

• NEW •  
WORLD  
DEVELOPMENT  
C O . , L T D .



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# Corporate Information

## Board of Directors

- \* Dato' Dr. Cheng Yu-Tung,  
D.P.M.S., LL.D., D.B.A. Hon.  
(Chairman)

Dr. Ho Sin-Hang,  
C.B.E., D.S.Sc.

Sir Quo-Wei Lee,  
C.B.E., F.C.I.B., LL.D., J.P.

Sir Michael Sandberg,  
C.B.E.

Dr. Ho Tim,  
O.B.E., J.P., D.S.Sc.

- \* Sin Wai-Kin

- \* Cheng Kar-Shun, Henry,  
B.A., M.B.A.  
(Managing Director)

- \* Dr. Young Bing-Ching, Albert,  
B.Sc., LL.D.  
(Deputy Managing Director)

Cheng Yue-Pui

- \* Liang Chong-Hou, David

Yeung Ping-Leung, Howard

Cha Mou-Sing, Payson

- \* Members of Executive Committee

## Secretary

Leung Chi-Kin

## Auditors

Price Waterhouse  
H.C. Watt & Company

## Principal Bankers

American Express  
Banque Paribas  
Bank of Tokyo  
Banque Nationale de Paris  
Bank of Communications  
Citibank, N.A.  
Dai-Ichi Kangyo Bank  
Hang Seng Bank  
Hongkong and Shanghai Bank  
Standard Chartered Bank  
The Chase Manhattan Bank, N.A.  
The Mitsubishi Bank  
The Sumitomo Bank  
The Tokai Bank  
The Toyo Trust Bank  
Yasuda Trust Bank

## Registered Office

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

## Solicitors

Yung, Yu, Yuen & Company  
Woo, Kwan, Lee & Lo

## Share Registrars and Transfer Office

Central Registration Hong Kong Limited  
19th Floor, Hopewell Centre,  
183 Queen's Road East,  
Wanchai,  
Hong Kong.

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Members of the Company will be held at Meeting Room 606, Level 6, Hong Kong Convention & Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong on Friday, 21 December 1990 at 12:00 noon for the following purposes:

1. To consider and adopt the audited Statement of Accounts and the Reports of Directors and Auditors for the year ended 30 June 1990 and to approve a final dividend of 39 cents per share.
2. To re-elect the four Directors retiring by rotation.
3. To appoint Joint Auditors and authorise the Directors to fix their remuneration.
4. To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That a general mandate be and is hereby unconditionally given to the Directors to issue, allot and dispose of additional shares of the Company, in addition to any shares which may be issued on the exercise and the subscription rights under the Company’s warrants for the time being outstanding, not exceeding 20% of the existing issued share capital of the Company until the next Annual General Meeting.”

By Order of the Board of Directors

**LEUNG CHI-KIN**  
*Secretary*

Hong Kong, 6 November 1990

Note:

- (1) The Register of Shareholders will be closed from 10 to 21 December 1990, both days inclusive.
- (2) Shareholders are entitled to appoint a proxy to attend and vote on their behalf at the meeting and such proxy need not be a shareholder of the Company. A proxy form, to be valid, must be completed and returned to the Company’s registered Office not less than 48 hours before the time for the holding of the meeting.
- (3) Concerning item 4 above, the Directors wish to state that they have no immediate plans to issue any new shares of the Company pursuant to the authority given by the general mandate, which is to provide flexibility and discretion to the Directors in the event that it becomes desirable to issue any shares up to 20% of the existing issued share capital of the Company. Under the Companies Ordinance, the general mandate given to Directors lapses, unless it is renewed, at the next annual general meeting.

# Directors' Report

The Directors have pleasure in presenting their Annual Report and Statement of Accounts for the year ended 30 June 1990.

## Group Activities

The principal activities of the Company remain investment holding and property investment. The principal activities of the Principal Subsidiary Companies and Associated Companies are shown in Note 28 and 29 to the accounts on pages 47 to 50.

## Accounts

The profit of the Group for the year ended 30 June 1990 and the state of the Company's and the Group's affairs at that date are set out in the Accounts on pages 22 to 50.

## Dividends

The Directors have resolved to recommend a final dividend of 39 cents per share (1989: 39 cents) comprising minimum cash dividend of 1 cent per share, which is being paid in order to ensure that the shares of the Company continue to be Authorised Investments for the purpose of the Trustee Ordinance of Hong Kong, and an issue of additional shares by way of scrip dividend equivalent to 38 cents per share with a cash option to shareholders registered on 21 December 1990. Together with the interim dividend of 22 cents per share paid in June 1990, total distributions for 1990 would thus be 61 cents per share.

Subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholder could elect to receive in cash and that they be given the option to elect to receive payment in cash of 38 cents per share instead of the allotment of shares. Full details of the scrip dividend will be set out in a letter to be sent to shareholders together with a form of election for cash on or about 24 December 1990.

## Share Capital

Details of the increase in issued share capital during the year are set out in Note 19 to the Accounts.

## Reserves

The details of movements in reserves are set out in Note 21 to the Accounts.

## Donations

The Group's charitable donations paid during the year amounted to HK\$1,730,000.

## Fixed Assets

Movements of fixed assets during the year are summarised in Note 10 to the Accounts.

## Directors' Report (Cont'd)

### Directors

The present Directors of the Company, whose names appear on page 2 of this annual report, were Directors of the Company at the date of this report.

The Board notes with regret the passing away of Mr Kwok Tak-Seng on 30 October 1990.

In accordance with article 103 of the Company's Articles of Association, Dato' Dr Cheng Yu-Tung, Dr Ho Sin-Hang, Mr Sin Wai-Kin and Mr Liang Chong-Hou retire by rotation and, being eligible, offer themselves for re-election.

None of the directors had a service contract with the Company or any of its subsidiary companies which cannot be terminated within one year without any compensation.

### Directors' Interest In Contracts

During the year, all the share capital of New World Hotels (Holdings) Limited, a subsidiary company of the Company, was acquired by a company owned as to 64% by the Company and as to 36% by Chow Tai Fook Enterprises Limited ("CTFEL"). Dato' Dr Cheng Yu-Tung is a shareholder and a director of CTFEL.

