(67.7)
Cash and bank balances acquired	<u>265.8</u>	<u>29.1</u>
	<u>0.8</u>	<u>(38.6)</u>

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Disposal of subsidiaries

	2003 <i>HK\$m</i>	2002 <i>HK\$m</i>
Net assets disposed		
Fixed assets	1,653.0	1,451.6
Associated companies	289.4	—
Other investments	—	1.0
Stocks	25.1	95.4
Properties held for sale	—	74.1
Debtors and prepayments	16.5	811.6
Cash and bank balances	174.0	136.1
Creditors and accrued charges	(492.0)	(276.9)
Bank loans and overdrafts	(73.6)	(61.8)
Taxation	—	(5.9)
Long term liabilities	(380.2)	(800.5)
Minority interests	(214.4)	(147.3)
	<u>997.8</u>	<u>1,277.4</u>
Goodwill	—	175.9
Asset revaluation reserve	—	(348.9)
Net profit on disposals of subsidiaries	<u>107.6</u>	<u>440.4</u>
	<u><u>1,105.4</u></u>	<u><u>1,544.8</u></u>
Represented by:		
Cash	1,128.5	532.4
Long term receivables	—	170.0
Debtors and prepayments	0.4	—
Other investments	—	93.3
Associated companies	—	94.7
Jointly controlled entities	(23.5)	654.4
	<u><u>1,105.4</u></u>	<u><u>1,544.8</u></u>
(e) Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries		
Cash consideration	1,128.5	532.4
Cash and bank balances disposed	(174.0)	(136.1)
Bank overdrafts discharged	—	61.8
	<u><u>954.5</u></u>	<u><u>458.1</u></u>

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(f) Analysis of changes in financing

	Share capital (including share premium) <i>HK\$m</i>	Long term liabilities <i>HK\$m</i>	Mandatorily convertible bonds <i>HK\$m</i>	Short term bank and other loans <i>HK\$m</i>	Restricted cash and bank balances <i>HK\$m</i>	Minority interests <i>HK\$m</i>	Total <i>HK\$m</i>
Balance at 30.6.2001	21,181.4	39,084.4	1,162.2	2,379.6	(1,747.0)	17,356.9	79,417.5
Net cash (outflow)/inflow from financing	(0.3)	(842.3)	—	1,291.3	(657.4)	40.0	(168.7)
Scrip dividends issued	217.7	—	—	—	—	—	217.7
Partial disposal of interest in subsidiaries	—	—	—	—	—	48.0	48.0
Goodwill on acquisition of additional interest in subsidiaries	—	—	—	—	—	131.1	131.1
Acquisition of additional interests in subsidiaries	—	—	—	—	—	(908.9)	(908.9)
Disposal of subsidiaries	—	(800.5)	—	—	—	(147.3)	(947.8)
Conversion of bonds	—	—	(1,162.2)	—	—	1,162.2	—
Increase in deferred interest income	—	19.9	—	—	—	—	19.9
Increase in long term accounts payable	—	194.9	—	—	—	—	194.9
Acquisition of subsidiaries	—	6.5	—	—	—	(3.2)	3.3
Increase in minority interests from dilution of interests in a subsidiary	—	—	—	—	—	132.3	132.3
Minority interests' share of net profit and other reserves	—	—	—	—	—	471.7	471.7
Dividends to minority shareholders	—	—	—	—	—	(325.3)	(325.3)
Inception of finance leases	—	103.2	—	—	—	—	103.2
Release of reserves upon disposal of a jointly controlled entity	—	—	—	—	—	67.7	67.7
Translation difference	—	—	—	—	—	(6.2)	(6.2)
Balance at 30.6.2002	21,398.8	37,766.1	—	3,670.9	(2,404.4)	18,019.0	78,450.4
Net cash (outflow)/inflow from financing	(0.2)	(1,338.2)	—	(365.1)	731.1	32.0	(940.4)
Scrip dividends issued	168.5	—	—	—	—	—	168.5
Partial disposal of interest in subsidiaries	—	—	—	—	—	28.9	28.9
Acquisition of additional interests in subsidiaries	—	—	—	902.8	—	(244.2)	658.6
Disposal of subsidiaries	—	(380.2)	—	(73.6)	—	(214.4)	(668.2)
Decrease in deferred interest income	—	(10.9)	—	—	—	—	(10.9)
Increase in long term accounts payable	—	222.6	—	—	—	—	222.6
Acquisition of subsidiaries	—	79.1	—	—	—	21.3	100.4
Increase in minority interests as a result of Reorganisation and dilution of interests in subsidiaries	—	—	—	—	—	196.7	196.7
Minority interests' share of net loss and other reserves	—	—	—	—	—	(905.7)	(905.7)
Dividends to minority shareholders	—	—	—	—	—	(92.9)	(92.9)
Inception of finance leases	—	113.5	—	—	—	—	113.5
Translation difference	—	—	—	—	—	(13.5)	(13.5)
Balance at 30.6.2003	21,567.1	36,452.0	—	4,135.0	(1,673.3)	16,827.2	77,308.0

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(g) Non-cash transactions

The Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$113.5 million (2002: HK\$103.2 million).

In 2002, the Group disposed all of its interests in New World CyberBase Limited, an investment security held by a subsidiary, to a third party at a consideration of HK\$49.3 million. The consideration was satisfied by shares and convertible bond issued from Asia Logistics Technologies Limited, which is a company controlled by an independent third party, at the sums of HK\$10.0 million and HK\$39.3 million respectively.

Trade deposits of approximately HK\$969.1 million included in debtors, deposits and prepayment at 30 June 2002 is reclassified to deposits for purchase of fixed and intangible assets during the year.

During the year, the Group's consideration on disposal of its interest in certain investments of approximately HK\$660.0 million was applied as a further payment for the acquisition of the Network.

33. RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions during the year carried out in the normal course of the Group's business:

	2003 HK\$m	2002 HK\$m
Transactions with affiliated companies (<i>Note a</i>)		
Rental income (<i>Note b</i>)	12.4	13.7
Provision of contracting work service (<i>Note c</i>)	324.4	77.7
Interest income (<i>Note d</i>)	163.7	236.5
Purchase of assets (<i>Note e</i>)	457.0	673.8
Acquisitions of a subsidiary (<i>Note f</i>)	—	43.0
	<u> </u>	<u> </u>
Transactions/balances with other related parties		
Rental income (<i>Note b</i>)	17.6	18.8
Management fee expenses (<i>Note g</i>)	72.2	69.8
Disposal of fixed assets (<i>Note h</i>)	287.6	—
Disposal of other investments (<i>Note h</i>)	165.4	—
Disposals of subsidiaries (<i>Note i</i>)	347.8	—
Accounts payable (<i>Note j</i>)	761.1	2,239.5
	<u> </u>	<u> </u>

- (a) Affiliated companies include associated companies and jointly controlled entities.
- (b) Rental income is charged in accordance with tenancy agreements.
- (c) Revenue from provision of contracting work is principally charged at terms no less favourable than those charged to third party customers of the Group.
- (d) Interest income is charged at interest rates as specified in Notes 16 and 17 on the outstanding balances due by the affiliated companies.
- (e) Balance for the year represents purchases of licences, interactive television network system and equipment which are developed by an associated company. In previous year, the amount represented purchases of stocks from the associated company which were sold to the Group at its original purchase costs from third party suppliers. The Group also paid approximately HK\$936.5 million to the associated company as trade deposits for purchase of fixed assets. In previous year, the Group also paid approximately HK\$969.1 million to the associated company as trade deposits for purchase of stocks as included in debtors and prepayment.

33. RELATED PARTY TRANSACTIONS (Continued)

- (f) On 31 May 2002, the Group purchased the entire issued share capital of Ngo Kee Construction Company Limited from Wai Kee Holdings Limited, an associated company, at a cash consideration of HK\$43.0 million.
- (g) Management fee expenses are charged at rates in accordance with relevant contracts.
- (h) Certain transactions had been entered into between subsidiaries of the Group and subsidiaries of Chow Tai Fook Enterprises Limited (“CTFEL”) for the disposal of fixed assets and other investments at their open market values at dates of disposals.
- (i) During the year, the Group disposed of its entire interest in a subsidiary to a subsidiary of CTFEL for a consideration of HK\$347.8 million.
- (j) The amounts payable are unsecured, interest free and are repayable on demand except for the amount of HK\$755.7 million (2002: HK\$853.5 million) which bears interest ranging from 0.5% to 1.0% above HIBOR.

34. COMPARATIVE FIGURES

Comparative figures for the segment information, fixed assets, jointly controlled entities and other assets have been reclassified or extended to conform with the current year’s presentation.

In accordance with SSAP 15 (revised), the Group includes cash, unrestricted bank deposits and bank overdrafts as components of cash and cash equivalents. This change in accounting policy has been applied retrospectively so that comparative figures of the consolidated cash flow statements have been restated to conform with the changed policy. This change has resulted in an increase in cash and cash equivalents by HK\$946.1 million as at 1 July 2001 and by HK\$1,382.9 million as at 30 June 2002.

35. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 16 October 2003.

36. PRINCIPAL SUBSIDIARIES

As at 30 June 2003

	Share capital issued [#] Number	Par value per share HK\$	Percentage of equity shares held		Principal activities
			By the Company	By the Group	
Incorporated and operated in Hong Kong					
Addlight Investments Limited	9,998	1	—	56	Property Investment
	2*	1	—	—	
Advance Planner Limited	100	1	40	49	Property Investment
All Speed Investment Limited	2	1	100	100	Property Investment
Arlaken Development Limited	40	100	100	100	Investment Holding
Atlantic Land Properties Limited	2	1	100	100	Investment Holding
Barbican Construction Company Limited	130,000	100	—	54	Construction
	20,000*	100	—	—	
Billionoble Investment Limited	4,998	1	—	54	Investment Holding
	2*	1	—	—	
Billion Huge (International) Limited	950,001	1	—	70	Investment Holding
Billion Park Investment Limited	1,000,000	1	—	55	Investment Holding
Birkenshaw Limited	10,000	1	—	100	Property Investment
Blanca Limited	10,000	1	—	100	Investment Holding
Bright Moon Company Limited	200	10	75	75	Property Investment
Broadway-Nassau Investments Limited	2	10,000	—	54	Property Investment
	3,000*	10,000	—	—	
Calpella Limited	2	10	—	100	Property Investment
Care & Services Company Limited	15,000,000	1	—	54	Elderly Care Services
Cheer Best Enterprises Limited	2	1	100	100	Property Investment
Cheong Sing Company Limited	10,000	1	100	100	Property Investment
City Team Development Limited	1,000,000	1	—	81	Property Investment
Crown Field Properties Limited	10	1	—	70	Property Investment
Dragon Crest Limited	2	1	—	100	Property Investment
Extensive Trading Company Limited	8,500,000	1	—	54	Trading of Building Materials
	1,500,000*	1	—	—	
Far East Engineering Services Limited	766,714	10	—	54	Mechanical and Electrical
	233,288*	10	—	—	Engineering
Fook Hong Enterprises Company Limited	10,000	100	100	100	Property Investment
General Security (H.K.) Limited	8,402	100	—	54	Security Services
	11,600*	100	—	—	
Gold Queen Limited	5,000	1	100	100	Property Investment
Gradex Limited	2	1	—	100	Property Investment
Grand Hyatt Hong Kong Company Limited	1,000	1	—	64	Hotel Operation
Happy Champion Limited	2	1	100	100	Investment Holding
Head Step Limited	2	1	100	100	Property Investment
Hip Hing Construction (China) Company Limited	100,001	100	—	54	Construction
	1*	100	—	—	
Hip Hing Construction Company Limited	400,000	100	—	54	Construction and Civil
	600,000*	100	—	—	Engineering
Hong Kong Convention and Exhibition Centre (Management) Limited	3	1	—	54	Management of HKCEC
	1*	1	—	—	
Hong Kong Island Development Limited	33,400,000	5	6	100	Property Investment
Hong Kong Island Landscape Company Limited	980,000	10	—	54	Landscaping and Project
	20,000*	10	—	—	Contracting
Hong Kong New World Department Store Company Limited	968,153,000	1	100	100	Department Stores Operation
Honour Shares Limited	100	1	—	100	Investment Holding
International Property Management Limited	450,000	10	—	54	Property Management
	95,500*	10	—	—	
Joint Profit Limited	2	1	100	100	Property Investment
Kamking Limited	2	1	100	100	Property Investment
Keen Sales Limited	2	1	—	54	Investment Holding
	2*	1	—	—	
Kentfull Contracting Limited	10	1	—	38	Interior Decoration Contracting
	5,000,000*	1	—	—	
Kin Kiu Enterprises Limited	10,000	1,000	100	100	Investment Holding
King Lee Investment Company Limited	300	1,000	100	100	Investment Holding

36. PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2003

	Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
Incorporated and operated in Hong Kong					
<i>(continued)</i>					
Kiu Lok Service Management Company Limited	2	100	—	54	Property Management
	1,002*	100	—	—	
Kiwi Kleeners Limited	1,000	100	—	54	Trading of Linen
Kleaners Limited	5,000,000	1	—	54	Laundry Services
Koon Soon Limited	2	1	—	100	Property Investment
Lingal Limited	1,800	1	—	70	Investment Holding
	200*	1	—	—	
Loyalton Limited	2	10	—	100	Property Investment
Macdonnell Hostel Company Limited	2	1	100	100	Hostel Management and Operation
Mega Choice Holdings Limited	100	1	80	80	Property Investment
Millennium Engineering Limited	18,750,000	1	—	49	Supply and Installation of Aluminium Windows and Curtain Wall
New China Laundry Limited	40,000,002	1	—	54	Laundry Services
	704,000*	1	—	—	
New Town Project Management Limited	2	1	100	100	Project Management
New Waly Interior Products Limited	1,000,000	1	—	38	Trading of Interior Products
New World Department Stores Limited	2	1	—	100	Management Services to Department Stores
New World Development (China) Limited	2	1	—	70	Investment Holding
	2*	1	—	—	
New World Finance Company Limited	200,000	100	100	100	Financial Services
New World Harbourview Hotel Company Limited	1,000	1	—	64	Hotel Operation
New World Hotel Company Limited	40,000,000	1	—	64	Hotel Operation
New World Insurance Services Limited	1,000,000	1	—	54	Insurance Brokerage Service
New World Investments Limited	2	1	100	100	Property Investment
New World Nominee Limited	2	100	100	100	Nominee Services
New World PCS Limited	1,000,000	1	—	100	Mobile Telecommunication Services
New World Real Estate Agency Limited	2	1	100	100	Estate Agency
New World Tacko (Xian) Limited	10,000	1	—	45	Investment Holding
New World Telephone Holdings Limited	200	1	100	100	Investment Holding
New World Telecommunications Limited (formerly New World Telephone Limited)	2	1	—	100	Telecommunication Services
New World Tower Company Limited	2	10	—	100	Property Investment
NWD (Hotels Investments) Limited	576,000,000	0.25	—	64	Investment Holding
NWD Finance Limited	2	1	100	100	Financial Services
NWS (Finance) Limited	2	1	—	54	Financial Services
Ngo Kee Construction Company Limited	270,000	100	—	54	Building and Construction
	1**	1	—	54	
Onfill Company Limited	2	1	100	100	Property Investment
Outboard Marine Corporation Asia Limited	64,133,565	1	—	100	Property Investment
Paterson Plaza Properties Limited	10,000	1	—	100	Property Investment
Peterson Investment Company Limited	10,000	1	100	100	Property Investment
Pollution & Protection Services Limited	18,057,780	1	—	54	Cleaning Services
	500,020*	1	—	—	
Polytown Company Limited	2	10	—	54	Property Investment
	100,000*	10	—	—	
Pontiff Company Limited	10,000,000	1	—	100	Property Investment
Pridemax Limited	2	1	—	100	Property Investment
Ready City Limited	200	1	—	54	Investment Holding
Sky Connection Limited	100	1	—	100	Duty-Free, Liquor and Tobacco Sales
Spotview Development Limited	10,000	1	—	100	Property Investment
Tai Yieh Construction & Engineering Company Limited	40,000	1,000	—	54	Construction and Civil Engineering
	10,000*	1,000	—	—	
Tao Yun Company Limited	2	10	—	100	Property Investment

36. PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2003

	Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
Incorporated and operated in Hong Kong					
<i>(continued)</i>					
Team Deco International Limited	2	1	—	54	Interior Design
Trade Port Enterprises Limited	2	1	100	100	Investment Holding
Trend Island Limited	2	1	—	70	Investment Holding
True Hope Investment Limited	4,998	1	—	54	Investment Holding
	2*	1	—	—	
Tridant Engineering Company Limited	34,400,000	1	—	54	Mechanical and Electrical
	15,600,000*	1	—	—	Engineering and Trading
Trump Champion Limited	2	1	—	100	Property Investment
Try Force Limited	4,998	1	—	54	Investment Holding
	2*	1	—	—	
Tsuen Wan Properties Limited	200	100	—	100	Property Investment
Uniformity Security Company Limited	2	100	—	54	Security Services
	2,500*	100	—	—	
Urban Parking Limited	10,000,000	1	—	54	Carpark Management
Urban Property Management Limited	49,995,498	1	—	54	Property Management
	4,502*	1	—	—	
Vibro (HK) Limited	20,000,004	3	—	54	Piling and caisson and Civil Engineering
Wai Hong Cleaning & Pest Control Company Limited	400,000	100	—	54	Cleaning and Pest Control Services
Waking Builders Limited	20,000	1,000	—	54	Construction
Waygent Investment Limited	2	1	100	100	Property Investment
World Empire Property Limited	2	1	100	100	Property Investment
Young's Engineering Company Limited	4,000,000	10	—	54	Air Conditioning and Electrical Engineering
Incorporated in Cayman Islands and operated in Hong Kong					
New World China Land Limited	1,481,944,294	HK\$0.10	68	70	Investment Holding
NW China Homeowner Development Limited	5,363,925	US\$0.01	—	70	Investment Holding
New World Infrastructure Limited	952,180,007	HK\$1	—	54	Investment Holding
NWS Service Management Limited (formerly New World Services Limited)	1,323,943,165	HK\$0.10	—	54	Investment Holding
Incorporated and operated in the Philippines					
New World International Development Philippines, Inc.	6,988,016	Peso100	—	27	Hotel Operation

[#] Represented ordinary share capital, unless otherwise stated

* Non-voting deferred shares

** Non-voting preference shares

36. PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2003

	Registered capital/ Share capital issued	Attributable interest (Note a)		Principal activities
		Par value Amount/Number	To the Company Group	
Incorporated and operated in the People's Republic of China				
Beijing Autotech Service Co., Ltd.	US\$2,550,000	—	—	100 Auto Repair Centre
Beijing Lingal Real Estates Development Co., Ltd.	US\$13,000,000	—	—	70 Property Investment
Dalian New World Plaza International Co., Ltd.	Rmb58,000,000	—	—	61 Property Investment
Fung Seng Estate Development (Shanghai) Co., Ltd.	US\$10,000,000	—	—	49 Property Investment
Gaoming Xinming Bridge Limited	Rmb60,000,000	—	—	44 Operation of Toll Bridge
Guangdong Xinzhaogao Highways Company, Limited	Rmb80,000,000	—	—	38 Operation of Toll Road
Guangxi Beiliu Xinbei Highways Limited	Rmb99,200,000	—	—	33 Operation of Toll Road
Guangxi Cangwu Xincang Highways Limited	Rmb64,000,000	—	—	38 Operation of Toll Road
Guangxi Rongxian Xinrong Highways Limited	Rmb82,400,000	—	—	38 Operation of Toll Road
Guangxi Yulin Xintong Highways Limited	Rmb64,000,000	—	—	33 Operation of Toll Road
Guangxi Yulin Xinye Highways Limited	Rmb63,800,000	—	—	33 Operation of Toll Road
Guangxi Yulin Xinyu Highways Limited	Rmb96,000,000	—	—	33 Operation of Toll Road
Guangzhou Metropolitan Properties Co., Ltd.	HK\$140,000,000	—	100	100 Property Investment
Guangzhou New World Properties Development Co., Ltd.	HK\$170,000,000	—	100	100 Property Investment
Guangzhou Xinhua Chen Real Estate Co., Ltd.	Rmb200,000,000	—	—	70 Property Investment
Guangzhou Xin Hua Jian Real Estate Co., Ltd.	Rmb244,000,000	—	—	70 Property Investment
Guangzhou Xin Yi Development Limited	HK\$286,000,000	—	—	63 Property Investment
Nanjing Huawei Real Estate Development Co., Ltd.	US\$12,000,000	—	—	64 Property Investment
New World Anderson (Tianjin) Development Co., Ltd.	US\$10,000,000	—	—	70 Property Investment
New World Development (Wuhan) Co., Ltd.	US\$12,000,000	—	—	70 Property Investment
New World (Shenyang) Property Development Limited	Rmb97,720,000	—	—	63 Property Investment
Ningbo New World Department Store Limited	Rmb40,000,000	—	—	100 Department Store Operation
Ningbo Firm Success Consulting Development Company Limited	US\$5,000,000	—	—	100 Investment Holding
Qingyuan Xincheng Highways Limited	Rmb72,000,000	—	—	44 Operation of Toll Road
Shanghai Heyu Properties Co., Ltd.	US\$12,000,000	—	—	45 Property Investment
Shanghai Juyi Real Estate Development Co., Ltd.	Rmb350,000,000	—	—	49 Property Investment
Shanghai Mayfair Hotel Co., Ltd.	Rmb8,000,000	—	—	45 Hotel Operation
Shanghai Ramada Plaza Ltd.	US\$34,000,000	—	—	43 Property Investment and Hotel Operation
Shanxi Xinda Highways Limited	Rmb49,000,000	—	—	48 Operation of Toll Road
Shanxi Xinhuang Highways Limited	Rmb56,000,000	—	—	48 Operation of Toll Road
Shenyang New World Department Store Limited	Rmb30,000,000	—	—	100 Department Store Operation
Shenzhen New World Xianglong Network Technology Company Limited	Rmb200,000,000	—	—	54 Exploration of Wireless Telecommunication Network
Shenzhen New World Xianglong Technology Development Company Limited	Rmb100,000,000	—	—	54 Exploration of Wireless Telecommunication Network
Shenzhen Topping Real Estate Development Co., Ltd.	HK\$182,000,000	—	—	63 Property Investment
Sun Long Communication Co., Ltd.	Rmb100,000,000	—	—	54 Provision of telecommunication related services
Suzhou Huisu International Container Freight Wharfs Co., Ltd.	US\$3,750,000	—	—	40 Container Handling, Warehousing and Road Freight Operation
Taiyuan Xintai Highways Limited	Rmb72,120,000	—	—	48 Operation of Toll Road
Taiyuan Xinyuan Highways Limited	Rmb85,880,000	—	—	48 Operation of Toll Road
Tianjin New World Department Store Limited	US\$5,000,000	—	—	100 Department Store Operation
Wuhan Bridge Construction Co., Limited	502,850,000	Rmb1	—	27 Operation of Toll Bridges
Wuhan New Eagle Development Company Limited	US\$10,000,000	—	—	95 Property Investment
Wuhan New Eagle Properties Co., Limited	US\$2,830,000	—	—	67 Property Investment
Wuxi New World Department Store Limited	US\$5,000,000	—	—	100 Department Store Operation
Wuzhou Xinwu Highways Company Limited	Rmb72,000,000	—	—	24 Operation of Toll Road
Xiamen New World Xiangyu Warehouse & Processing Zone Limited	US\$5,000,000	—	—	54 Development of Warehousing, Processing and Logistics Facilities

36. PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2003

	Registered capital/ Share capital issued	Attributable interest (Note a)		Principal activities
		Par value Amount/Number	To the Company	
Incorporated and operated in the People's Republic of China (continued)				
Xiamen Xinyuan Container Terminal Co., Ltd.	Rmb17,000,000	—	—	38 Cargo Consolidation, Container Storage, Repairs and Maintenance
Yunfu Xinxing Highways Limited	Rmb30,000,000	—	—	30 Operation of Toll Road
Zhaoqing Deqing Xinyue Highways Limited	Rmb34,000,000	—	—	35 Operation of Toll Road
Zhaoqing Xinde Highways Company, Limited	Rmb165,867,000	—	—	24 Operation of Toll Road
Zhaoqing Xinfeng Highways Company, Limited	Rmb94,000,000	—	—	24 Operation of Toll Road
Zhaoqing Xingao Highways Company, Limited	Rmb54,000,000	—	—	22 Operation of Toll Road
Zhaoqing Xinhui Highways Company, Limited	Rmb103,500,000	—	—	27 Operation of Toll Road
Zhaoqing Xinning Highways Company, Limited	Rmb90,000,000	—	—	30 Operation of Toll Road

Note:

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

	Share capital issued Number	Par value per share	Percentage of equity shares held		Principal activities
			By the Company	By the Group	
Incorporated in Bermuda and operated in Hong Kong					
NWS Holdings Limited (formerly Pacific Ports Company Limited)	1,780,759,001	HK\$1	—	54	Investment Holding
Incorporated in British Virgin Islands					
Eddington Holdings Limited	100	US\$1	—	82	Investment Holding
Ever Brisk Limited	1	US\$1	—	70	Investment Holding
Fine Reputation Incorporated	10,000	US\$1	100	100	Investment Holding
Hing Loong Limited	10,000	US\$1	100	100	Investment Holding
Hinto Developments Limited	1	US\$1	—	70	Investment Holding
Lotsgain Limited	100	US\$1	—	54	Investment Holding
Magic Chance Limited	1	US\$1	—	70	Investment Holding
Master Services Limited	1,000,000	US\$0.01	—	33	Investment Holding
New World BioSciences Holdings Limited	1	US\$1	—	100	Investment Holding
New World Capital Finance Limited	1	US\$1	100	100	Financial Services
New World Enterprise Holdings Limited	1	US\$1	100	100	Investment Holding
New World First Bus Services Limited	10,000,000	HK\$1	—	54	Bus Services
New World First Ferry Services Limited	1	US\$1	—	54	Ferry Services
New World First Ferry Services (Macau) Limited	1	US\$1	—	54	Ferry Services
New World First Holdings Limited	10,000,000	HK\$1	—	54	Investment Holding
New World Hotels (Corporation) Limited	1	US\$1	—	64	Investment Holding
New World Industrial Holdings Limited	1	US\$1	—	100	Investment Holding
New World LifeTech Limited	100	US\$1	—	80	Investment Holding
New World Telephone International Limited	100	US\$1	—	100	Provision of Telecommunication Services
New World Venture Holdings Limited	1	US\$1	—	100	Investment Holding
NWS Infrastructure Management Limited	1	US\$1	—	54	Investment Holding
NWS Ports Management Limited	1	US\$1	—	54	Investment Holding
Park New Astor Hotel Limited	101	US\$1	—	100	Property Investment
Radiant Glow Limited	1	US\$1	—	70	Investment Holding
Sea Walker Limited	1	US\$1	100	100	Investment Holding
Sparkling Rainbow Limited	1	US\$1	—	70	Investment Holding
Steadfast International Limited	2	US\$1	100	100	Investment Holding
Sweet Prospects Enterprises Limited	1	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

37. PRINCIPAL ASSOCIATED COMPANIES

As at 30 June 2003

	Share capital issued [#] Number	Percentage of equity shares held		Principal activities	
		Par value per share HK\$	By the Company		By the Group
Incorporated and operated in Hong Kong					
Birkenhead Property & Investment Limited	1,200,000	1	—	50 Property Investment	
CSX World Terminals Hong Kong Limited	55,000'A'	1	—	— Operation of Container Terminal	
	5,000'B'	1	—	18	
Estoree Limited	500'A'	10	—	—	
	500'B'	10	—	50	
	9,000'C'*	10	—	— Property Investment	
Ever Light Limited	1,000	1	40	40 Property Investment	
Global Perfect Development Limited	1,000,000	1	—	35 Investment Holding	
Global Winner Limited	2	1	—	50 Property Investment	
Kentfull Engineering Company Limited	10,000	1	—	23 Building Construction	
Pure Jade Limited	1,000	1	—	20 Property Investment	
Quon Hing Concrete Company Limited	200,000	100	—	27 Production and Sales of Concrete	
Ranex Investment Limited	100	1	—	10 Property Trading	
Shun Tak Centre Limited	1,000	100	—	29 Property Investment	
Silverland Limited	4	1	50	50 Property Investment	
Sun City Holdings Limited	8,000,000	1	—	21 Investment Holding	
Tengis Limited	2	10	—	12 Share Registration, Company Secretarial Services	
Yargoan Company Limited	150,000	100	—	23 Stone Quarrying	
Incorporated and operated in the United States of America					
Athena Database, Inc.	35,000,000B	—	—	— Development of database application tools	
	15,000,000+	—	—	54	
CyberLancet Corporation	50,000,000B	—	—	— Development of Internet Technology	
	21,000,000+	—	—	54	
CyberNova Corporation	31,000,000B	—	—	— Development of Cable Modem	
	20,000,000+	—	—	54	
PrediWave Corporation	35,000,000B	—	—	— Development of Video-on- demand Technology	
	15,000,000+	—	—	54	
S.T.U.B. SATertainment, Inc.	60,000,000B	—	—	— Distribution of satellite products	
	40,000,000+	—	—	54	
TechStock, Inc.	30,000,000B	—	—	— Investment Holding	
	20,000,000+	—	—	54	
Visionaire Technology Corporation	34,000,000B	—	—	— Technology Investment Holding	
	15,000,000+	—	—	54	
WarpEra Corporation	42,000,000B	—	—	— Development of Computer Hardware and Software	
	18,000,000+	—	—	54	

37. PRINCIPAL ASSOCIATED COMPANIES (Continued)

As at 30 June 2003

	Registered capital/ Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number	Par value per share	By the Company	By the Group	
Incorporated and operated in Thailand					
Ploenchit Arcade Company Limited	20,000	Baht10,000	—	13	Hotel Investment
Incorporated in British Virgin Islands					
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	—	31	Investment Holding
New Dragon Asia Food Limited	1	US\$1	—	32	Investment Holding
New QU Energy Limited	65,000,000 ^β	—	—	—	Development and
	35,000,000 ⁺	—	—	35	Production of Heat Transfer Devices
Newton Asia Limited	2	US\$1	50	50	Property Investment
Incorporated and operated in the People's Republic of China					
Shandong Unison Bioengineering Co., Ltd.	Rmb5,000,000	—	—	35	Chinese Herbal
Shanghai New World Huai Hai Property Development Co., Ltd.	US\$108,500,000	—	—	31	Property Investment
Incorporated in Bermuda and operated in Hong Kong					
Kwoon Chung Bus Holdings Limited	393,906,000	HK\$0.10	—	16	Investment Holding
Tai Fook Securities Group Limited	473,637,699	HK\$0.10	—	11	Investment Holding
Wai Kee Holdings Limited	784,674,034	HK\$0.10	—	15	Investment Holding
[#]	Represented ordinary shares, unless otherwise stated.				
[*]	Non-voting deferred ordinary shares				
^{**}	Non-cumulative non-voting redeemable preference shares				
^β	Common stocks				
⁺	Series A preferred stocks				