Save for the above-mentioned and contracts amongst group companies, no other contracts of significance to which the Company or any of its subsidiary companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### Directors' Right to Acquire Shares or Debentures

At no time during the year was the Company or any of its subsidiary companies a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### Directors' Interest in Shares

The directors and their associates are interested in the issued share capital of the Company and its subsidiary companies at the balance sheet date as follows:

	No of Shares	
	Beneficial Interest	Non-Beneficial Interest
New World Development Company Limited		
Dato' Dr Cheng Yu-Tung	—	—
Dr Ho Sin-Hang	500,000	—
Sir Quo-Wei Lee	2,510,840	—
Sir Michael Sandberg	—	—
Dr Ho Tim	1,273,789	—
Mr Kwok Tak-Seng (deceased 30.10.1990)	—	—
Mr Sin Wai-Kin	3,852,182	—
Dr Young Bing-Ching, Albert	—	1,134
Mr Cheng Yue-Pui	—	—
Mr Cheng Kar-Shun, Henry	—	—
Mr Liang Chong-Hou, David	22,719,834	—
Mr Yeung Ping-Leung, Howard	—	—
Mr Cha Mou-Sing, Payson	—	—
Hip Hing Construction Company Limited		
Mr Sin Wai-Kin	42,000	—
International Property Management Limited		
Mr Sin Wai-Kin	5,400	—

Dato' Dr Cheng Yu-Tung is a shareholder of Chow Tai Fook Enterprises Limited which has a beneficial interest in 459,395,008 shares in the Company and 360,000 shares in Beames Holdings Limited.

## **Directors' Report** *(Cont'd)*

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### **Management Contracts**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### **Auditors**

The Accounts have been audited by Messrs Price Waterhouse and H.C. Watt & Company, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board  
**Dato' Dr Cheng Yu-Tung**  
*Chairman*

Hong Kong, 6 November 1990

## Chairman's Statement

The Group's audited consolidated net profit after taxation, minority interests, and share of results of associated companies for the year ended 30 June 1990 amounted to HK\$1,128,273,000. This represented a decrease of 9.6% over that of the previous year. Earnings per share for the year was HK\$0.90. In addition, there was an extraordinary loss of HK\$35,090,000 from the disposal of shipping related fixed assets and the winding-down expenses on discontinuation of the shipping business.

The Board of Directors recommended a final dividend of 39 cents per share (1989: 39 cents) comprising minimum cash dividend of 1.0 cent per share, which is being paid in order to ensure that the shares of the Company continue to be Authorised Investments for the purpose of the Trustee Ordinance of Hong Kong, and an issue of additional shares by way of scrip dividend equivalent to 38 cents per share with a cash option to shareholders registered on 21 December 1990. Together with the interim dividend of 22 cents per share paid in June 1990, total distribution for 1990 would thus be 61 cents per share.

Details of the Group's activities for the current year have been set out in the 'Managing Director's Business Review' of this report. I would however take the opportunity here to remark that the decrease in the Group's profit for the year can be accounted for by the considerable interest expenses incurred primarily to cover the acquisition of Ramada's international hotel chains. Furthermore, interest expenses on the development of the Hong Kong Convention and Exhibition Centre Complex in the past years had been capitalized as part of the development costs. When the Complex had been completed during the year, interest expenses were charged to the profit and loss account resulting in only a modest contribution of profit to the Group. To these, we can also add the losses from Asia Television Limited, and the decrease in profit in the Group's hotel businesses much attributed to the June 4 events in

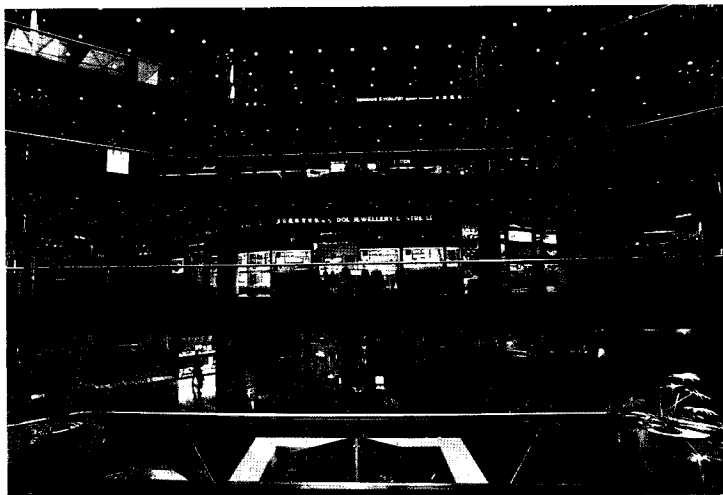
Beijing in 1989 and the lacklustre performance of the world economy. Yet the Group has not been deterred by any negative sentiment and will as ever respond to the challenges and opportunities ahead of us with the same spirits of caution, flexibility, determination and dynamism, which have brought much success to us in the past.

On behalf of shareholders and directors, I sincerely thank all members of the Group's management and staff for their determined efforts and dedicated loyalty to the Group. And I would encourage them to take in their stride the current challenges the Group is now facing up to, and endeavour themselves to achieve soon a turnaround in the Group's profits.

**Dato' Dr. Cheng Yu-Tung**  
*Chairman*

Hong Kong, 6 November 1990





新世界中心商場寬敞豪華，精品店林立。

*Spacious with classical elegance, the New World Centre Shopping Mall is flourished with upmarket shops.*

## Rental Operations

Rental income of the Group for the year exceeded \$1 billion. The New World Centre's shopping mall recorded 100% occupancy while the office buildings and serviced apartments continue to perform well with occupancy reaching 97%. All shops at the Regent arcade have also been fully let. Rental reversions for these properties remain strong following a pick-up in trade and business in general and the turnaround of tourist arrivals. Spaces in the Shun Tak shopping arcade have been virtually fully let and occupancy for the serviced apartments has been maintained at the high level of 96%. The Group's other investment properties have also been enjoying high occupancy. The integrated Phase 2 of New World Tower in Central was completed in June this year. Despite a softening of rents across the office market, the office market in Central is still holding up well attributable to the popularity of its prime location. Together with the completed Hong Kong Convention and Exhibition Centre in Wan Chai, the Group is guaranteed healthy increase in rental income from its high quality property portfolio.

## Property Development

To date, the portfolio of development properties held by the Group consists of 17 sites with total development potential of 521,000 square metres. All the projects are proceeding on schedule.

The residential property market continues to be characterized by strong and firm demand for small and medium sized flats. Affordability has remained very high because of growth in household incomes. And the easing of interest rates may help to stimulate the market further. The



愉景灣住宅單位，幽雅清靜，遠離煩囂。

*Residential units in Discovery Bay away from bustling hub.*

period under review saw the Group making good progress in the sale of these kinds of properties from its development portfolio. Notable among these was the selling out of all the units in Billion Court on the Ap Lei Chau Main Street, Markfield Building on the Smithfield Road in Western District, and Po Fung Building on Fort Street in North Point. While pre-sale



布政司霍德爵士主持動土典禮致辭。

*The Chief Secretary, Sir David Ford, addresses the gathering at ground breaking ceremony.*

## Managing Director's Business Review (Cont'd)

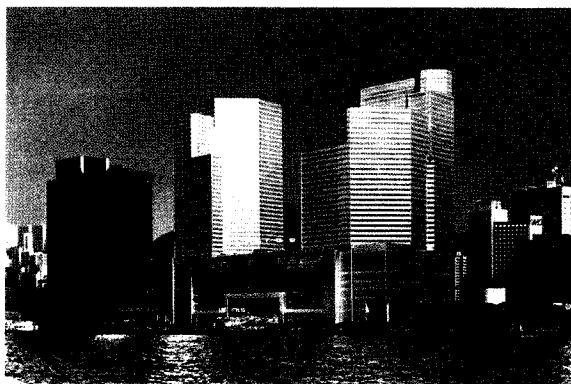
of units from Phase 5 of the Discovery Bay project has received satisfactory responses, progress for the sale of its Phase 4 units tends to be slack. Promotional efforts are being directed to boost sale of the project.

As regards the Group's joint venture with the Land Development Corporation for the redevelopment of four sites on Hong Kong and Kowloon, construction starts first for the residential redevelopment at Third Street, Sai Ying Pun. The Chief Secretary, Sir David Ford, officiated at a ground breaking ceremony held on 26 February 1990. Master layout plans for the commercial development at Wing Lok Street/Queen's Road Central and the residential redevelopment at Li Chit Street, Wan Chai, have been completed. For the commercial redevelopment on the Nathan Road/Dundas Street project, general building plans have been approved with design work now in progress.

Plans are also underway to develop at the Tsim Sha Tsui Cultural Complex and Garden an underground shopping arcade proposed to cover an area of about 140,000 square feet and a carpark with 250 spaces.

### Hong Kong Convention & Exhibition Centre

The completion of the Hong Kong Convention and Exhibition Centre marked the Group's most significant achievement in the eighties. This ultra-modern facility



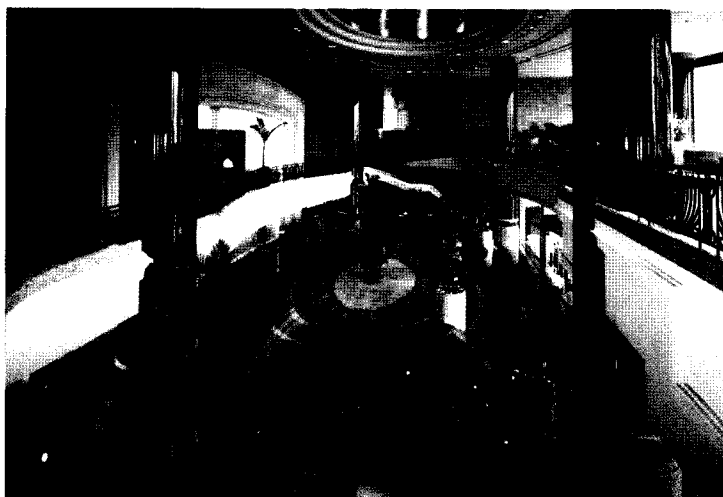
香港會議展覽中心，巍然矗立，外型壯觀，設備先進，為國際會議及展覽理想場地。

*Hong Kong Convention and Exhibition Centre with its ultra-modern facilities provides an ideal venue for international conventions and exhibitions.*

has now put Hong Kong on the world map as an important capital for the international convention and exhibition industry. The Centre's management has also met with encouraging success in terms of business expansion through its strategy of striking a sound balance among the various market segments: international conventions and exhibitions, regional corporate meetings, incentive travel groups and local events. In 1989 alone, some 853 events were held while bookings from its inception of business in November 1988 through 1992 as recorded to date, have exceeded 2,000 events. Of these, one-third were international/regional conventions and exhibitions, with the remaining two-thirds generated from local corporate users and banquet organizers. Average utilization rate for the two Exhibition Halls and Convention Hall over 1989 has reached 70% and is expected to increase to 75% in 1990 and even beyond that in 1991.

The meetings, conventions and exhibitions business has been recognised as being potentially very lucrative for Hong Kong. The superior facilities provided by the Hong Kong Convention and Exhibition Centre help to expand the business further. Research findings have attributed to the opening of the Hong Kong Convention and Exhibition Centre for the increased proportion of business arrivals to total arrivals from 21% to 25% in 1989. And attendees at meetings and conventions generally stay twice as long as the average visitor and spend approximately three times as much money. Not only the Centre but the whole Hong Kong economy as well stand to benefit.

Take-up rate for the Centre's serviced apartments is however relatively slow. About 310 units have been occupied but occupancy is expected to reach 70% by early next year. As of 30 June 1990, the Group had sold ten floors of the office buildings, with all the remaining office spaces being virtually fully let.



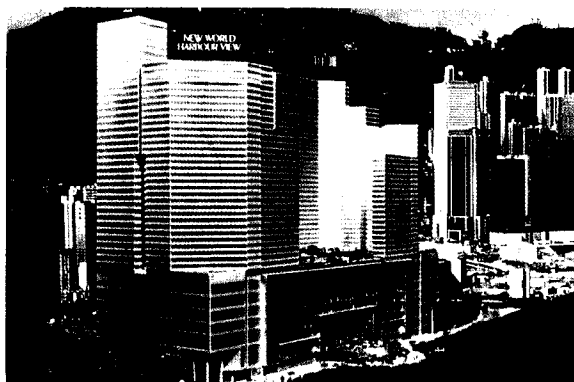
君悅酒店大堂金碧輝煌，尊貴豪華，氣象萬千。  
*The majestic grandeur of the elegantly decorated lobby in the Grand Hyatt Hotel.*

## Hotel Business

### Hong Kong

The Hong Kong tourist industry suffered severe setbacks immediately following the June 4 events in Beijing last year, with the number of visitors to Hong Kong plummeting by some 20%. But visitor arrivals gradually picked up to reach 5.4 million by the end of 1989, a 3.6% down on the 1988 total of 5.6 million. The industry is now well on the way to recovery, with forecast for visitor arrivals in 1990 to increase by 8% over 1989, to some 5.8 million.