38. PRINCIPAL JOINTLY CONTROLLED ENTITIES

As at 30 June 2003

	Registered capital	Attributable interest Ω		Principal activities
		To the Company	To the Group	
Incorporated and operated in the People's Republic of China				
<i>Equity Joint Ventures</i>				
Beijing Orient Mosler Security Technology Co., Ltd.	US\$2,000,000	—	35	Security System
Guangzhou Oriental Power Co., Limited	Rmb990,000,000	—	14	Generation and Supply of Electricity
Guangzhou Pearl River Power Co., Limited	Rmb420,000,000	—	27	Generation and Supply of Electricity
Hong Kong Jing-Guang Development Ltd	HK\$1,000,000	—	23	Hotel Operation
CSX Orient (Tianjin) Container Terminals Co., Limited	US\$29,200,000	—	13	Operation of Container Terminal
Shanghai Jianmei Property Development Co., Ltd	US\$10,000,000	—	21	Property Investment
Shenyang New World Lumingchun Building Co., Limited	Rmb68,000,000	—	49	Hotel Operation
Xiamen Xiang Yu Quay Co., Ltd.	Rmb384,040,000	—	27	Container Handling and Storage and Road Freight Operations
Yixing United Ceramics Company Ltd.	US\$16,360,000	—	48	Ceramics Tiles Manufacturing
<i>Co-operative Joint Ventures</i>				
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Co., Limited	Rmb580,000,000	—	14	Operation of Toll Road
Beijing Chong Wen-New World Properties Development Co., Limited	US\$104,100,000	—	49	Property Investment
Beijing Chong Yu Real Estate Development Co., Limited	US\$81,840,000	—	49	Property Investment
China New World Electronics Limited	US\$57,000,000	—	49	Property Investment
Dongguan New World Garden Trade Construction Co., Limited	US\$12,000,000	—	26	Property Investment
Dongguan New World Square Trade Construction Co., Limited	US\$12,000,000	—	26	Property Investment
Guangzhou Cosmart Estate Development Limited	HK\$48,000,000	—	42	Property Investment
Guangzhou Fong Chuen New World Properties Development Co., Limited	Rmb330,000,000	—	42	Property Investment
Guangzhou Fucheng Property Development Co., Limited	HK\$80,000,000	—	42	Property Investment
Guangzhou Northring Freeway Company Limited	US\$19,255,000	—	36	Operation of Toll Road
Huishen (Yantian) Expressway Huizhou Company Limited	Rmb39,000,000	—	18	Operation of Toll Road
Huizhou City Hui-Ao Roadway Company Limited	Rmb75,000,000	—	27	Operation of Toll Road
Huizhou City Huixin Expressway Company Limited	Rmb34,400,000	—	27	Operation of Toll Road
New Bei Fang Hotel Ltd.	US\$1,200,000	—	42	Property Investment
Neworgen Limited	US\$6,000,000	—	31	Development of Biochemical Technology
Shanghai Trio Property Development Co., Limited	US\$75,000,000	—	33	Property Investment
Shenzhen Top One Real Estate Development Co., Ltd.	HK\$60,000,000	—	49	Property Investment
Shunde De Sheng Power Plant Company Limited	US\$86,230,000	—	32	Operation of Power Plant
Sichuan Qianwei Dali Power Company Limited	US\$30,000,000	—	32	Generation and Supply of Electricity
Tianjin New World Properties Development Co., Ltd.	US\$12,000,000	—	70	Property Investment

38. PRINCIPAL JOINTLY CONTROLLED ENTITIES (Continued)

As at 30 June 2003 (Continued)

	Registered capital	Attributable interest Ω		Principal activities
		To the Company	To the Group	
Incorporated and operated in the People's Republic of China				
Tangjin Expressway (Tianjin North Section)				
Tianjin Xinlu Expressway Company Limited	Rmb99,092,000	—	—	49@Operation of Toll Road
Tianjin Xindi Expressway Company Limited	Rmb93,688,000	—	—	49@Operation of Toll Road
Tianjin Xinlong Expressway Company Limited	Rmb99,400,000	—	—	49@Operation of Toll Road
Tianjin Xinming Expressway Company Limited	Rmb85,468,000	—	—	49@Operation of Toll Road
Tianjin Xinqing Expressway Company Limited	Rmb99,368,000	—	—	49@Operation of Toll Road
Tianjin Xinquan Expressway Company Limited	Rmb92,016,000	—	—	49@Operation of Toll Road
Tianjin Xinsen Expressway Company Limited	Rmb87,300,000	—	—	49@Operation of Toll Road
Tianjin Xinshi Expressway Company Limited	Rmb99,388,000	—	—	49@Operation of Toll Road
Tianjin Xinsi Expressway Company Limited	Rmb96,624,000	—	—	49@Operation of Toll Road
Tianjin Xintong Expressway Company Limited	Rmb99,448,000	—	—	49@Operation of Toll Road
Tianjin Xintuo Expressway Company Limited	Rmb99,316,000	—	—	49@Operation of Toll Road
Tianjin Xinxiang Expressway Company Limited	Rmb90,472,000	—	—	49@Operation of Toll Road
Tianjin Xinyan Expressway Company Limited	Rmb89,028,000	—	—	49@Operation of Toll Road
Tianjin Xinzhan Expressway Company Limited	Rmb89,392,000	—	—	49@Operation of Toll Road
Wuhan Airport Road Development Limited	Rmb60,000,000	—	—	22 Operation of Toll Road
Wuhan Taibei & New World Hotel Co., Ltd.	US\$14,160,000	—	—	35 Hotel Operation
Wuhan Wuxin Hotel Co., Ltd.	US\$13,500,000	—	—	42 Property Investment
Wuhan Xinhua Development Co., Limited	Rmb55,000,000	—	—	35 Property Investment
Wuxi New City Development Co., Limited	US\$10,040,000	—	—	26 Hotel Operation

Ω percentage of equity interest, in the case of equity joint ventures or joint stock limited company or profit sharing percentage, in the case of co-operative joint ventures.

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

38. PRINCIPAL JOINTLY CONTROLLED ENTITIES (Continued)

As at 30 June 2003

	Number	Share capital issued [#] Par value per share HK\$	Percentage of equity shares held		Principal activities
			By the Company	By the Group	
Incorporated and operated in Hong Kong					
<i>Company Limited By Shares</i>					
Asia Container Terminals Limited	1,000	1	—	13	Development and Operation of Container Terminal
Asian Success Investments Limited	900	1	—	33	Property Investment
ATL Logistics Centre Hong Kong Limited	100,000 ^A 20,000 ^B **	1 1	— —	30 43	Operation of Cargo Handling and Storage Facilities
	39,000*	1	—	—	
	15,918***	1	—	—	
Best Link Development Limited	20	1	—	50	Property Investment
Direct Profit Development Limited	200,000	0.05	—	15	Property Investment
Far East Landfill Technologies Limited	1,000,000	1	—	25	Landfill
Gloryland Limited	900	1	—	33	Property Trading
Grace Sign Limited	1,000	1	—	30	Property Investment
Istaron Limited	4	1	—	32	Investment Holding
Jade Gain Enterprises Limited	100	1	—	45	Property Investment
Kunming Fulintang Pharmaceutical Co., Ltd.	Rmb50,000,000	—	—	46	Pharmaceutical Chain Stores
Newfoundworld Limited	200,000	10	—	20	Property Trading
Ocean Champion Development Limited	10,000	1	—	50	Property Investment
Sheeniy Enterprises Limited	10,000	1	—	50	Property Investment
Super Lion Enterprises Limited	2	1	50	50	Property Investment
Supertime Holdings Limited	100	1	—	27	Property Investment
Tate's Cairn Tunnel Company Limited	1,100,000 600,000,000*	0.01 1	— —	16 —	Operation of Toll Tunnel
Wise Come Development Limited	30	1	—	40	Property Investment
Incorporated in British Virgin Islands and operated in the People's Republic of China					
Holicon Holdings Limited	2	US\$1	—	50	Property Development
Jaidan Profits Limited	2	US\$1	—	50	Property Development
Jorvik International Limited	2	US\$1	—	50	Property Development
Orwin Enterprises Limited	2	US\$1	—	50	Property Development
Cyber China Inc.	100	US\$1	—	35	Investment Holding
Incorporated in British Virgin Islands					
Quick Wealth Investment Limited	100	US\$1	—	32	Investment Holding
Right Choice International Limited	200	US\$1	—	28	Property Investment
Incorporated and operated in Malaysia					
Great Union Properties Sdn. Bhd.	100,000,000 10,000,000 ^A	MS\$1 MS\$0.10	— —	38 38	Property Investment
T & T Properties Sdn. Bhd.	9,500,000	MS\$1	—	33	Property Investment
Incorporated in Hong Kong and operated in Macau and the People's Republic of China					
Sino-French Holdings (Hong Kong) Limited	1,086,280 ^A 2,089,000 ^B 1,002,720 ^C	HK\$100 HK\$100 HK\$100	— — —	— 27 —	Investment Holding, Operation of Water and Electricity Plants

Represented ordinary shares, unless otherwise stated.

* Non-voting deferred ordinary shares.

** Non-voting preference shares.

*** Non-voting deferred preference shares.

^A Redeemable cumulative preference share.

(2) Interim financial statements

Set out below is an extract from the unaudited interim financial statements of the Group for the six months ended 31st December, 2003 (the date to which the latest published unaudited financial statements were made up), together with comparative figures for the six months ended 31st December, 2002 and the relevant notes to the unaudited interim financial statements of the Group.

Condensed Consolidated Profit and Loss Account

	Note	Unaudited Six months ended 31 December	
		2003 HK\$m	2002 HK\$m (As restated)
Turnover	2	11,381.1	10,961.6
Cost of sales		<u>(8,983.1)</u>	<u>(8,397.9)</u>
Gross profit		2,398.0	2,563.7
Other revenues		2.0	20.1
Other (charge)/income	3	(49.3)	7.0
Selling and marketing expenses		(241.5)	(206.9)
Administrative expenses		(504.7)	(458.6)
Other operating expenses		<u>(1,036.0)</u>	<u>(1,244.0)</u>
Operating profit before financing costs and income	2	568.5	681.3
Financing costs		(522.0)	(860.0)
Financing income		<u>134.4</u>	<u>189.5</u>
Operating profit	4	180.9	10.8
Share of results of			
Associated companies		90.5	235.4
Jointly controlled entities		<u>526.7</u>	<u>284.6</u>
Profit before taxation		798.1	530.8
Taxation	5	<u>(255.8)</u>	<u>(281.2)</u>
Profit after taxation		542.3	249.6
Minority interests		<u>(305.9)</u>	<u>(235.1)</u>
Profit attributable to shareholders		<u>236.4</u>	<u>14.5</u>
Interim dividend		<u>69.1</u>	<u>131.5</u>
Earnings per share	6		
Basic		HK\$0.10	HK\$0.01
Fully diluted		<u>N/A</u>	<u>N/A</u>
Interim dividend per share		<u>HK\$0.02</u>	<u>HK\$0.06</u>

(2) Interim financial statements (Continued)

Condensed Consolidated Balance Sheet

	<i>Note</i>	Unaudited 31 December 2003 HK\$m	30 June 2003 HK\$m (As restated)
Non-current assets			
Intangible assets	7	539.6	513.3
Fixed assets	8	37,371.0	38,134.2
Associated companies		8,048.1	8,209.3
Jointly controlled entities		21,655.2	22,131.6
Other investments		5,121.9	5,201.5
Long term receivables		3,289.1	4,142.7
Deferred tax assets		149.8	112.3
		<u>76,174.7</u>	<u>78,444.9</u>
Current assets			
Properties held for sale		23,134.3	22,663.0
Stocks		649.6	647.4
Current portion of long term receivables		767.6	149.2
Other loans receivable		400.4	299.3
Debtors and prepayments	9	9,120.5	7,332.5
Cash and bank balances			
Restricted		1,200.6	1,673.3
Unrestricted		4,085.5	4,151.8
		<u>39,358.5</u>	<u>36,916.5</u>
Current liabilities			
Creditors and accrued charges	10	9,970.1	10,665.0
Contracts in progress		298.6	313.7
Deposits received on sale of properties		1,622.8	242.5
Bank loans and overdrafts			
Secured		650.7	962.3
Unsecured		2,735.7	3,142.3
Other unsecured loans		48.2	48.0
Current portion of long term liabilities	12	8,723.1	7,424.1
Taxation		212.4	266.6
		<u>24,261.6</u>	<u>23,064.5</u>
Net current assets		<u>15,096.9</u>	<u>13,852.0</u>
Employment of funds		<u>91,271.6</u>	<u>92,296.9</u>
Financed by			
Share capital	11	2,469.5	2,219.5
Reserves		44,827.6	43,574.5
Interim dividend		69.1	—
Shareholders' funds		47,366.2	45,794.0
Minority interests		15,614.1	16,449.9
Non-current liabilities			
Deferred tax liabilities		1,119.5	1,025.1
Long term liabilities	12	27,171.8	29,027.9
Funds employed		<u>91,271.6</u>	<u>92,296.9</u>

(2) Interim financial statements (Continued)

Condensed Consolidated Cash Flow Statement

	Unaudited	
	Six months ended	
	31 December	
	2003	2002
	<i>HK\$m</i>	<i>HK\$m</i>
Net cash (used in)/generated from operating activities	(784.9)	229.5
Net cash used in investing activities	(1,823.0)	(602.6)
Net cash generated from financing activities	<u>373.3</u>	<u>592.4</u>
(Decrease)/increase in cash and cash equivalents	(2,234.6)	219.3
Cash and cash equivalents at beginning of the period	4,134.2	3,211.8
Effect of foreign exchange rate changes	<u>(8.7)</u>	<u>(16.7)</u>
Cash and cash equivalents at end of the period	<u><u>1,890.9</u></u>	<u><u>3,414.4</u></u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	3,311.0	5,119.3
Bank overdrafts	<u>(1,420.1)</u>	<u>(1,704.9)</u>
	<u><u>1,890.9</u></u>	<u><u>3,414.4</u></u>

(2) Interim financial statements (Continued)

Condensed Consolidated Statement of Changes in Equity

	Unaudited								
	Capital redemption		Share premium	Asset revaluation		Capital reserve	General reserve	Retained profits	Total
	Share capital	reserve account		revaluation reserve	reserve				
HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
Balance at 1 July 2003, as previously reported	2,219.5	37.7	19,347.6	12,675.5	582.5	566.6	10,706.8	46,136.2	
Effect of adoption of SSAP 12	—	—	—	(121.8)	(82.1)	—	(138.3)	(342.2)	
Balance at 1 July 2003, as restated	2,219.5	37.7	19,347.6	12,553.7	500.4	566.6	10,568.5	45,794.0	
Placement of shares	250.0	—	975.7	—	—	—	—	1,225.7	
Release of goodwill upon disposal of a subsidiary	—	—	—	—	0.5	—	6.6	7.1	
Investment securities revaluation surplus for the period	—	—	—	76.3	—	—	—	76.3	
Investment securities revaluation deficit realised upon disposal	—	—	—	29.7	—	—	—	29.7	
Release of reserve upon disposal of properties of a subsidiary	—	—	—	(1.3)	—	—	—	(1.3)	
Release of reserve upon disposal of properties of an associated company	—	—	—	(1.2)	—	—	—	(1.2)	
Retained profit for the period	—	—	—	—	—	—	236.4	236.4	
Transfer to retained profits	—	—	—	—	—	(28.2)	28.2	—	
Translation difference	—	—	—	—	—	—	(0.5)	(0.5)	
	<u>2,469.5</u>	<u>37.7</u>	<u>20,323.3</u>	<u>12,657.2</u>	<u>500.9</u>	<u>538.4</u>	<u>10,839.2</u>	<u>47,366.2</u>	
Representing:									
Balance at 31 December 2003	2,469.5	37.7	20,323.3	12,657.2	500.9	538.4	10,770.1	47,297.1	
2004 interim dividend	—	—	—	—	—	—	69.1	69.1	
	<u>2,469.5</u>	<u>37.7</u>	<u>20,323.3</u>	<u>12,657.2</u>	<u>500.9</u>	<u>538.4</u>	<u>10,839.2</u>	<u>47,366.2</u>	