Hong Kong's hotel industry is still experiencing difficulties in the face of labour shortage, over-supply of hotel



從新世界海景酒店俯瞰，維多利亞海港景色盡入眼簾。  
*New World Harbour View Hotel commands the scenic view of Victoria Harbour.*

rooms and the airport capacity constraint. Operations for the Regent of Hong Kong, New World Hotel and Hotel Victoria during the period under review have however turned in satisfactory results. The Regent of Hong Kong celebrated its 10th Anniversary in October this year and is renowned as one of the world's top prestigious hotels. The New World Hotel started its renovation programme in June 1990 and the programme is expected to be completed by mid 1991. When the renovation is completed, the hotel rooms will be much upgraded and enlarged with the room inventory being reduced from 720 to 550. This will further enhance its competitive position in the up-market hotel



麗晶酒店藍聲國際，為啓業十週年舉行慶祝儀式。  
*The world-renowned Regent of Hong Kong celebrates its 10th anniversary.*

sector, particularly in the area of Tsim Sha Tsui. As regards the Group's two new hotels of Grand Hyatt Hong Kong and New World Harbour View in the Hong Kong Convention and Exhibition Centre, their businesses since opening in the latter half of 1989 have been progressing in line with plans and strategies such that they are well poised for carving a specific niche in the rapidly developing business convention and exhibition market.

Looking ahead to 1991, we are confident that businesses for the Group's hotels will improve even further. With relaxation of the western countries' economic sanctions against China, there will be an increased flow of international business travellers to China via Hong Kong. The tourist market in Hong Kong can also benefit from the

depreciation of US dollar against major European currencies. Through linking its currency with the US dollar, Hong Kong can maintain an edge when competing with other tourist destinations. Moreover, regional traffic generated by Japan, Taiwan, Korea and other Southeast Asian countries still continues to be strong.

### China

Tourism in China had been much affected by the June 4 events in Beijing last year but the situation is now gradually returning to normal. Increased number of tourist arrivals in China had also contributed much to the success of the 11th Asian Games held in Beijing in September this year.

The Group is now managing six hotels in China with opening of the Jing Guang New World Hotel in Beijing and the Yangtze New World Hotel in Shanghai in June 1990. Occupancy rates at these hotels vary but are generally regarded as satisfactory relative to the industry averages. As the number of business travellers returning to Shanghai and Beijing has been increasing steadily over the past few months, business prospects for the two hotels look promising. Occupancy rate at the China Hotel in Guangzhou remains very high in view of the city's close proximity to Hong Kong, which is now becoming even more of a focal point for doing business with China. High occupancy rates have also been achieved for Hangzhou's Dragon Hotel and Guilin's Gui Shan Hotel due to an increase in the number of Taiwanese tourists visiting the mainland and the influx of Japanese tourists to Guilin. In contrast, business for Xian's New World Dynasty Hotel has been much affected by an over-supply of hotel rooms in the city. And by early 1991 when the New World Aster Hotel in Suzhou opens for business, the Group will have realized its plans of managing a chain of seven hotels in the major cities and tourist destinations in China.

### Other Areas

The level of business achieved to date for Vancouver's New World Harbourside Hotel has been satisfactory with Vancouver gaining increasing international visibility through this Canadian city's rapid growth in tourism and trade and convention business.

The Group also holds a 30% equity interest in Hyatt Regency, Macau. This hotel's business has benefitted much from increased tourism in Macau with new opportunities arising as construction of the new airport is about to begin. The Group will also manage the New World Emperor Hotel in Macau upon its completion in 1992.

The Group also has hotel expansion plans into Southeast Asia, capitalising on the high tourism potentials inherent in some of its booming economies. The Group has joint venture interests in New World Hotel, Bangkok and the New World Makati Hotel, Manila and will manage them when they are completed in 1993. Other hotel expansion plans finalized during the period under review include investing and managing hotels in Bali, Indonesia and Ho Chi Minh City, Vietnam and two hotels in Kuala Lumpur, Malaysia. The New World Hotel, Bali will be developed on the attractive holiday resort of Nusa Dua Beach in Bali. With restructuring of its economy on the way, Vietnam is ready to open its door to foreign investment. The Group sees good potential in Vietnam to emerge as a new promising tourist destination in Southeast Asia. The New World Hotel, Ho Chi Minh City will be developed to tap the increased traffic of tourists expected to flock to the City there.



峇里島Ramada Bintang渡假酒店景色怡人，閒靜恬適，有著世外桃源。

*The idyllic and tranquil setting at Ramada Bintang Bali Resort Hotel makes it a paradise for vacation.*

### The Ramada System

On 20 December 1989, the Group completed the acquisition from Ramada Inc. of its hotel business which, at the time, was the third largest hotel company in the world. In a separate agreement, an affiliate of Prime Motor Inns entered into a master license agreement to operate the USA Ramada Hotels and Inns franchise division. New World retained all Ramada Renaissance properties in the United States, and all Ramada properties outside the United States. In July 1990, Prime sold their rights to operate the USA Ramada Hotels and Inns franchise division to an affiliate of the Blackstone Group of New York. Ramada is currently having discussions with Blackstone which may result in an agreement directly between the Blackstone affiliate and Ramada.

Ramada International Hotels & Resorts (Ramada International) has entered the 1990s as one of the fastest growing international hotels companies in the world, and is emerging as a leading hotel chain. As of 30 June 1990, the company operated or franchised 111 properties in 37 countries with a total of 28,832 rooms, including 45 Ramada Renaissance Hotels (15,024 rooms), 49 Ramada Hotels (10,186 rooms), and 17 Ramada Inns (3,622 rooms). Through the end of October 1990

Ramada International has opened six new hotels including a Ramada Hotel in Beijing, China and has signed contracts on an additional twelve hotels including two hotels in Moscow, U.S.S.R. The company will open an additional three hotels before the year end including a resort hotel in Bali, Indonesia.

Over a seven year history, Ramada International has revised its original three tiers of properties into two core brands: Ramada Hotels & Inns, the original Ramada product, and Ramada Renaissance Hotels, first introduced in Hamburg, West Germany in 1981. Ramada Renaissance Hotels & Resorts represent the top level of the two-tier Ramada product. Each of these world-class hotels is designed to provide five star standards of international product and service to the experienced travellers of the 1990s. As for Ramada Hotels & Inns, they offer the range of facilities and services expected by experienced travellers and group planners. Targeted at the mid-priced segment, these properties are located in city centre, suburban, airport and resort areas and offer exceptional value for price paid. Further diversification into resort and all-suite segments has allowed the company to compete across all mid and luxury priced tiers.

The pursuit of "key city" presence, along with developing hotel businesses in those cities where the combination of strong economics and low risk are prevalent comprise the development objectives. An additional high growth area of focus is the resort segment where Ramada International has expanded dramatically in the Asia Pacific and Caribbean geographic markets. In the Caribbean, Ramada International is the largest international operator of hotels and resorts.

Since completing the acquisition of the Ramada system, as part of our strategies to reduce bank financing, we have up to now concluded sales of fourteen real estate holdings in the United States. Ramada

## Managing Director's Business Review (Cont'd)

International sold eleven hotels in May, one hotel in August, one hotel in October and one hotel in early November. Part of the sales aggregated US\$115 million was used to reduce mortgages and bank financing. One additional hotel is anticipated to be sold in late November and one is anticipated to be sold in mid December. After the property sales to be concluded by the end of December 1990, Ramada International will own three hotels in North America, including a new Ramada Renaissance Hotel under construction at Los Angeles International Airport. The Ramada system is well positioned in international markets to capitalize on future opportunities. More importantly, because of its global operations, the system will also offer an effective vehicle for the internationalization of the Group's hotel management business.

### **Construction & Engineering**

During the period under review, Hip Hing Construction Company Limited together with its subsidiaries reported a total construction turnover of HK\$3.5 billion. Total value of job orders on hand amounts to HK\$6.8 billion. Major projects completed during the period included the Hong Kong Convention and Exhibition Centre, the extension of New World Tower in Central, Cheung Sha Wan Plaza in Kowloon, and Paliburg Plaza at Causeway Bay. Among their significant projects currently in progress will count the new Headquarters of Hang Seng Bank in Central, the Hong Kong University of Science and Technology, Phases 3 and 4 of Asia Terminals Limited's container freight station facilities at Kwai Chung and the Swire Bottling Plant in Shatin. The local construction industry continues to be confronted by the problem of labour shortage and sustained pressure on building and construction costs but can look forward to boom times in the nineties associated with the new port and airport development. With its long-term experience in civil engineering, Hip Hing will benefit from these considerable

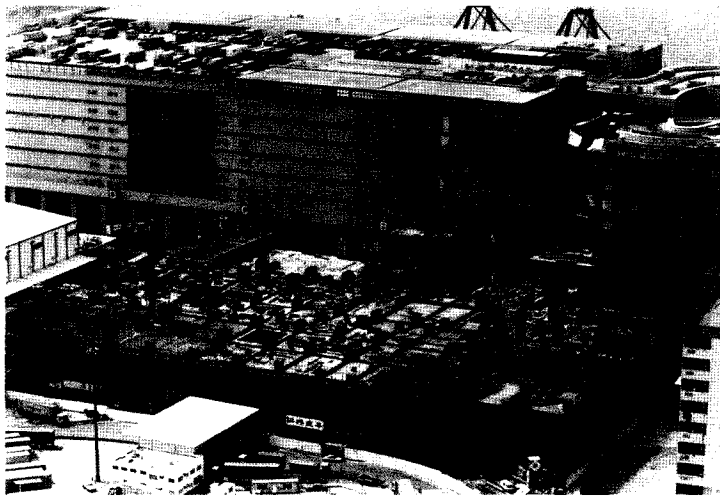
development opportunities.

Young's Engineering Company Limited also recorded satisfactory performances during the year despite having to contend the problems of labour shortage and drain of professionals experienced by all sectors of the local economy. And after several years of endeavour, Young's has now fully computerized its designing and drafting functions. This enables the company to coordinate the various building services of air-conditioning, fire protection, plumbing and electrical works to the effect of offering a turnkey mechanical and electrical package to prospective clients. This approach has been well received by the market as evidenced by the award of contracts for the projects at 9 Queen's Road Central, the Cityplaza 3 & 4 and the Bank of China, Macau.

### **Television**

At the end of 1989, Asia Television Limited conducted an overall review on its corporate structure, with a view to upgrading programme standards and increasing efficiency. As a result of that review, certain changes have been brought about by reorganizing the station's operating structure, thus facilitating a healthy course for the future.

The directors of Asia Television Limited believe that they have now put in place the key foundations on which they will build a successful television company. In terms of people, it has an excellent team of professionals working together towards clearly defined objectives, with leadership, expertise, and creativity. This team will ensure that programmes and artistes complement each other, thereby enhancing the popularity of the station's programmes amongst the viewing public. And the station has been constantly upgrading its production facilities and equipment. These strategies have resulted in the achievement of a satisfactory improvement in market share in terms of audience and advertising revenue.



亞洲貨櫃有限公司在葵涌之現代化貨櫃大廈擴建工程在進行中，全部工程完成後，其規模之大堪稱亞洲之冠。

*Works on the extension of Asia Terminals Limited's modern container freight station at Kwai Chung in progress — on completion, the facility will be the biggest of its kind in Asia.*

Plans for a new television centre are in the final stages and, subject to approval by the Hong Kong Government, construction will commence as soon as possible. It is anticipated that the centre will become operational two years after the date on which construction starts. The new centre will result in substantial savings in operating costs and significant improvement in production efficiency. Asia Television Limited should thus be able to produce a satisfactory long-term return on its shareholders' investment.

### Transport

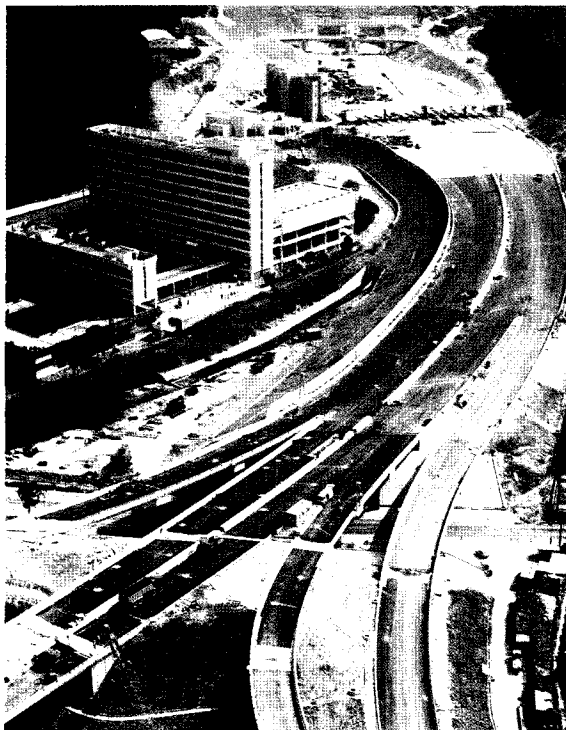
#### Asia Terminals Limited

Asia Terminals Limited operates at Berth 3 of Kwai Chung Container Terminal the largest container freight station and cargo-distribution centre in Asia. Due to the high demand for container freight station/warehousing space in the Kwai Chung Container Terminal area over the last few years, good responses have been received

by Asia Terminals Limited from its customers since the opening of the Phases 1 & 2 terminal in 1987. Currently, the Phases 1 & 2 building is attaining a 100% occupancy with potential customers on the waiting list.