(2) Interim financial statements (Continued)

Condensed Consolidated Statement of Changes in Equity (Continued)

	Unaudited								
	Capital redemption		Share premium	Asset revaluation		Capital reserve	General reserve	Retained profits	Total
	Share capital	reserve account		revaluation reserve	reserve				
HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
Balance at 1 July 2002, as previously reported	2,166.4	37.7	19,232.4	15,125.2	558.6	572.9	15,958.1	53,651.3	
Effect of adoption of SSAP 12	—	—	—	(105.5)	(96.6)	—	(259.0)	(461.1)	
Balance at 1 July 2002, as restated	2,166.4	37.7	19,232.4	15,019.7	462.0	572.9	15,699.1	53,190.2	
Investment securities impairment loss charged to profit and loss account	—	—	—	110.3	—	—	—	110.3	
Release of goodwill upon partial disposal of a jointly controlled entity	—	—	—	—	6.2	—	—	6.2	
Goodwill impairment loss written back	—	—	—	—	(2.1)	—	—	(2.1)	
Investment securities revaluation surplus realised upon disposal	—	—	—	(162.8)	—	—	—	(162.8)	
Investment securities revaluation deficit realised upon disposal	—	—	—	25.4	—	—	—	25.4	
Investment securities revaluation deficit for the period	—	—	—	(139.1)	—	—	—	(139.1)	
Retained profit for the period	—	—	—	—	—	—	14.5	14.5	
Transfer to capital reserve	—	—	—	—	2.1	—	(2.1)	—	
Transfer to general reserve	—	—	—	—	—	9.6	(9.6)	—	
Translation difference	—	—	—	—	—	—	11.4	11.4	
	<u>2,166.4</u>	<u>37.7</u>	<u>19,232.4</u>	<u>14,853.5</u>	<u>468.2</u>	<u>582.5</u>	<u>15,713.3</u>	<u>53,054.0</u>	
Representing:									
Balance at 31 December 2002	2,166.4	37.7	19,232.4	14,853.5	468.2	582.5	15,365.2	52,705.9	
2002 final dividend proposed	—	—	—	—	—	—	216.6	216.6	
2003 interim dividend	—	—	—	—	—	—	131.5	131.5	
	<u>2,166.4</u>	<u>37.7</u>	<u>19,232.4</u>	<u>14,853.5</u>	<u>468.2</u>	<u>582.5</u>	<u>15,713.3</u>	<u>53,054.0</u>	

NOTES TO CONDENSED ACCOUNTS**1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The unaudited consolidated condensed interim accounts for the six months ended 31 December 2003 (the “interim accounts”) are prepared in accordance with Statement of Standard Accounting Practice 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants (the “HKSA”) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The interim accounts should be read in conjunction with the 2003 annual accounts.

The principal accounting policies and methods of computation used in the preparation of the condensed interim accounts are consistent with those used in the annual accounts for the year ended 30 June 2003, except that the Group has adopted the Statement of Standard Accounting Practice 12 (“SSAP 12”), “Income Taxes”, issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

On adoption of SSAP 12, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, 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.

In previous years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in the Condensed Consolidated Statement of Changes in Equity, opening equity at 1 July 2002 and 2003 have been reduced by HK\$461.1 million and HK\$342.2 million respectively. This change has resulted in an increase in deferred tax liabilities and deferred tax assets at 30 June 2003 by HK\$606.2 million and HK\$112.3 million respectively. The profit for the six months ended 31 December 2002 has been reduced by HK\$38.0 million.

2. SEGMENT INFORMATION

The Group is principally engaged in property investment and development, contracting, provision of service including property and facilities management; transport and other services, infrastructure operations including roads and bridges operations; container handling, logistics and warehousing services, telecommunication services, department store operations, hotel and restaurant operations and telecommunications, media and technology business.

An analysis of the Group's revenue and results for the period by business and geographical segments is as follows:

(a) Business segment

Six months ended 31 December 2003

	Property investment and development	Service	Infra- structure	Telecom- munications	Department stores	Others	Elimin- ations	Con- solidated
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
External sales	1,655.0	5,724.9	244.7	1,356.7	1,571.5	828.3	—	11,381.1
Inter-segment sales	53.3	661.2	—	3.8	—	—	(718.3)	—
Total turnover	<u>1,708.3</u>	<u>6,386.1</u>	<u>244.7</u>	<u>1,360.5</u>	<u>1,571.5</u>	<u>828.3</u>	<u>(718.3)</u>	<u>11,381.1</u>
Segment results	301.9	346.9	108.7	37.8	14.3	24.7		834.3
Other (charge)/income								(49.3)
Unallocated corporate expenses								(216.5)
Operating profit before financing costs and income								568.5
Financing costs								(522.0)
Financing income								134.4
Operating profit								180.9
Share of results of								
Associated companies	28.2	27.3	136.7	—	—	(101.7)		90.5
Jointly controlled entities	(30.4)	62.2	490.9	—	—	4.0		526.7
Profit before taxation								798.1
Taxation								(255.8)
Profit after taxation								542.3
Minority interests								(305.9)
Profit attributable to shareholders								<u>236.4</u>

2. SEGMENT INFORMATION (Continued)

(a) Business segment (Continued)

Six months ended 31 December 2002

(As restated)

	Property investment and development HK\$m	Service HK\$m	Infra- structure HK\$m	Telecom- munications HK\$m	Department stores HK\$m	Others HK\$m	Elimin- ations HK\$m	Con- solidated HK\$m
External sales	1,051.8	6,062.7	265.3	1,381.6	1,357.0	843.2	—	10,961.6
Inter-segment sales	53.2	506.2	—	5.0	—	—	(564.4)	—
Total turnover	<u>1,105.0</u>	<u>6,568.9</u>	<u>265.3</u>	<u>1,386.6</u>	<u>1,357.0</u>	<u>843.2</u>	<u>(564.4)</u>	<u>10,961.6</u>
Segment results	323.2	435.8	104.7	92.6	(71.7)	33.6		918.2
Other (charge)/income								7.0
Unallocated corporate expenses								<u>(243.9)</u>
Operating profit before financing costs and income								681.3
Financing costs								(860.0)
Financing income								<u>189.5</u>
Operating profit								10.8
Share of results of								
Associated companies	75.0	53.5	151.7	—	—	(44.8)		235.4
Jointly controlled entities	(164.6)	18.2	444.5	—	—	(13.5)		<u>284.6</u>
Profit before taxation								530.8
Taxation								<u>(281.2)</u>
Profit after taxation								249.6
Minority interests								<u>(235.1)</u>
Profit attributable to shareholders								<u>14.5</u>

(b) Geographical segments

	Turnover HK\$m	Operating profit/(loss) before financing costs and income HK\$m
Six months ended 31 December 2003		
Hong Kong and Southeast Asia	8,149.6	577.0
Mainland China	<u>3,231.5</u>	<u>(8.5)</u>
	<u>11,381.1</u>	<u>568.5</u>
Six months ended 31 December 2002		
Hong Kong and Southeast Asia	8,480.6	991.7
Mainland China	<u>2,481.0</u>	<u>(310.4)</u>
	<u>10,961.6</u>	<u>681.3</u>

Sales are based on the countries in which the customers are located.

The turnover and operating profit before financing costs and income derived from the Group's activities in Southeast Asia constituted less than 10.0% of the Group's turnover and operating profit before financing costs and income.

3. OTHER (CHARGE)/INCOME

	Six months ended	
	31 December	
	2003	2002
	<i>HK\$m</i>	<i>HK\$m</i>
Amortisation of goodwill:		
A jointly controlled entity	—	(0.5)
Subsidiaries	(4.9)	(4.5)
Dilution loss on partial disposal of a subsidiary	(6.1)	(0.3)
Write back of impairment loss of:		
Goodwill	—	2.1
Other investments	—	2.2
Impairment loss on:		
Fixed assets	—	(35.0)
Other investments	—	(180.9)
Loss on disposal of:		
Associated companies	(2.5)	—
Fixed assets	(26.7)	—
Other investments	(29.6)	(41.8)
Subsidiaries	(5.4)	—
Profit on disposal of:		
Associated companies	0.2	—
Fixed assets	8.3	—
Jointly controlled entities	6.8	9.9
Other investments	—	280.5
Subsidiaries	3.5	17.5
Provision for:		
Amount due from joint venture	(2.5)	—
Doubtful debts	(4.7)	—
Provision for investment in:		
Deposit paid for joint venture	—	(18.6)
Jointly controlled entities	—	(76.9)
Properties held for sale	—	(2.6)
Unlisted shares	—	(4.0)
Share of results of other investments	(10.3)	—
Surplus on liquidation of a subsidiary	—	16.8
Write down of stocks to net realisable value	(41.5)	—
Write back provision for diminution in value of:		
Jointly controlled entities	—	20.3
Properties held for sale	44.1	22.8
Write back provision for:		
Advance to joint venture	15.1	—
Doubtful debts	4.2	—
Other investments	2.7	—
	<u>(49.3)</u>	<u>7.0</u>

4. OPERATING PROFIT

	Six Months ended	
	31 December	
	2003	2002
	<i>HK\$m</i>	<i>HK\$m</i>
Operating profit is stated after charging the following:		
Cost of inventories sold	1,818.8	1,683.6
Depreciation		
Leased fixed assets	52.1	21.2
Owned fixed assets	584.6	583.6
	<u>584.6</u>	<u>583.6</u>

5. TAXATION

	Six Months ended	
	31 December	
	2003	2002
	<i>HK\$m</i>	<i>HK\$m</i>
Company and subsidiaries		
Hong Kong profits tax	88.4	117.7
Overseas taxation	7.7	7.0
Deferred taxation	71.5	50.7
Associated companies		
Hong Kong profits tax	34.0	38.6
Overseas taxation	—	0.2
Deferred taxation	1.3	(1.0)
Jointly controlled entities		
Hong Kong profits tax	18.3	15.7
Overseas taxation	35.1	31.7
Deferred taxation	(0.5)	20.6
	<u>255.8</u>	<u>281.2</u>

Hong Kong profits tax is provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the period. Deferred taxation has been provided on temporary differences using the current applicable rate. Tax on overseas profits has been calculated on the estimated taxable profits for the period at the rate of taxation prevailing in the countries in which the Group operates.

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$236.4 million (2002: as restated HK\$14.5 million) and the weighted average number of 2,288.8 million (2002: 2,166.4 million) shares in issue during the period.

The conversion of the outstanding convertible bonds does not have any dilutive effect on the earnings per share for the current and previous period.

7. INTANGIBLE ASSETS

	Goodwill <i>HK\$m</i>	Negative goodwill <i>HK\$m</i>	Licences and software <i>HK\$m</i>	Total <i>HK\$m</i>
Net book value at 1 July 2003, as previously reported	130.9	(26.0)	401.2	506.1
Effect of adoption of SSAP 12	<u>7.2</u>	<u>—</u>	<u>—</u>	<u>7.2</u>
Net book value at 1 July 2003, as restated	138.1	(26.0)	401.2	513.3
Acquisition of interests in subsidiaries	25.4	—	5.7	31.1
Amortisation charge	<u>(7.0)</u>	<u>2.2</u>	<u>—</u>	<u>(4.8)</u>
Net book value at 31 December 2003	<u>156.5</u>	<u>(23.8)</u>	<u>406.9</u>	<u>539.6</u>

8. FIXED ASSETS

	Investment properties <i>HK\$m</i>	Hotel properties <i>HK\$m</i>	Land and building <i>HK\$m</i>	Toll roads, bridges and port facilities <i>HK\$m</i>	Telecom- munication equipment and system <i>HK\$m</i>	Other assets <i>HK\$m</i>	Assets under con- struction <i>HK\$m</i>	Total <i>HK\$m</i>
Net book value at 1 July 2003	15,042.9	6,367.5	3,222.5	5,361.9	2,493.7	3,109.9	2,535.8	38,134.2
Translation difference	—	—	(6.5)	—	—	(2.2)	—	(8.7)
Acquisition of subsidiaries	—	—	—	—	—	20.6	—	20.6
Disposal of subsidiaries	—	—	(21.9)	—	—	—	(19.3)	(41.2)
Additions	35.1	—	340.0	3.2	188.2	367.4	396.9	1,330.8
Deconsolidation of a subsidiary	—	—	—	(1,342.6)	—	—	—	(1,342.6)
Disposals	(8.4)	—	(2.4)	—	(9.2)	(106.0)	(53.7)	(179.7)
Reclassification and transfer	82.2	413.5	—	—	—	34.4	(572.6)	(42.5)
Depreciation, amortisation and other movements	<u>—</u>	<u>—</u>	<u>(49.8)</u>	<u>(80.7)</u>	<u>(202.2)</u>	<u>(182.7)</u>	<u>15.5</u>	<u>(499.9)</u>
Net book value at 31 December 2003	<u>15,151.8</u>	<u>6,781.0</u>	<u>3,481.9</u>	<u>3,941.8</u>	<u>2,470.5</u>	<u>3,241.4</u>	<u>2,302.6</u>	<u>37,371.0</u>

9. DEBTORS AND PREPAYMENTS

Debtors and prepayments include trade debtors, amounts advanced to investee companies, deposits and prepayments. The Group has various credit policies for different business operations depending on the requirements of the markets and business in which the subsidiaries operate. Sales proceeds receivables from sale of properties and retention money receivables in respect of construction and engineering services are settled in accordance with the terms of respective contracts. Ageing analysis of trade debtors is as follows:

	As at 31 December 2003 <i>HK\$m</i>	As at 30 June 2003 <i>HK\$m</i>
Current to 30 days	3,344.2	3,097.1
31 to 60 days	297.2	176.5
Over 60 days	<u>1,199.4</u>	<u>1,754.9</u>
	<u>4,840.8</u>	<u>5,028.5</u>

10. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors with their ageing analysis as follows:

	As at 31 December 2003 <i>HK\$m</i>	As at 30 June 2003 <i>HK\$m</i>
Current to 30 days	3,812.7	3,470.7
31 to 60 days	264.1	142.8
Over 60 days	<u>2,134.7</u>	<u>2,114.3</u>
	<u>6,211.5</u>	<u>5,727.8</u>

11. SHARE CAPITAL

	As at 31 December 2003 <i>No. of shares (million)</i>	As at 31 December 2003 <i>HK\$m</i>	As at 30 June 2003 <i>No. of shares (million)</i>	As at 30 June 2003 <i>HK\$m</i>
Authorised:				
Shares of HK\$1.00 each				
Balance at beginning of the period	2,500.0	2,500.0	2,500.0	2,500.0
Increased during the period	<u>800.0</u>	<u>800.0</u>	<u>—</u>	<u>—</u>
Balance at end of the period	<u>3,300.0</u>	<u>3,300.0</u>	<u>2,500.0</u>	<u>2,500.0</u>
Issued and fully paid:				
Shares of HK\$1.00 each				
Balance at beginning of the period	2,219.5	2,219.5	2,166.4	2,166.4
Placement of shares	250.0	250.0	—	—
Issued as scrip dividends	<u>—</u>	<u>—</u>	<u>53.1</u>	<u>53.1</u>
Balance at end of the period	<u>2,469.5</u>	<u>2,469.5</u>	<u>2,219.5</u>	<u>2,219.5</u>

By an ordinary resolution passed on 2 December 2003, the authorised share capital of the Company was increased from HK\$2,500.0 million to HK\$3,300.0 million by the creation of an additional 800.0 million shares of HK\$1.00 each.