Construction of Phases 3 & 4 is progressing on schedule with its expected final completion date in early 1993. The first stage of Phase 3 is scheduled for completion in early 1991 with a total of 456,800 square feet floor area available for use. Asia Terminals Limited has also recently announced its Phase 5 expansion project which adds six more floors above the Phases 3 & 4 currently under construction. When the Phase 5 structure is completed at the end of 1993, the entire terminal complex of Phases 1 to 5 would then be a 13-storeyed container freight station with an overall rental floor area totalling about 5.2 million square feet, the biggest of its kind in Asia. And the Government's plans for a new airport and port developments make the long term prospects for Asia Terminals Limited's facility excellent because of its strategic location.

Asia Terminals Limited has formed a joint venture company, ATL (Thailand) Ltd, with local partners from Thailand in 1989 to develop a container freight station and warehouse facility in Bangkok. The new facility, which is strategically located between Bangkok and the new port, Laem Chabang, is scheduled for final completion in 1992. Besides, Asia Terminals Limited is now investigating for other expansion opportunities in such Southeast Asian countries as Indonesia and the Philippines.

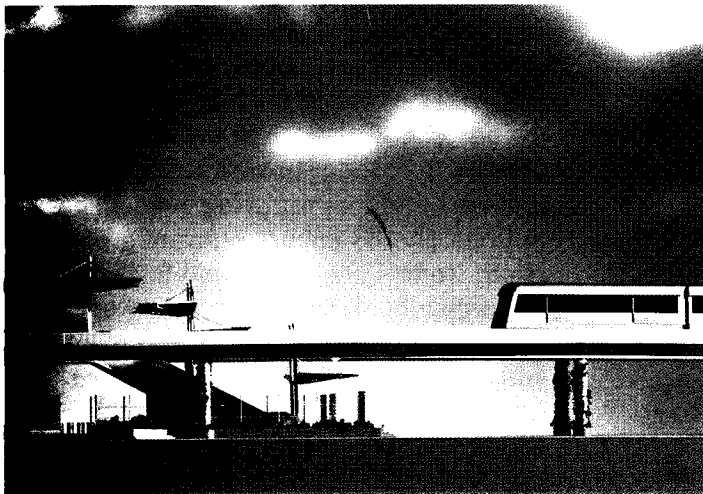


大老山隧道接直落工階段，將來投入服務後對疏導東九龍擠塞之交通有莫大裨益。

The Tate's Cairn Tunnel project which provides a solution to the traffic congestion in eastern Kowloon is nearing completion.

### Tate's Cairn Tunnel

The 4-kilometre Tate's Cairn Tunnel from Siu Lek Yuen in Shatin to Diamond Hill will be completed in May 1991. The Group holds 24% equity interest in respect of joining on a 30-year franchise to operate this new tunnel. Initially, it is expected to have a capacity of 100,000 vehicles per day.



九龍架空鐵路有助於解決尖沙咀旅遊區東西南面之繁忙交通

The Kowloon Sky Rail — a system that will serve the east and west of the busy Tsim Sha Tsui tourist district.

### The Kowloon Sky Rail

The Group is leading a consortium of international and Hong Kong interests to propose to the Government the development of an aerial mass transit system that will serve the east and west of the busy Tsim Sha Tsui tourist district. Details of the plans were submitted in October 1990. This long-term investment also reflects the Group's expanding involvement in Hong Kong's infrastructural developments.

### Infrastructural Investments in Mainland China

On 29 June 1990, the Group signed two tentative investment contracts with the Guangzhou Municipal Government for joint ventures in the Guangzhou Northern Ring Road and the Zhujiang Thermal Power Station. Both projects committed the Group to long-term investments with the prospect of good profit returns. The 26.5-kilometre Guangzhou Northern Ring Road, with total investments of RMB 1 billion, comprises a co-operation agreement extending over 33 years. Part of the road to the length of 7.3 kilometres has been opened to traffic. Completion of the whole road however will take three years and is scheduled for through traffic in 1994. The Group takes up a 50% interest in this operation. As for the 600,000 kilowatt Zhujiang Thermal Power Station, total investments have been estimated at RMB 1.8 billion with New World taking a 50% interest. The new station is scheduled to commence operations in mid 1993. Hong Kong's economic future is closely tied with China, and in particular with the Guangdong province.

The Group's participation in these infrastructural developments, on top of helping in China's modernization and economic development, also underscores our confidence in the future of Hong Kong.



## Managing Director's Business Review (Cont'd)

### Privatisation

A private company 64% owned by New World Development Company Limited and 36% owned by Chow Tai Fook Enterprises Limited was incorporated to acquire the entire share capital of New World Hotels (Holdings) Limited and the privatisation of that company through a scheme of arrangement under Section 166 of the Companies Ordinance had been approved by the shareholders of New World Hotels (Holdings) Limited and sanctioned by the Supreme Court of Hong Kong. The scheme became effective on 26 June 1990, when New World Hotels (Holdings) Limited withdrew its listing on the Stock Exchange of Hong Kong.

### Other Activities

In September this year, the Group took up a 22% interest in Sun Hung Kai - Hong Kong Industrial Limited, an investment vehicle newly formed to invest in local manufacturing industries. The venture is a multinational one, which includes companies from the United States, China Taiwan, Indonesia, Singapore and Malaysia.

New World Indosuez Insurance Services Limited is the Group's subsidiary formed in a joint venture with Indosuez Asia Limited to provide insurance consultancy and insurance broking services internationally. It commenced operations in Hong Kong in November 1988 with a clientele primarily consisting of Hong Kong and international corporate clients. It advises clients on risk and insurance management, in addition to marketing and placing insurance programmes with insurance companies and underwriters worldwide. New World Indosuez has now grown substantially in its business portfolio in Hong Kong as well as overseas. It operates in Hong Kong, Toronto, Singapore and from July 1990, Vancouver.

It remains to report that your Group's lesser activities such as cinema, estate management, landscaping and restaurants have all performed satisfactorily during the year under review.

### Directors

The Board of Directors record with deepest regret at the passing away of the Group's Director, Mr. Kwok Tak-Seng, on 30 October 1990. During his tenure of office, Mr. Kwok had, through his wise counsels to the Board, made an invaluable contribution to the Group.

### Prospects

Hong Kong's modest economic growth for the current year, at an estimated 2.5 per cent with double-digit inflation point to a slowing down of the local economy. Domestic exports in the first three quarters of 1990 decreased by about 1.4% over the same period last year. In contrast, the value of re-exports grew by 14.9% in the first three quarters, with China remaining the main source of and market for Hong Kong's re-exports. The property market however has been strong in parts and the tourist industry appears to be now well on the way to recovery. With uncertainty still prevailing in the Gulf Crisis, higher oil prices will lead to higher inflation and a further slowdown of the world's economic growth. Given the time required for these effects to filter through, the Hong Kong economy in the coming year will be braced for low growth and even higher inflation. In the longer-term perspective, the return to political stability in China and its improving economic outlook should ensure buoyant growth for Hong Kong's economy. And furthermore, strategically placed as a gateway to China, Hong Kong is not only a source of trade and investment but also an important economic and financial centre linking China with the rest of the world. Its role has been reassured with the world economic power gradually shifting towards the high growth Asian-Pacific region

## Managing Director's Business Review (Cont'd)

and the continuation of China's open-door policy. There are also good prospects of economic synergy between China, Hong Kong and Taiwan in southern China, particularly in the manufacturing and infrastructural developments of the burgeoning Pearl River Delta region. Overall I remain optimistic about Hong Kong's future and the Group's ability to capitalise on the opportunities thus arising.

**Cheng Kar-Shun, Henry**  
*Managing Director*

Hong Kong, 6 November, 1990

## Group's Significant Properties

Investment and Other Properties	Commercial Sq. M.	Residential Sq. M.	Hotel Sq. M.	Group Percentage	Expected Completion	Lease Expiry
<b>Hong Kong</b>						
1 37-39 Shanghai Street	182	1,119	—	100.00	Completed	2080
2 Manning House, 48 Queen's Road Central	10,223	—	—	100.00	Completed	2843
3 New World Tower & Extension, 14-18 Queen's Road Central	59,049	—	—	100.00	Completed	2863
4 Chai Wan Theatre	1,022	—	—	100.00	Completed	2047
5 Full Moon Theatre	2,026	—	—	100.00	Completed	2047
6 Manning Theatre	1,709	—	—	100.00	Completed	2047
7 New Town Theatre, TMTL 228	1,367	—	—	100.00	Completed	2047
8 New World Centre, KIL 9844	141,383	36,531	53,961	100.00	Completed	2052
9 Commercial Space and Car Port in Mei Foo Sun Chuen	55,371	—	—	75.00	Completed	2047
10 Container Freight Station in Berth 3, Kwai Chung						
Phases 1 & 2	148,645	—	—	39.00	Completed	2047
Phases 3 & 4	185,800	—	—	39.00	1991-1992	2047
Phase 5	130,000	—	—	39.00	1993	2047
11 Shun Tak Centre IL 8517	35,974	37,720	39,050	45.00	Completed	2055
12 Hong Kong Convention & Exhibition Centre IL 8593	47,567	61,954	99,354	100.00	Completed	2060
13 Paterson Plaza, 24-30 Paterson Street	1,921	—	—	100.00	Completed	2868
14 12 May Road	—	48,081	—	100.00	1992	2107

Overseas Hotel Properties	Number of Rooms	Group Percentage	Lease Expiry
1 New World Harbourside Hotel 1133, West Hastings Street, Vancouver	425	64.00	Freehold
2 Edmonton Renaissance Hotel 10155 105th Street, Edmonton, Alberta	296	64.00	Freehold
3 O'Hare Ramada Hotel 6600 N. Mannheim Road, Rosemont, Illinois	723	64.00	Freehold
4 Tyson's Corner Ramada Hotel 7801 Leesburg Pike Falls Church, Virginia	404	64.00	Freehold
5 Lax Renaissance Hotel 9620 Airport Boulevard Los Angeles, California	505	64.00	Freehold
6 Valley Ho Ramada Hotel 6850 Main Street, Scottsdale, Arizona	289	64.00	Freehold
7 Long Beach Renaissance Hotel 111 E, Ocean Boulevard Long Beach, California	373	16.00	Freehold

## Group's Significant Properties (Cont'd)

Development Properties	Usage	Stage of Completion	Site Area Sq. M.	Commercial Sq. M.	Residential Sq. M.	Group Percentage	Expected Completion
1 J/O Rua Francisco Xavier Pereors & Estrada, Macau	R	Superstructure	7,521	4,905	57,928	31.40	1990
2 Discovery Bay, Phase 4, sub Phase 2	R	Caisson work	N/A	—	83,500	100.00	1993
3 Discovery Bay, Phase 5, sub Phase 2	R	Superstructure	N/A	—	61,467	100.00	1992
4 2-4 Conduit Road	R	Superstructure	1,020	—	8,157	20.00	1991
5 7 Link Road	R	Caisson work	415	—	3,320	100.00	1991
6 17-29 Lyttelton Road	R	Foundation	1,587	—	12,760	100.00	1991
7 30-40 Tai Yuen Street	R	Superstructure	518	278	3,993	100.00	1991
8 455-485 Queen's Road West	R	Piling	1,408	1,807	10,301	100.00	1991
9 1-11 Illumination Terrace	R	Caisson work	5,302	—	42,400	100.00	1991
10 49-55 Fort Street	R	Superstructure	885	311	6,910	100.00	1991
11 CWIL 139, Kai Yip Street	I	Piling	4,688	56,244	—	35.00	1991
12 30-34 Conduit Road/ 51-53A Robinson Road	R	Piling	1,462	—	12,432	33.33	1992
13 1-20 Li Chit Street	R	Planning	1,418	2,001	5,502	100.00	1992
14 Wing Sing Street	C	Planning	7,203	100,036	—	100.00	1993
15 Third Street, IL 8764	R	Foundation	862	1,085	7,900	100.00	1991
16 580A-580F, Nathan Road and IL-IX Sai Yeung Choi Street South	C	Caisson work	1,612	24,165	—	100.00	1992
17 3 Babington Road	R	Planning	2,751	—	13,755	100.00	1992