During the period, 250.0 million shares were issued at HK\$4.9044 per share to provide funds for general working capital of the Group.

12. LONG TERM LIABILITIES

	As at 31 December 2003 <i>HK\$m</i>	As at 30 June 2003 <i>HK\$m</i>
Bank loans		
Secured	10,139.0	16,485.9
Unsecured	18,953.1	13,476.7
Other unsecured loans not wholly repayable within five years	64.3	62.8
Obligations under finance leases wholly payable within five years	<u>155.1</u>	<u>200.3</u>
	29,311.5	30,225.7
Convertible bonds	2,670.4	2,678.1
Loans from minority shareholders	2,636.1	2,314.7
Deferred income	477.7	464.8
Provision for long service payment	107.4	107.3
Long term accounts payable	<u>691.8</u>	<u>661.4</u>
	35,894.9	36,452.0
Amounts repayable within one year included in current liabilities	<u>(8,723.1)</u>	<u>(7,424.1)</u>
	<u>27,171.8</u>	<u>29,027.9</u>

	Secured bank loans <i>HK\$m</i>	Unsecured bank loans <i>HK\$m</i>	Other unsecured loans <i>HK\$m</i>	Obligations under finance leases <i>HK\$m</i>	Total <i>HK\$m</i>
The maturity of long term borrowings at 31 December 2003 is as follows:					
Of less than one year	3,411.9	1,995.5	—	82.1	5,489.5
Of more than one year, but not exceeding two years	4,132.3	4,725.2	—	62.2	8,919.7
Of more than two years, but not exceeding five years	2,335.0	10,573.9	—	10.8	12,919.7
Of more than five years	<u>259.8</u>	<u>1,658.5</u>	<u>64.3</u>	<u>—</u>	<u>1,982.6</u>
	<u>10,139.0</u>	<u>18,953.1</u>	<u>64.3</u>	<u>155.1</u>	<u>29,311.5</u>

The maturity of long term borrowings at 30 June 2003 is as follows:					
Of less than one year	2,634.7	1,445.9	—	90.5	4,171.1
Of more than one year, but not exceeding two years	3,524.3	2,200.0	—	84.0	5,808.3
Of more than two years, but not exceeding five years	8,050.2	9,830.8	—	25.8	17,906.8
Of more than five years	<u>2,276.7</u>	<u>—</u>	<u>62.8</u>	<u>—</u>	<u>2,339.5</u>
	<u>16,485.9</u>	<u>13,476.7</u>	<u>62.8</u>	<u>200.3</u>	<u>30,225.7</u>

13. COMMITMENTS

	As at 31 December 2003 <i>HK\$m</i>	As at 30 June 2003 <i>HK\$m</i>
(a) Capital commitments		
(i) Contracted but not provided for		
Intangible assets	237.9	237.9
Fixed assets	481.1	708.9
Jointly controlled entities	630.7	177.1
Other investments	<u>10.6</u>	<u>2.8</u>
	<u>1,360.3</u>	<u>1,126.7</u>
(ii) Authorised but not contracted for		
Fixed assets	274.8	37.8
Jointly controlled entities	<u>10.6</u>	<u>—</u>
	<u>285.4</u>	<u>37.8</u>
(b) The Group's share of capital commitments committed by the jointly controlled entities		
not included above are as follows:		
Contracted but not provided for	171.2	287.6
Authorised but not contracted for	<u>173.9</u>	<u>123.9</u>
	<u>345.1</u>	<u>411.5</u>
(c) As at 31 December 2003, the Group had issued performance guarantees amounting to approximately HK\$325.2 million (30 June 2003: HK\$382.3 million), in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of property projects developed by a subsidiary and certain jointly controlled entities of the Group. Pursuant to the terms of the performance guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties.		
(d) A subsidiary and certain jointly controlled entities are parties to agreements with third parties in respect of the joint development of Container Terminal 9 ("CT9") in Hong Kong, the related berth swap arrangement and the funding thereof. The Group's share of capital commitments as at 31 December 2003 was HK\$236.9 million (30 June 2003: HK\$268.9 million) has been disclosed in (b) above.		

In the event of default of any of the other shareholders of the jointly controlled entities, independent third parties, the relevant subsidiaries and jointly controlled entities will be required to provide additional funds for the project. The Group has given guarantees in respect of these obligations of the subsidiaries and jointly controlled entities to provide additional funds. During the period, the Group entered into amendment agreements to the deeds of guarantee with an associated company and other third parties pursuant to which guaranteed amounts for the joint development of CT9 and the related berth swap arrangement have been substantially reduced. Accordingly, the Directors are of the opinion that were the Group required to perform its obligations under the guarantees for the development of CT9 and the funding, the maximum amount of the additional liabilities assumed would be insignificant to the accounts of the Group (30 June 2003: HK\$1,321.8 million out of which approximately HK\$781.0 million had been counter-indemnified by an associated company).

14. CONTINGENT LIABILITIES

	As at 31 December 2003 <i>HK\$m</i>	As at 30 June 2003 <i>HK\$m</i>
Guarantees for performance bonds in respect of:		
Construction contracts undertaken by the Group	1,088.4	1,373.2
Others	386.0	211.9
Guarantees for credit facilities granted to:		
Associated companies	409.7	1,581.4
Investee companies included under other investments	4.2	4.2
Jointly controlled entities	5,776.8	4,536.9
Indemnity to non-wholly owned subsidiary for PRC tax liabilities	<u>1,986.1</u>	<u>2,008.1</u>
	<u>9,651.2</u>	<u>9,715.7</u>

Included in the above, a corporate guarantee has been given by a subsidiary in favour of certain banks for banking facilities granted to Asia Container Terminals Limited (“ACT”), a jointly controlled entity of CSX World Terminals Hong Kong Limited (“CSXWTHK”), an associated company of the Group to the extent of approximately HK\$858.0 million as at 31 December 2003 (30 June 2003: HK\$858.0 million), in proportion to the Group’s interest in ACT. The proportionate amount utilised against such facilities at 31 December 2003 which was secured by the guarantee amounted to approximately HK\$282.1 million (30 June 2003: HK\$267.3 million).

CSXWTHK has agreed to counter-indemnify the Group the corporate guarantee as at 31 December 2003 of approximately HK\$507.0 million (30 June 2003: HK\$507.0 million) as included above given in relation to ACT.

The Group is in legal disputes with joint venture partners in respect of certain property development projects in the PRC and a hotel project in Malaysia, resulting in legal actions between the parties. For the PRC property development projects, no statement of claims setting out details of the claims have been rendered to the Group as at the date of this interim report and the Group also took counter action against this joint venture partner. For the hotel project in Malaysia, the hearing of the trial finished on 14 July 2003. The judge reserved judgement until a date to be notified. The Directors have obtained legal advice on the matters and are of the opinion that the matters will not have any material adverse impact on the financial position of the Group.

15. RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions during the period carried out in the normal course of the Group’s business:

	Six months ended 31 December	
	2003 <i>HK\$m</i>	2002 <i>HK\$m</i>
Transactions with affiliated companies		
Interest income	48.4	71.8
Management fee income	52.8	16.6
Provision of contracting work service	<u>416.7</u>	<u>321.3</u>
Transactions with other related parties		
Rental income	<u>12.9</u>	<u>17.9</u>

These related party transactions were conducted in accordance with the terms as disclosed in the last annual accounts.

16. POST BALANCE SHEET EVENTS

- (a) On 13 November 2003, the Group entered into 13 separate agreements (the “Agreements”) for the disposal of its interests in 13 Sino-foreign co-operative joint ventures in the PRC engaging in the development and operation of certain toll roads and a toll bridge in Zhaoqing, the PRC (the “Toll Road Projects”) with 肇慶市公路發展總公司 (unofficial translation being Zhaoqing Highway Development Ltd.). The aggregate consideration for the disposal of the Toll Road Projects is approximately HK\$1.168 billion. The completion of the transfer of interest in each of the Toll Road Projects is conditional upon the approval of such transfer by the relevant PRC approving authorities. Subsequent to 31 December 2003, all the Agreements had been approved by the relevant PRC approving authorities.
- (b) On 8 December 2003, NWS Holdings Limited (“NWSH”), a non wholly-owned subsidiary of the Group, Chow Tai Fook Enterprises Limited (“CTFEL”) and Merryhill Group Limited (“Merryhill”), an indirect wholly-owned subsidiary of CTFEL, entered into a conditional share exchange agreement in connection with a proposed share exchange which was completed on 9 March 2004. Each of NWSH and CTFEL currently owns 50.0% of the total issued share capital of Merryhill which holds the respective transport and related businesses of NWSH and CTFEL.
- (c) On 13 February 2004, the Directors announced that the Company proposed to raise approximately HK\$5,334.2 million, before expenses, by issuing not less than 987,817,877 new shares by way of rights issue at a price of HK\$5.4 per rights share on the basis of two rights shares for every five shares held by the shareholders subject to shareholders’ approval.

17. COMPARATIVE FIGURES

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

Practice note 19 of the Listing Rules — Supplementary information

In accordance with the requirements under part 3.3 of Practice Note 19 of the Listing Rules, the Directors of the Company reported below the details of advances to, and guarantees given for the benefit of, its associated companies and jointly controlled entities (collectively as “affiliated companies”) as at 31 December 2003.

In aggregate the Group had advanced an amount of HK\$18,581.7 million (30 June 2003: HK\$18,184.5 million) to affiliated companies, guaranteed bank loans and other credit facilities for the benefit of the affiliated companies in the amount of HK\$6,190.7 million (30 June 2003: HK\$6,118.3 million) and contracted to further provide an aggregated amount of HK\$1,289.9 million (30 June 2003: HK\$1,337.4 million) in capital and loans to affiliated companies. The advances are unsecured, repayable on demand and are interest free except for aggregate amount of HK\$1,052.8 million (30 June 2003: HK\$1,740.7 million) which bear interest at variable rates ranging from the Hong Kong prime rate to 2% above the Hong Kong prime rate per annum, HK\$6,792.4 million (30 June 2003: HK\$5,325.2 million) which bear interest at fixed rates ranging from 2% to 15% per annum and HK\$19.0 million (30 June 2003: HK\$19.0 million) which bear interest at fixed rates per annum and was subordinated. Other than amounts of HK\$19.6 million (30 June 2003: HK\$19.6 million) and HK\$965.4 million (30 June 2003: HK\$1,027.0 million) which are repayable within one year and repayable after five years, the advances have no fixed repayment terms. Contracted capital and loan contributions to affiliated companies would be funded by proceeds from internal resources and bank and other borrowings of the Group.

The above financial assistance given to the affiliated companies, in aggregate, represented 54.3% (30 June 2003: 56.0%) of the consolidated net assets of the Group as at 31 December 2003. No single entity received financial assistance from the Group which exceeds 25.0% of the consolidated net assets of the Group.

In addition to the above, a subsidiary of the Group, NWS Holdings Limited (“NWSH”) had given certain guarantees in respect of obligations of its subsidiary and certain jointly controlled entities to provide additional funds in relation to the joint development of CT9 in Hong Kong. During the period, NWSH entered into amendment agreements pursuant to which the guarantee amounts were substantially reduced. As at 31 December 2003, the maximum additional liabilities as a result of the guarantee were not significant.

In addition, in accordance with the requirements under paragraph 3.10 of Practice Note 19 of the Listing Rules, the Company is required to include in its interim report a pro forma combined balance sheet of its affiliated companies which would include significant balance sheet classifications and state the attributable interest of the Company in the affiliated companies. The Company has numerous affiliated companies and the Directors are of the opinion that it is not practical nor meaningful to prepare a pro forma combined balance sheet and such information may be misleading. The Company made an application to, and received a waiver from, the Stock Exchange to provide the following statement as an alternative.

As at 31 December 2003, the combined indebtedness, capital commitments and contingent liabilities as reported by such affiliated companies (including amounts owing to the Group) amounted to approximately HK\$57,650.4 million (30 June 2003: HK\$60,719.0 million), HK\$4,825.2 million (30 June 2003: HK\$3,654.9 million) and HK\$2,048.5 million (30 June 2003: HK\$1,309.4 million) respectively.

2. PRO FORMA STATEMENT OF UNAUDITED ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of the pro forma unaudited adjusted consolidated net tangible assets of the Group is based on the audited consolidated net assets of the Group as at 30th June, 2003 and the unaudited results of the Group for the six months ended 31st December, 2003, adjusted to reflect the effect of the Rights Issue.

	<i>HK\$'m</i>
Audited consolidated net assets of the Group as at 30th June, 2003	46,136.2
Less: Effect of adoption of Statement of Standard Accounting Practice 12 (unaudited)	<u>(342.2)</u>
Restated consolidated net assets of the Group as at 30th June, 2003 (unaudited)	45,794.0
Add: Placement of Shares	1,225.7
Release of goodwill upon disposal of a subsidiary	7.1
Surplus on revaluation of investment securities	76.3
Deficit on revaluation of investment securities realised upon disposal	29.7
Unaudited profit attributable to Shareholders for the six months ended 31st December, 2003	236.4
Less: Release of reserve upon disposal of properties of a subsidiary and an associated company	(2.5)
Exchange difference arising on translation of subsidiaries, associated companies and jointly controlled entities	<u>(0.5)</u>
Unaudited consolidated net assets of the Group as at 31st December, 2003	47,366.2
Less: Intangible assets per unaudited consolidated balance sheet at 31st December, 2003	(539.6)
Add: Net negative goodwill arising from acquisition of associated companies and jointly controlled entities at 31st December, 2003	<u>19.4</u>
Unaudited consolidated net tangible assets of the Group as at 31st December, 2003	46,846.0
Add: Estimated net proceeds from the Rights Issue	<u>5,259.0</u>
Pro forma unaudited adjusted consolidated net tangible assets of the Group after the Rights Issue	<u><u>52,105.0</u></u>
Pro forma unaudited adjusted consolidated net tangible asset value per Share before the Rights Issue (based on 2,469,544,694 Shares in issue as at the Latest Practicable Date)	<u><u>HK\$19.0</u></u>
Pro forma unaudited adjusted consolidated net tangible asset value per Share after the Rights Issue (based on 2,469,544,694 Shares in issue and 987,817,877 Rights Shares to be issued pursuant to the Rights Issue)	<u><u>HK\$15.1</u></u>

3. INDEBTEDNESS

Borrowings

At the close of business on 31st January, 2004, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of the Prospectus Documents, the Group had outstanding borrowings of approximately HK\$38,655.5 million, details of which are set out as follows:

	At 31st January, 2004 HK\$'m
Bank loans and overdrafts	
Secured	11,285.9
Unsecured	21,978.0
Other unsecured loans	112.5
Obligations under finance leases	146.5
Convertible bonds	2,670.4
Loans from minority shareholders	<u>2,462.2</u>
	<u><u>38,655.5</u></u>

Bank loans and overdrafts of approximately HK\$11,285.9 million were secured by the Group's certain properties under development, completed properties, fixed assets, bank balances, interests in certain co-operative joint ventures in the PRC and toll collection rights of certain toll roads.

Obligations under finance leases were secured by certain telecommunication equipment and systems and other assets.

Contingent liabilities

At the close of business on 31st January, 2004, the Group had contingent liabilities relating to guarantees of performance bonds of approximately HK\$1,461.1 million, bank loan facilities extended to certain associated companies, jointly controlled entities and investee companies of approximately HK\$6,297.2 million and indemnity to non-wholly subsidiaries for PRC tax liabilities of approximately HK\$1,986.1 million.

The Group is in disputes with joint venture partners in respect of certain property development projects in the PRC and a hotel project in Malaysia, resulting in legal actions between the parties. For the PRC property development projects, no statement of claims setting out details of the claims have been rendered to the Group at the close of business on 31st January, 2004 and the Group also took counter actions against this joint venture partner. For the hotel project in Malaysia, the hearing of the trial finished on 14th July, 2003. The judge reserved judgement until a date to be notified. The Directors have obtained legal advice on the matters and are of the opinion that the matters will not have material adverse impact on the financial position of the Group.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31st January, 2004, the Group did not have any outstanding loan capital, bank overdrafts, loan or other similar indebtedness, or hire purchase of finance lease commitments, liabilities under acceptances or acceptance credits, guarantees or other material contingent liabilities.

The Directors have confirmed that, there has not been any material change in the indebtedness or contingent liabilities of the Group subsequent to 31st January, 2004.

4. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, based on the internal generated funds, available banking facilities and the estimated net proceeds of the Rights Issue, the Group will have sufficient working capital for its present requirements in the absence of unforeseen circumstances.

1. RESPONSIBILITY STATEMENT

This prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. PARTICULARS OF DIRECTORS

Executive Directors

Dato' Dr. Cheng Yu-tung, aged 78, of 12 Repulse Bay Road, Hong Kong, was appointed as a Director in May 1970 and has been the Chairman of the Company since 1982. Dr. Cheng is also the Chairman of NWD (Hotels Investments) Limited and Chow Tai Fook Enterprises Limited respectively as well as a director of Hang Seng Bank Limited. Dr. Cheng is the brother of Mr. Cheng Yue Pui and father of Dr. Cheng Kar Shun, Henry and Mr. Cheng Kar Shing, Peter.

Dr. Cheng Kar-shun, Henry, aged 56, of 12 Repulse Bay Road, Hong Kong, was appointed as a Director in October 1972. He became an executive Director in 1973 and the Managing Director of the Company in 1989. He is also the chairman and managing director of New World China Land Limited and chairman of NWTMT, NWSH and Tai Fook Securities Group Limited respectively. Further, he is the managing director of NWD (Hotels Investments) Limited as well as a director of Chow Tai Fook Enterprises Limited and HKR International Limited respectively. Dr. Cheng is also the Chairman of the Advisory Council for the Better Hong Kong Foundation and a Committee Member of the Tenth Chinese People's Political Consultative Conference of the People's Republic of China. In 2001, Dr. Cheng was awarded the Gold Bauhinia Star by the Government. Dr. Cheng is the eldest son of Dato' Dr. Cheng Yu Tung and brother of Mr. Cheng Kar Shing, Peter.

Dr. Sin Wai-kin, David, aged 74, of 26 Black's Link, Deep Water Bay, Hong Kong, was appointed as an executive Director in June 1970. Dr. Sin is the Chairman of Myer Jewelry Manufacturer Limited, Honorary Chairman of Hip Hing Construction Company Limited and the Vice Chairman of Miramar Hotel & Investment Company Limited respectively. He is also a director of Hang Seng Bank Limited, King Fook Holdings Limited and New World First Bus Services Limited respectively.

Mr. Liang Chong-hou, David, aged 58 of 4th Floor, 23 Po Shan Road, Hong Kong, was appointed as a Director in November 1979 and became an executive Director in 1986.

Non-executive Directors

Mr. Cheng Yue-pui, aged 75, of 10th Floor, 14 Tai Hang Road, Hong Kong, was appointed as a Director in June 1970. He is also a director of Chow Tai Fook Enterprises Limited. Mr. Cheng is the brother of Dato' Dr. Cheng Yu Tung.

Mr. Cheng Kar-shing, Peter, aged 51, of 12 Repulse Bay Road, Hong Kong, was appointed as a Director in October 1994. Mr. Cheng is also a director of NWD (Hotels Investments) Limited and NWS Service Management Limited respectively as well as the Deputy Managing Director of New World Development (China) Limited and an executive director of New World China Land Limited. Mr. Cheng is the son of Dato' Dr. Cheng Yu Tung and brother of Dr. Cheng Kar Shun, Henry.

Mr. Leung Chi-kin, Stewart, aged 64, of House B, 32 Repulse Bay Road, Hong Kong, was appointed as a Director in October 1994 and has been the Group General Manager since May 1988. Currently Mr. Leung is also the Secretary of the Company. Further, Mr. Leung is also an executive director of New World China Land Limited as well as a director of New World Hotel Company Limited, New World First Bus Services Limited and Hip Hing Construction Company Limited respectively.

Mr. Chan Kam-ling, aged 63, of House G, 32 Repulse Bay Road, Hong Kong, was appointed as a Director of the Company in October 1994. He is also an executive director of New World China Land Limited, a director of New World First Bus Services Limited and a non-executive director of Tai Fook Securities Group Limited. In 2003, Mr. Chan was appointed an executive director and the Chief Executive Officer of NWSH. He is currently the managing director of Sino-French Holdings (Hong Kong) Limited and Macao Water Supply Company Limited respectively as well as a director of Companhia de Electricidade de Macau-CEM, S.A.

Mr. Chow Kwai-cheung, aged 61, of Flat E, 27th Floor, Pak Hoi Mansion, Tai Koo Shing, Hong Kong, was appointed as a Director in October 1994. He is an executive director of New World China Land Limited and a director of Hip Hing Construction Company Limited.

Independent Non-executive Directors

The Honourable Lee Quo-wei, aged 85, of A42 Po Shan Mansion, 14–16 Po Shan Road, Hong Kong, was appointed as a Director in October 1972. Mr. Lee is the Honorary Chairman of Hang Seng Bank Limited, director of Miramar Hotel & Investment Company Limited and Shanghai Industrial Holdings Limited respectively. Dr. Lee is also a Life Member of the Council of the Chinese University of Hong Kong.

Lord Sandberg, Michael, aged 76 of 11 St. Jame's Square, London, SW1Y4LB, England, was appointed as a Director from October 1972 to May 1977 and re-appointed in January 1987. Lord Sandberg was formerly the Chairman of The Hongkong and Shanghai Banking Corporation Limited from September 1977 to December 1986.

Dr. Ho Tim, aged 94, of 21 Watford Road, The Peak, Hong Kong, was appointed as a Director in October 1972. Dr. Ho is the Honorary Chairman of Miramar Hotel & Investment Company Limited, a director of Hang Seng Bank Limited and King Fook Holdings Limited respectively. Dr. Ho is also Council Member of The Chinese University of Hong Kong and Honorary Permanent President of the Chinese Gold & Silver Exchange Society respectively.

Mr. Yeung Ping-leung, Howard, aged 46, of 4, Purves Road, Jardine's Lookout, Hong Kong, was appointed as a Director in November 1985. Mr. Yeung is the Chairman of King Fook Holdings Limited and a director of Miramar Hotel & Investment Company Limited respectively.

Dr. Cha Mou-sing, Payson, aged 61, of 55 Shouson Hill Road, Hong Kong, was appointed as a Director in April 1989. Dr. Cha is the Deputy Chairman of HKR International Limited as well as Chairman of Hanision Construction Holdings Limited and The Mingly Corporation Limited respectively. Dr. Cha is a Member of The National Committee of the Chinese People's Political and Consultative Conference.

Mr. Cha Mou-zing, Victor, aged 53 of B1, Country Villa, 28 Shouson Hill Road, Hong Kong, was appointed as an alternate Director to Dr. Cha Mou-sing, Payson in September 2000. Mr. Cha is the managing director of HKR International Limited. He has extensive experience in the textile and real

estate business. He is active in public services and is member of various public and private bodies, inter alia, the Council Member of the Hong Kong Polytechnic University and The Hong Kong Institute of Education.

Mr. Ho Hau-hay, Hamilton, aged 53, of Flat B, 24th Floor, Tower 1, Clovelly Court, 12 May Road, Hong Kong, was appointed as an alternate Director to Dr. Ho Tim in January 2004. Mr. Ho is a director of CITIC Pacific Limited and Dah Chong Holdings Limited, an executive director of Honorway Investments Limited and Tak Hung (Holdings) Company Limited respectively.

3. PARTIES INVOLVED IN THE RIGHTS ISSUE AND CORPORATE INFORMATION

Registered office of the Company 30th Floor, New World Tower
18 Queen's Road Central
Hong Kong

Company Secretary of the Company Mr. Leung Chi-kin, Stewart
(Please see the description about him in the paragraph headed "Particulars of Directors" above)

Authorised Representative of the Company Dr. Cheng Kar-shun, Henry
12 Repulse Bay Road, Hong Kong

Mr. Leung Chi-kin, Stewart
House B, 32 Repulse Bay Road
Hong Kong

Underwriters Chow Tai Fook Enterprises Limited
31st Floor, New World Tower,
18 Queen's Road Central,
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

UBS Investment Bank
25th Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong

Legal advisers to the Company Woo, Kwan, Lee & Lo
27th Floor,
Jardine House
1 Connaught Place
Central
Hong Kong

Legal advisers to HSBC and UBS Investment Bank	Linklaters 10th Floor, Alexandra House Chater Road Hong Kong
Joint Auditors	PricewaterhouseCoopers <i>Certified Public Accountant</i> 22nd Floor, Prince's Building Central Hong Kong
	H.C. Watt & Company Limited <i>Certified Public Accountant</i> Room 1903 New World Tower 18 Queen's Road Central Hong Kong
Share Registrar and Transfer Office	Tengis Limited Ground Floor Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong
Principal bankers	Bank of China Bank of China Tower 1 Garden Road Hong Kong
	BNP Paribas 9/F., Central Tower 28 Queen's Road Central Hong Kong
	Citibank, N.A. 47/F., Citibank Tower Citibank Plaza 3 Garden Road Hong Kong
	DBS Bank 16/F., Man Yee Building 68 Des Voeux Road Central Hong Kong
	Hang Seng Bank 83 Des Voeux Road Central Hong Kong

Industrial and Commercial Bank of China (Asia) Limited
33/F., Nine Queen's Road
Central, Hong Kong

Nanyang Commercial Bank
9/F., 151 Des Voeux Road
Central, Hong Kong

Sumitomo Mitsui Banking Corporation
8/F., One International Finance Centre
1 Harbour Street, Central, Hong Kong

Standard Chartered Bank
Standard Chartered Bank Building
4-4A Des Voeux Road Central, Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

UFJ Bank
10/F., Fairmont House
8 Cotton Tree Drive
Central, Hong Kong

4. SHARE CAPITAL

(a) The share capital of the Company as at the Record Date is as follows:

		<i>HK\$</i>
<i>Authorised:</i>		
<u>10,000,000,000</u>	Shares	<u>10,000,000,000</u>
<i>Issued and to be issued as fully-paid:</i>		
2,469,544,694	Shares in issue	2,469,544,694
<u>987,817,877</u>	new Shares to be issued under the Rights Issue	<u>987,817,877</u>
<u>3,457,362,571</u>	Shares in issue immediately after the Rights Issue <i>(Note)</i>	<u>3,457,362,571</u>

Note: Assuming the Rights Issue becomes unconditional and the Rights Shares are fully subscribed for and no further Shares are issued by the Company between the Record Date and the date of completion of the Rights Issue.

All Shares presently in issue rank equally in all respects as regards voting, dividends, distributions and return of capital. The Rights Shares to be allotted and issued pursuant to the Rights Issue will, when issued and fully paid, rank equally in all respects with the Shares then in issue as regards voting, dividends, distributions and return of capital.

The Shares in issue are listed on the Stock Exchange. Save for the outstanding Convertible Bonds being listed on the Luxembourg Stock Exchange, no part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

5. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interest of the Directors and the chief executive of the Company in the shares and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(A) Long position in shares**(i) Shares in the Company**

New World Development Company Limited
(Ordinary shares of HK\$1.00 each)

	Capacity	Number of Shares				Total	Approximate % of shareholding
		Personal interests	Family interests	Corporate interests	Other interests		
The Honourable Lee Quo-Wei	Interest of controlled corporation and member of trustee of charitable foundation	—	—	3,665,865 ⁽¹⁾	253,321 ⁽²⁾	3,919,186	0.16
Dr. Ho Tim	Beneficial owner	1,805,813	—	—	—	1,805,813	0.07
Dr. Sin Wai-Kin, David	Beneficial owner and interest of spouse	3,363,363	33,642	—	—	3,397,005	0.14
Mr. Leung Chi- Kin, Stewart	Beneficial owner	23,253	—	—	—	23,253	—
Mr. Chan Kam- Ling	Beneficial owner	96,669	—	—	—	96,669	—
Mr. Chow Kwai- Cheung	Beneficial owner	20,818	—	—	—	20,818	—

(ii) Shares in the Associated Corporations

Dragon Fortune Limited
(Ordinary shares of US\$1.00 each)

	Capacity	Number of Shares				Total	Approximate % of shareholding
		Personal interests	Family interests	Corporate interests	Other interests		
Mr. Cheng Kar- Shing, Peter	Interest of controlled corporation	—	—	15,869 ⁽³⁾	—	15,869	27.41

HH Holdings Corporation
(Ordinary shares of HK\$1.00 each)

	Capacity	Personal interests	Number of Shares			Total	Approximate % of shareholding
			Family interests	Corporate interests	Other interests		
Dr. Sin Wai-Kin, David	Beneficial owner	42,000	—	—	—	42,000	7.00
Mr. Chan Kam-Ling	Beneficial owner	15,000	—	—	—	15,000	2.50

Master Services Limited
(Ordinary shares of US\$0.01 each)

	Capacity	Personal interests	Number of Shares			Total	Approximate % of shareholding
			Family interests	Corporate interests	Other interests		
Mr. Leung Chi-Kin, Stewart	Beneficial owner	16,335	—	—	—	16,335	1.63
Mr. Chan Kam-Ling	Beneficial owner	16,335	—	—	—	16,335	1.63
Mr. Chow Kwai-Cheung	Beneficial owner	16,335	—	—	—	16,335	1.63

New World China Land Limited
(Ordinary shares of HK\$0.10 each)

	Capacity	Personal interests	Number of Shares			Total	Approximate % of shareholding
			Family interests	Corporate interests	Other interests		
Mr. Chan Kam-Ling	Beneficial owner	100,000	—	—	—	100,000	0.01
Mr. Chow Kwai-Cheung	Beneficial owner	126	—	—	—	126	—

NWTMT
(Ordinary shares of HK\$1.00 each)

	Capacity	Personal interests	Number of Shares			Total	Approximate % of shareholding
			Family interests	Corporate interests	Other interests		
Dr. Cheng Kar-Shun, Henry	Interest of spouse	—	1,000,000	—	—	1,000,000	0.11
Dr. Ho Tim	Beneficial owner	148	—	—	—	148	—
Dr. Sin Wai-Kin, David	Beneficial owner and interest of spouse	5,594	53	—	—	5,647	—
Mr. Liang Chong-Hou, David	Beneficial owner	262	—	—	—	262	—
Mr. Chan Kam-Ling	Beneficial owner	6,800	—	—	—	6,800	—

NWSH**(Ordinary shares of HK\$1.00 each)**

	Capacity	Personal interests	Number of Shares			Total	Approximate % of shareholding
			Family interests	Corporate interests	Other interests		
Dr. Cheng Kar-Shun, Henry	Interest of spouse	—	587,000	—	—	587,000	0.03
Dr. Ho Tim	Beneficial owner	86	—	—	—	86	—
Dr. Sin Wai-Kin, David	Interest of controlled corporation	—	—	32,224,060 ⁽⁴⁾	—	32,224,060	1.81
Mr. Cheng Kar-Shing, Peter	Interest of controlled corporation	—	—	2,989,700 ⁽⁵⁾	—	2,989,700	0.17
Mr. Liang Chong-Hou, David	Beneficial owner	153	—	—	—	153	—
Mr. Leung Chi-Kin, Stewart	Beneficial owner	3,724,630	—	221,607 ⁽⁶⁾	—	3,946,237	0.22
Mr. Chan Kam-Ling	Beneficial owner and interest of controlled corporation	3,991	—	10,254,321 ⁽⁷⁾	—	10,258,312	0.58
Mr. Chow Kwai-Cheung	Beneficial owner	2,264,652	—	—	—	2,264,652	0.13

Sun City Holdings Limited**(Ordinary shares of HK\$1.00 each)**

	Capacity	Personal interests	Number of Shares			Total	Approximate % of shareholding
			Family interests	Corporate interests	Other interests		
Mr. Cheng Kar-Shing, Peter	Interest of spouse and interest of controlled corporation	—	80,000	3,570,000 ⁽⁸⁾	—	3,650,000	45.63

Sun Legend Investments Limited**(Ordinary shares of HK\$1.00 each)**

	Capacity	Personal interests	Number of Shares			Total	Approximate % of shareholding
			Family interests	Corporate interests	Other interests		
Mr. Cheng Kar-Shing, Peter	Interest of controlled corporation	—	—	500 ⁽⁹⁾	—	500	50.00

YE Holdings Corporation**(Ordinary shares of HK\$1.00 each)**

	Capacity	Personal interests	Number of Shares			Total	Approximate % of shareholding
			Family interests	Corporate interests	Other interests		
Mr. Leung Chi-Kin, Stewart	Beneficial owner	37,500	—	—	—	37,500	1.50

Notes:

- (1) These shares were beneficially owned by a company in which the relevant director is deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.

- (2) Interests held by a charitable foundation of which the Honourable Lee Quo-Wei and his spouse are members of its board of trustees.
- (3) 4,102 shares are held by a company wholly-owned by Mr. Cheng Kar-Shing, Peter and 11,767 shares are held by Sun City Holdings Limited (“Sun City”), of which Mr. Cheng Kar-Shing, Peter is deemed to be interest in 45.63% of its issued share capital.
- (4) These shares are beneficially owned by a company which is jointly owned by Dr. Sin Wai-Kin, David and his spouse.
- (5) These shares are beneficially owned by a company which is wholly-owned by Mr. Cheng Kar-Shing, Peter.
- (6) These shares are beneficially owned by a company of which Mr. Leung Chi-Kin, Stewart has a direct interest of 55%.
- (7) These shares are beneficially owned by a company of which Mr. Chan Kam-Ling owns 50% of its issued share capital.
- (8) These shares are held by a company of which Mr. Cheng Kar-Shing, Peter owns 48.18% of its issued share capital.
- (9) Mr. Cheng Kar-Shing, Peter is deemed to be interested in the shares of Sun Legend Investments Limited by virtue of his interest in Sun City.

(B) Long position in underlying shares of equity derivatives of associated corporations

(i) Share options in New World China Land Limited

Name of directors	Date of grant	Option period	Exercise price	Number of share options outstanding as at the Latest Practicable Date
Dr. Cheng Kar-Shun, Henry	7th February, 2001	8th March, 2001 to 7th March, 2006	HK\$1.955	5,000,000 ⁽¹⁾
Mr. Cheng Kar-Shing, Peter	9th February, 2001	10th March, 2001 to 9th March, 2006	HK\$1.955	2,500,000 ⁽¹⁾
Mr. Leung Chi-Kin, Stewart	7th February, 2001	8th March, 2001 to 7th March, 2006	HK\$1.955	500,000 ⁽¹⁾
Mr. Chan Kam-Ling	9th February, 2001	10th March, 2002 to 9th March, 2006 ⁽²⁾	HK\$1.955	400,000 ⁽¹⁾
Mr. Chow Kwai-Cheung	9th February, 2001	10th March, 2001 to 9th March, 2006	HK\$1.955	500,000 ⁽¹⁾

Notes:

- (1) *The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of each grant when the offers of share options were accepted, provided that the maximum number of share options that can be exercised during a year is 20.0% of the total number of the share options granted together with any unexercised share options carried forward from the previous years, unless otherwise specified in note(2).*
- (2) *The share options were exercisable during the remaining exercisable period of four years, provided that the maximum number of share options that can be exercised during a year is 25.0% of the outstanding balance of the share options held on the respectively commencement dates of the exercisable period.*
- (3) *The cash consideration paid by each Director for each grant of the share options is HK\$10.0.*

(ii) Share options in NWSH

Name of directors	Date of grant	Option period	Exercise price	Number of share options outstanding as at the Latest Practicable Date
Dr. Cheng Kar-Shun, Henry	21st July, 2003	21st January, 2004 to 20th July, 2008	HK\$3.725	3,000,000 ⁽¹⁾
Mr. Cheng Kar-Shing, Peter	21st July, 2003	21st January, 2004 to 20th July, 2008	HK\$3.725	500,000 ⁽¹⁾
Mr. Leung Chi-Kin, Stewart	21st July, 2003	21st January 2004 to 20th July, 2008	HK\$3.725	200,000 ⁽¹⁾
Mr. Chan Kam-Ling	21st July, 2003	21st January, 2004 to 20th July, 2008	HK\$3.725	2,000,000 ⁽¹⁾

Notes:

- (1) Divided into 3 tranches exercisable from 21st January, 2004, 21st July, 2004 and 21st July, 2005 to 20th July, 2008 respectively.
- (2) The cash consideration paid by each Director for each grant of the share options is HK\$10.0.

(iii) Share options in NWTMT

Name of directors	Date of grant	Option period	Exercise price	Number of share options outstanding as at the Latest Practicable Date
Dr. Cheng Kar-Shun, Henry	2nd December, 1998	1st July, 1999 to 1st June, 2004	HK\$10.20	600,00
	2nd December, 1998	1st July, 2000 to 1st June, 2004	HK\$12.00	2,400,000 ⁽¹⁾

Notes:

- (1) Divided into 3 tranches exercisable from 1st July, 2000, 2001 and 2002 to 1st June, 2004 respectively.
- (2) The cash consideration paid by each Director for each grant of the share options is HK\$10.0.

- (b) As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the interest of the persons (not being a Director or chief executive of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Capacity	Number of ordinary shares/ Percentage of total issued share capital					
		Long Position	%	Short Position	%	Lending Pool	%
Chow Tai Fook Enterprises Limited	Beneficial owner and interest of controlled corporations	939,785,889 (Note 1)	38.05	—	—	—	—
UBS AG	Beneficial owner and interest of controlled corporations	312,835,301 (Note 2)	12.67	185,867,334	7.53	—	—
	Investment Manager	15,457,678	0.63	—	—	—	—
HSBC Holdings plc	Interest of controlled corporations	307,030,246 (Note 3)	12.43	287,322,824	11.63	—	—
	Other	2,000,000	0.08	—	—	—	—
Ho Hung Sun Stanley	Beneficial owner	989,519	0.04	—	—	—	—
	Other	277,776,000	11.25	—	—	—	—
Marathon Asset Management Ltd.	Investment Manager	134,470,500	5.45	—	—	—	—

Note 1: The interest of Chow Tai Fook Enterprises Limited in the Company comprises (i) 870,785,889 ordinary shares in the Company currently interested or deemed to be interested by Chow Tai Fook Enterprises Limited and its wholly-owned subsidiaries representing approximately 35.26% of the existing issued share capital of the Company) and (ii) 69,000,000 Rights Shares which Chow Tai Fook Enterprises Limited has undertaken to take up under its underwriting obligation pursuant to the Underwriting Agreement (representing approximately 2.79% of the existing issued share capital of the Company).

Note 2: The long position of UBS AG includes the maximum contingent interest of UBS Investment Bank in 306,959,182 Rights Shares pursuant to UBS Investment Bank's underwriting commitments under the Underwriting Agreement (which was based on the circumstances prevailing at that time), as disclosed in its latest disclosure form under the SFO available as at the Latest Practicable Date. Such long position does not represent actual shareholdings in the Company.

Note 3: The long position of HSBC Holdings plc includes the maximum contingent interest of HSBC in 306,959,182 Rights Shares pursuant to HSBC's underwriting commitments under the Underwriting Agreement (which was based on the circumstances prevailing at that time), as disclosed in its latest disclosure form under the SFO available as at the Latest Practicable Date. Such long position does not represent actual shareholdings in the Company.

- (c) So far as was known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than members of the Group) were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the following members of the Group (other than the Company) and the amount of each of such person's interest in such securities were as follows:

Name of Person	Name of member of the Group	Attributable equity interest held by the person
Dalian Commercial Network Construction and Development Limited	Dalian New World Plaza International Co., Ltd.	12.00%
Hopwin Construction Engineering Limited	Hopwin Properties (China) Limited	20.00%
Melbourne Enterprises Limited	Billion Park Investment Limited	14.29%
Shenyang Zhengju Enterprises Ltd.	New World (Shenyang) Property Development Limited	10% (Note)
Shenyang Zhengju Enterprise Ltd.	New World (Shenyang) Property Development No.2 Limited	10% (Note)
Shenyang Zhengju Enterprise Ltd.	New World (Shenyang) Property Development No.3 Limited	10% (Note)
Shenyang Zhengju Enterprise Ltd.	New World (Shenyang) Property Development No.4 Limited	10% (Note)
Shenyang Zhengju Enterprise Ltd.	New World (Shenyang) Property Development No.5 Limited	10% (Note)
Shenyang Zhengju Enterprise Ltd.	New World (Shenyang) Property Development No.6 Limited	10% (Note)
Shanghai Hongdu Enterprises (Group) Company Limited	Shanghai Heyu Properties Company Limited	20% (Note)
Stanley Enterprises Limited	Gold Team Worldwide Limited	20.00%
Stanley Enterprises Limited	Shanghai Mayfair Hotel Co., Ltd.	20.00%
Shun Hung China Investment Limited	Ramada Property Ltd.	10.00%
深圳瑋鵬實業有限公司	Shenzhen Topping Real Estate Development Co., Ltd.	10.00%

Name of Person	Name of member of the Group	Attributable equity interest held by the person
Stanley Enterprises Limited	Ramada Property Ltd.	20.00%
Stanley Enterprises Limited	Shanghai Ramada Plaza Ltd.	19.00%
Stanley Enterprises Limited	Fung Seng Estate Development (Shanghai) Co., Ltd.	30.00%
Stanley Enterprises Limited	Shenghai Juyi Real Estate Development Co., Limited	30.00%
武漢市國營漢口魚場	Wuhan Xinhan Development Co., Limited	30% (Note)
HKSCC Nominees Limited	New World TMT Limited	10.17%
Infinity Regent Inc.	Milestone Overseas Limited	16.67%
Sparkle Spirit Limited	Milestone Overseas Limited	16.67%
Stanford Ocean Limited	Two-Way Communica-tions Limited	10.00%
Magic Pioneer Limited	Two-Way Communica-tions Limited	10.00%
Li Chau Ming Peter	Apex-Pro Systems Limited	14.90%
Millennium Star Group Limited	Multi-Trends Limited	35.71%
Ren Keyong	NoveMed Group Ltd.	20.00%
Panlon Holdings Ltd	NoveMed Group Ltd.	15.00%
Chow Tai Fook Enterprises Limited	Advance Planner Limited	40.00%
Ever Global Investments Ltd	Autowin Limited	30.00%
Chow Tai Fook Enterprises Limited	Beames Holdings Limited	36.00%
Gaintek Development Ltd	Better Rich Development Limited	30.00%
Bolo Ltd	Bright Moon Company Limited	25.00%
Tenswin Ltd	Boxwin Limited	16.58%
Chow Tai Fook Enterprises Limited	Crimson Company Limited	37.00%

Name of Person	Name of member of the Group	Attributable equity interest held by the person
Honor Fidelity Ltd	Dominion 2000 Limited	30.00%
Hotspring Ltd	Easlin Corporation	20.00%
Lai Sun Development Company Limited	Easlin Corporation	20.00%
Chow Tai Fook Enterprises Limited	Front Post Limited	15.00%
Chow Tai Fook Enterprises Limited	Grand Hyatt Hong Kong Company Limited	36.00%
Philip Yuen	Henry Bon Enterprises Company Limited	10.00%
Carmen Leung	Henry Bon Enterprises Company Limited	10.00%
Kam Wah Investment Co Ltd	Highness Land Investment Company Limited	40.00%
Space Enterprises Limited	Mega Choice Holdings Limited	20.00%
Chow Tai Fook Enterprises Limited	New World Harbourview Hotel Company Limited	36.00%
Tacko Development (Zhanjiang) Ltd	New World Tacko (Xian) Limited	30.00%
Golden Sphere Investment Ltd	New Hope Limited	15.00%
Chow Tai Fook Enterprises Limited	New World Hotel Company Limited	36.00%
Chow Tai Fook Enterprises Limited	NWD (Hotels Investments) Limited	36.00%
Glory Good Investments Ltd	Pearls Limited	20.00%
Kawick Enterprises Ltd	Pearls Limited	40.00%
Hua Hua Corporation Ltd	RHYL Hill Limited	30.00%
Fung Seng Diamond Co Ltd	Silver Bloom Company Limited	10.00%
Wah Tai Company Limited	Silver Bloom Company Limited	20.00%

Name of Person	Name of member of the Group	Attributable equity interest held by the person
Kly (Nominee) Ltd	Super Value Development Limited	20.00%
Kly (Nominee) Ltd	Top Flash Investment Limited	20.00%
Fung Seng Diamond Co Ltd	Ultra Force Limited	20.00%
Wisdom Profit Investments Ltd	Wise Come Development Limited	20.00%
Brenthill Co Ltd	Zybrina Limited	35.00%
Architectural Precast Limited	Architectural Precast GRC Limited	35.00%
New Concepts Foundation Limited	Barbican-New Concepts Joint Venture	40.00%
北京市萬勝全物業管理中心	Beijing Kiu Lok Property Management Services Co. Ltd.	40.00%
Bioforte (Hong Kong) Environmental Engineering & Technology Ltd	BioEnviroLink Technologies Limited	30.00%
Cinagro Pte Limited	Cinabel (Singapore) Pic Limited	20.00%
Miramar Hotel & Investment Company	Espora Company Limited	50.00%
Foshan City Guoming District Traffic Development Co.	Gaoming Xinming Bridge Co., Ltd.	49.00%
Guangdong Highway-Bridge Construction Development Co. Ltd.	Guangdong Gaoyao Xinjun Highways Limited	27.00%
Gaoyao City Highway Development Co.	Guangdong Gaoyao Xinwei Highways Limited	30.00%
Zhaoqing Highway Development Ltd.	Guangdong Xinzhaogao Highways Company Limited	10.00%
Gaoyao City Highway Development Co.	Guangdong Xinzhaogao Highways Company Limited	10.00%
Guangxi Beiliu Gaote Co. Ltd.	Guangxi Beiliu Xinbei Highways	40.00%
Guangxi Cangwu County Electric Power Co. Ltd.	Guangxi Cangwu Xincang Highways Limited	30.00%

Name of Person	Name of member of the Group	Attributable equity interest held by the person
Guangxi Rongxian Road & Bridge Construction Co. Ltd.	Guangxi Rongxian Xinrong Highways Limited	30.00%
Guangxi Yulin City Heng Tong Ltd.	Guangxi Yulin Xintong Highways	40.00%
Guangxi Yulin City Heng Tong Ltd.	Guangxi Yulin Xinye Highways	40.00%
Guangxi Yulin Yu Shieh Ltd.	Guangxi Yulin Xinyu Highways	40.00%
Guangzhou Yongtong Freeway Company Limited	Guangzhou Northring Freeway Company Limited	10.41%
Asian East Worldwide Limited	Guangzhou Northring Freeway Company Limited	24.30%
Taisei Corporation	Hip Hing-Taisei Joint Venture	40.00%
Hong Kong Ticketing Alliance Limited	Hong Kong Ticketing Holdings Limited	38.32%
Junglesoft Inc.	JungleSoft Net Limited	20.00%
Nanjing Port Authority	Nanjing Huining Wharfs Co., Ltd.	45.00%
Qingxin Country Communications Construction Development Co.	Qingyuan Xinqing Highways Limited	21.00%
Changzhi City Changda Highway Development Company	Shanxi Xinda Highways Limited	40.00%
Changzhi City Changda Highway Development Company	Shanxi Xinhuang Highways Limited	40.00%
Shunde Electric Development Corporation Ltd.	Shunde De Sheng Power Plant Company Limited	40.00%
順德市誠業建築集團有限公司	Shunde Xiexing Construction Engineering Company Limited	15.00%
Sichuan Qianwei Power (Group) Share Co., Ltd.	Sichuan Qianwei Dali Power Company Limited	40.00%
蘇州通港港口有限公司	Suzhou Huisu International Container Freight Wharfs Co. Ltd.	25.00%

Name of Person	Name of member of the Group	Attributable equity interest held by the person
Smart Concept Trading Limited	Tali Group Limited	30.00%
Taiyuan Tongtai Industry & Commerce General Company	Taiyuan Xintai Highways Limited	40.00%
Tianjin Expressway Investment & Construction Development Corporation	Tianjin Xinyan Expressway Company Limited	33.38%
Tianjin Expressway Investment & Construction Development Corporation	Tianjin Xindi Expressway Company Limited	33.38%
Tianjin Expressway Investment & Construction Development Corporation	Tianjin Xinlong Expressway Company Limited	33.38%
Tianjin Expressway Investment & Construction Development Corporation	Tianjin Xintu Expressway Company Limited	33.38%
Tianjin Expressway Investment & Construction Development Corporation	Tianjin Xinming Expressway Company Limited	33.38%
Tianjin Expressway Investment & Construction Development Corporation	Tianjin Xinqing Expressway Company Limited	33.38%
Tianjin Expressway Investment & Construction Development Corporation	Tianjin Xinquan Expressway Company Limited	33.38%
Tianjin Expressway Investment & Construction Development Corporation	Tianjin Xinsen Expressway Company Limited	33.38%
Tianjin Expressway Investment & Construction Development Corporation	Tianjin Xinshi Expressway Company Limited	33.38%
Tianjin Expressway Investment & Construction Development Corporation	Tianjin Xinsi Expressway Company Limited	33.38%

Name of Person	Name of member of the Group	Attributable equity interest held by the person
Tianjin Expressway Investment & Construction Development Corporation	Tianjin Xintong Expressway Company Limited	33.38%
Tianjin Expressway Investment & Construction Development Corporation	Tianjin Xintuo Expressway Company Limited	33.38%
Tianjin Expressway Investment & Construction Development Corporation	Tianjin Xinxiang Expressway Company Limited	33.38%
Gujiao Highway-Bridge Development & Construction Company	Taiyuan Xinyuan Highways Limited	40.00%
Tianjin Expressway Investment & Construction Development Corporation	Tianjin Xinzhan Expressway Company Limited	33.38%
Tianjin Expressway Investment & Construction Development Corporation	Tianjin Yougfa Highway and Bridge Construction Development Company Limited	10.00%
Krisdamahanakorn Publics	Tridant Engineering (Thailand) Company Limited	30.60%
廣州市機電安裝公司	Triguang Engineering (Guang Zhou) Company Limited	49.00%
武漢市工業設備安裝公司	Trihan Engineering (Wuhan) Co. Ltd.	49.00%
Island Smart Holdings Limited	True Success Hong Kong Limited	20.00%
Gold Cycle Limited	True Success Hong Kong Limited	10.00%
Forehap Tech Limited	Urban Parking Meter Management Enterprises	21.00%
Time Exchange Holdings Limited	Urban Parking Meter Management Enterprises	28.00%
Well Born Real Estate Management Limited	Urban-WellBorn Property Management Limited	50.00%

Name of Person	Name of member of the Group	Attributable equity interest held by the person
Wuhan Airport Road Industrial Development Co. Ltd.	Wuhan Airport Road Development Ltd.	33.33%
Wuhan San Zhen Industry Holding Co. Ltd.	Wuhan Bridge Construction Co., Ltd.	51.14%
Guangxi Wuzhou Heng Tong Development	Wuzhou Xinwu Highways Limited	40.00%
Xiamen COSCO International Container Freight Station & Transportation Co., Ltd.	Xiamen Xinyuan Container Terminal Co., Ltd.	30.00%
Guangdong Highway-Bridge Construction Development Co., Ltd.	Zhaoqing Deqing Xinqe Highways Limited	20.00%
Guangdong Province Deqing Highway Development Co.	Zhaoqing Deqing Xinyue Highways Limited	15.00%
Gaoyao City Highway Development Co.	Zhaoqing Gaoyao Xinhua Highways Limited	30.00%
Gaoyao City Highway Development Co.	Zhaoqing Gaoyao Xinshuang Jin Highways Limited	35.00%
Guangdong Highway-Bridge Construction Development Co., Ltd.	Zhaoqing Xinde Bridge Limited	25.00%
Guangdong Highway-Bridge Construction Development Co., Ltd.	Zhaoqing Xinde Highways Company, Limited	32.00%
Guangdong Province Deqing Highway Development Co.	Zhaoqing Xinde Highways Company, Limited	11.00%
Guangdong Highway-Bridge Construction Development Co., Ltd.	Zhaoqing Xinfeng Highways Company, Limited	33.85%
Zhaoqing Highway Development Ltd.	Zhaoqing Xingao Highways Company, Limited	27.36%

Name of Person	Name of member of the Group	Attributable equity interest held by the person
Gaoyao City Highway Development Co.	Zhaoqing Xingao Highways Company, Limited	20.64%
Zhaoqing Highway Development Ltd.	Zhaoqing Xinhui Highways Company, Limited	14.00%
Sihui Highway Development Co.	Zhaoqing Xinhui Highways Company, Limited	17.61%
Guangning Highways Development Co.	Zhaoqing Xinjiang Highways Limited	40.00%
Guangdong Highway-Bridge Construction Development Co., Ltd.	Zhaoqing Xinning Highways Company, Limited	12.59%
Zhaoqing Highway Development Ltd.	Zhaoqing Xinning Highways Company, Limited	17.78%
珠海國際經濟技術合作公司	珠海市景福工程有限公司	20.00%
珠海市萬泉河科技發展有限公司	深圳香島園花卉有限公司	20.00%
中國建築第三工程局	湖北洪福建築裝飾安裝工程有限公司	50.00%
廣州城建開發物業管理集團有限公司	廣州市富城物業有限公司	50.00%
廣州市新運行汽車運輸有限公司	廣州銳萊停車場設備有限公司	10.00%
深圳市高成達機械電子有限公司	襄樊高成達停車場管理有限公司	35.00%

Note: Referred to as profit sharing ratio as set out in the relevant co-operative joint venture contract.

(d) Save as disclosed above, as at the Latest Practicable Date:

- (i) so far as was known to any Director or chief executive of the Company as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short positions in any shares or underlying shares or interest in debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required,

pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange; and

- (ii) there was no person known to the Directors who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was, directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group, or any options in respect of such capital.
- (e) None of the Directors had any interest, direct or indirect, in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (f) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group taken as a whole.

6. LITIGATION

The Group is in disputes with joint venture partners in respect of certain property development projects in the PRC and a hotel project in Malaysia, resulting in legal actions between the parties. For the PRC property development projects, no statement of claims setting out details of the claims have been rendered to the Group at the close of business on 31st January, 2004 and the Group also took counter actions against this joint venture partner. For the hotel project in Malaysia, the hearing of the trial finished on 14th July, 2003. The judge reserved judgement until a date to be notified. The Directors of the Company have obtained legal advice on the matters and are of the opinion that the matters will not have any material adverse impact on the financial position of the Group.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

7. SERVICE CONTRACTS

There are no directors' existing or proposed service contracts with any member of the Group, other than contracts expiring or terminable within one year without any compensation payable (other than statutory compensation).

8. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The Prospectus Documents have been registered by the Registrar of Companies in Hong Kong as required by Section 38D of the Companies Ordinance.

9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and its subsidiaries within the two years immediately preceding the issue of this prospectus:

- (i) a merger agreement in Chinese dated 28th June, 2002 among (a) Xiamen Xiang Yu Quay Co., Limited. (an indirect subsidiary of each of NWTMT and NWSH); (b) Xiamen Xiangyu Free Trade Zone Huijian Quay Co., Limited; and (c) Xiamen Xiangyu Free Port Development Co., Limited pursuant to which party (a) would merge with parties (b) and (c) by way of absorption (i.e. the assets and liabilities of parties (b) and (c) would be absorbed by party (a) and thereafter parties (b) and (c) would cease to exist) for an aggregate consideration of RMB624,167,788 (approximately HK\$588,837,536);
- (ii) the conditional sale and purchase agreement between New World Infrastructure Limited (now known as NWTMT) and Pacific Ports Company Limited (now known as NWSH) dated 21st October, 2002 relating to the disposal of all the effective interests held by New World Infrastructure Limited (now known as NWTMT) (comprising equity and shareholder's loans and advances) in certain companies and sino-foreign equity and cooperative joint venture companies which operate toll roads, bridges, tunnels, water treatment and power plants in Hong Kong, Macau and the PRC to Pacific Ports Company Limited (now known as NWSH) for an aggregate consideration of HK\$10,227,000,000;
- (iii) the conditional sale and purchase agreement entered into by the Company, Pacific Ports Company Limited (now known as NWSH) and the Major Shareholder and other shareholders of NWS dated 21st October, 2002 relating to the acquisition of the entire issued share capital of NWS by Pacific Ports Company Limited (now known as NWSH) from the shareholders of NWS at a consideration of HK\$10,913,385,272;
- (iv) a deed of termination dated 29th January, 2003 entered into between the Company, the Major Shareholder and New World Infrastructure Limited (now known as NWTMT) whereby the parties agreed to terminate the non-compete agreement dated 17th September, 1995 (as supplemented and amended) entered into by the same parties as of the date of this deed for nil consideration;
- (v) a deed of non-competition and engagement undertakings dated 29th January, 2003 entered into between the Company and Pacific Ports Company Limited (now known as NWSH) whereby the Company undertook and agreed to procure that it and any member of the Group would not participate in the service business and infrastructure business specified in such deed in accordance with the terms and conditions therein for nil consideration pursuant to the agreement mentioned in item (iii) above;
- (vi) a sale and purchase agreement dated 14th March, 2003 entered into between New World Development (China) Limited and Stanley Enterprises Limited whereby the former agreed to sell and the latter agreed to purchase, subject to and upon the terms and conditions of this agreement, certain interest in Shanghai Ju Yi Real Estate Development Co. Ltd at a consideration of HK\$72,053,800;

- (vii) a sale and purchase agreement dated 14th March, 2003 entered into between New World Development (China) Limited and Stanley Enterprises Limited whereby the former agreed to sell and the latter agreed to purchase, subject to and upon the terms and conditions of this agreement, certain interest in Fung Seng Estate Development (Shanghai) Company Limited at a consideration of HK\$13,225,610;
- (viii) an agreement for sale and purchase of a share in Best Conquer Properties Limited, an indirect 100% owned subsidiary of NWSH, dated 19th March, 2003 entered into between New World First Ferry Services (Macau) Limited and Star Success Enterprises Limited whereby New World First Ferry Services (Macau) Limited agreed to sell and Star Success Enterprises Limited agreed to purchase, subject to and upon the terms and conditions of this agreement, the entire registered share capital of Best Conquer Properties Limited at a consideration of US\$1.00;
- (ix) an agreement dated 26th March, 2003 entered into between Wealthy Century Group Limited, the Company, Yass Pacific Corporation, Ko Chung Lun and Wide Ocean Investments Limited for the sale and purchase of shares in and assignment of loans to Wide Ocean Investments Limited for a total consideration of HK\$244,187,308;
- (x) a placing agreement dated 29th October, 2003 entered into between the Major Shareholder, the Company and UBS Investment Bank pursuant to which UBS Investment Bank agreed to procure purchasers to acquire, or failing which, to acquire by itself as principal, and the Major Shareholder will sell or procure the sale of 250,000,000 existing Shares at the placing price of HK\$5.00 per Share for the commission of 1.8% of the aggregate placing price of these Shares to UBS Investment Bank;
- (xi) a subscription agreement dated 29th October, 2003 entered into between the Major Shareholder and the Company whereby the Major Shareholder agreed to subscribe or procure the subscription for 250,000,000 Shares at the subscription price equal to the aggregate placing price of 250,000,000 Shares under the placing agreement mentioned in item (x) above net of expenses of the placing of and subscription for Shares, conditional on and subsequent to the placing contemplated by the placing agreement mentioned in item (x) above;
- (xii) thirteen agreements all dated 13th November, 2003 and entered into between subsidiaries of NWSH and 肇慶市公路發展總公司, a state-owned commercial enterprise established under the direct supervision of the Zhaoqing City Roadways Bureau, for the disposal of all the interests of NWSH's subsidiaries in 13 Sino-foreign co-operative joint ventures in the PRC engaging in the development and operation of certain toll roads and toll bridge in the PRC to 肇慶市公路發展總公司 for an aggregate consideration of approximately HK\$1,168 million;
- (xiii) a share exchange agreement dated 8th December, 2003 entered into between the Major Shareholder, NWSH and Merryhill Group Limited (“Merryhill”), an indirect wholly-owned subsidiary of the Major Shareholder, in connection with the proposed share exchange which would, on fulfilment of the conditions therein and upon completion, result in the placing of the respective transport and related business of NWSH and Major Shareholder under Merryhill for the consideration of the declaration of a dividend by Merryhill to the Major Shareholder, issue of new shares and payment of cash by Merryhill to NWSH and the repayment of certain shareholders' loan and issue of new shares by Merryhill to the Major Shareholder;
- (xiv) a Chinese agreement for sale and purchase of the entire shares in Viney Resources Limited dated 2nd December, 2003 entered into between (a) NWS Infrastructure Power Limited, a wholly owned subsidiary of NWSH, (b) 全順實業(集團)有限公司, (c) 順德市誠順商貿投資

管理公司, (d) 佛山市順德區電力集團公司 and (e) 佛山市順德區電力開發股份有限公司 whereby party (a) agreed to sell and party (b) agreed to purchase, subject to and upon the terms and conditions of this agreement, the 60% equity interest in party (e) at an aggregate consideration of US\$84,643,471;

- (xv) an agreement in principal dated 12th December, 2003 (in Chinese) entered into between 武漢市城市建設基金管理辦公室 (Wuhan City Construction Fund Management Office) and New World Development (China) Limited in respect of the disposal of NWSH group's interest in 武漢橋樑建設股份有限公司 (Wuhan Bridge Construction Co. Ltd.) for a consideration of RMB1,180 million; and
- (xvi) the Underwriting Agreement, pursuant to which the Underwriters agreed to underwrite all the Rights Shares other than those undertaken to be accepted by the Major Shareholder and the Major Shareholder's Subsidiaries.

10. MATERIAL CHANGES

Save as disclosed herein, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 30th June, 2003, the date to which the latest published audited accounts of the Group were made up.

11. GENERAL

- (a) The expenses in connection with the Rights Issue, including the financial advisory fee, underwriting commission, printing, registration, translation, legal and accounting charges, are estimated to amount to approximately HK\$75 million and will be payable by the Company.
- (b) In any event of any inconsistency, the English language text of this document shall prevail over the Chinese language text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Messrs. Woo, Kwan, Lee & Lo at 27th Floor, Jardine House, 1 Connaught Place, Hong Kong during normal business hours up to and including 6th April, 2004:

- (a) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;
- (b) the memorandum and articles of association of the Company;
- (c) the annual report of the Company for the year ended 30th June, 2003; and
- (d) the interim report of the Company for the 6 months ended 31st December, 2003.