## Five-Year Financial Summary

	1990 HK\$'000	1989 HK\$'000	1988 HK\$'000	1987 HK\$'000	1986 HK\$'000
Fixed assets	24,603,040	18,118,809	4,077,977	2,884,119	2,600,082
Associated companies	3,709,945	1,965,168	975,924	832,007	834,896
Other investments	1,010,076	1,351,635	165,938	60,782	48,808
Licence agreement	880,218	—	—	—	—
Long term loans receivable	377,216	318,210	208,594	206,278	94,227
Current assets	7,685,262	4,481,233	3,939,226	3,726,994	2,200,105
Total assets	38,265,757	26,235,055	9,367,659	7,710,180	5,778,118
Less: Current liabilities	10,195,634	5,781,760	3,101,667	2,254,377	2,278,323
	28,070,123	20,453,295	6,265,992	5,455,803	3,499,795
Intangible assets	1,108,698	—	—	—	—
Deferred expenditure	89,609	21,430	7,120	9,272	11,206
	<u>29,268,430</u>	<u>20,474,725</u>	<u>6,273,112</u>	<u>5,465,075</u>	<u>3,511,001</u>
Share capital	1,323,209	1,188,074	1,141,072	1,102,161	1,079,986
Reserves	20,977,559	16,411,300	3,745,849	2,715,299	1,870,419
Shareholders' funds	22,300,768	17,599,374	4,886,921	3,817,460	2,950,405
Minority interests	2,859,026	1,392,166	853,753	721,839	316,306
Long term liabilities	4,105,907	1,482,303	532,438	925,776	244,290
Deferred taxation	2,729	882	—	—	—
	<u>29,268,430</u>	<u>20,474,725</u>	<u>6,273,112</u>	<u>5,465,075</u>	<u>3,511,001</u>
Turnover	<u>7,947,799</u>	<u>6,115,420</u>	<u>5,296,855</u>	<u>4,271,711</u>	<u>4,580,347</u>
Operating profit	1,708,278	1,669,278	1,273,038	1,001,155	757,692
Share of profits less losses of associated companies	(69,253)	95,881	292,641	217,169	124,861
Profit before taxation	1,639,025	1,765,159	1,565,679	1,218,324	882,553
Taxation	(255,119)	(236,538)	(173,174)	(166,488)	(188,545)
Profit after taxation	1,383,906	1,528,621	1,392,505	1,051,836	694,008
Minority interests	(255,633)	(280,166)	(277,056)	(206,706)	(91,034)
Profit before extraordinary items	1,128,273	1,248,455	1,115,449	845,130	602,974
Extraordinary items	(35,090)	121,443	—	(27,672)	11,162
Profit attributable to shareholders	<u>1,093,183</u>	<u>1,369,898</u>	<u>1,115,449</u>	<u>817,458</u>	<u>614,136</u>
Dividend per share — interim (cents)	22	21	18	14	12
— final (cents)	39	39	32	24	19
	<u>61</u>	<u>60</u>	<u>50</u>	<u>38</u>	<u>31</u>

## Report of the Auditors

### Report of the Auditors to the Members of New World Development Company Limited

We have audited the accounts set out on pages 22 to 50 in accordance with approved Auditing Standards.

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group at 30 June 1990 and of the profit and changes in financial position of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

**Price Waterhouse**  
Certified Public Accountants

**H.C. Watt & Company**  
Certified Public Accountants

Hong Kong, 6 November 1990

# Consolidated Profit and Loss Account

	Note	Year ended 30 June	
		1990 HK\$'000	1989 HK\$'000
Turnover	2	<u>7,947,799</u>	<u>6,115,420</u>
Operating profit	3	1,708,278	1,669,278
Share of losses less profits of associated companies		<u>(69,253)</u>	<u>95,881</u>
Profit before taxation		1,639,025	1,765,159
Taxation	4	<u>(255,119)</u>	<u>(236,538)</u>
Profit after taxation		1,383,906	1,528,621
Minority interests		<u>(255,633)</u>	<u>(280,166)</u>
Profit before extraordinary items		1,128,273	1,248,455
Extraordinary items	5	<u>(35,090)</u>	<u>121,443</u>
Profit attributable to shareholders	6	1,093,183	1,369,898
Transfer to capital reserve		—	(17,700)
Dividends	7	<u>(836,744)</u>	<u>(712,342)</u>
Retained profit for the year		<u>256,439</u>	<u>639,856</u>
Retained by:			
Company and subsidiary companies		323,526	767,464
Associated companies		<u>(67,087)</u>	<u>(127,608)</u>
		<u>256,439</u>	<u>639,856</u>
Earnings per share	8		
Basic		<u>HK\$0.90</u>	<u>HK\$1.08</u>
Fully diluted		<u>HK\$0.89</u>	<u>HK\$1.04</u>

# Consolidated Balance Sheet

As at 30 June

	Note	1990 HK\$'000	1989 HK\$'000
Fixed assets	10	24,603,040	18,118,809
Associated companies	12	3,709,945	1,965,168
Other investments	13	1,010,076	1,351,635
Licence agreement	14	880,218	—
Long term loans receivable	15	377,216	318,210
Net current liabilities	16	(2,510,372)	(1,300,527)
		<u>28,070,123</u>	<u>20,453,295</u>
Intangible assets	17	1,108,698	—
Deferred expenditure	18	89,609	21,430
		<u>29,268,430</u>	<u>20,474,725</u>
Financed by:			
Share capital	19	1,323,209	1,188,074
Reserves	21	20,977,559	16,411,300
Shareholders' funds		22,300,768	17,599,374
Minority interests		2,859,026	1,392,166
Long term liabilities	22	4,105,907	1,482,303
Deferred taxation	23	2,729	882
		<u>29,268,430</u>	<u>20,474,725</u>

Sin Wai-Kin  
Cheng Kar-Shun, Henry  
Directors



# Company Balance Sheet

As at 30 June

	Note	1990 HK\$'000	1989 HK\$'000
Fixed assets	10	22,705	20,761
Subsidiary companies	11	4,674,242	4,043,669
Associated companies	12	1,327,851	449,964
Other investments	13	4,548	372,813
Net current assets	16	<u>359,593</u>	<u>229,333</u>
		<u>6,388,939</u>	<u>5,116,540</u>
Financed by:			
Share capital	19	1,323,209	1,188,074
Reserves	21	<u>5,065,730</u>	<u>3,928,466</u>
Shareholders' funds		<u>6,388,939</u>	<u>5,116,540</u>

Sin Wai-Kin  
Cheng Kar-Shun, Henry  
Directors

# Consolidated Statement of Changes in Financial Position

	Year ended 30 June			
	1990 HK\$'000	1990 HK\$'000	1989 HK\$'000	1989 HK\$'000
<b>Source of funds</b>				
Profit before taxation		1,639,025		1,765,159
Extraordinary items		(35,090)		121,443
		1,603,935		1,886,602
<b>Adjustments for items not involving the movement of funds:</b>				
Share of losses less profits of associated companies	69,253		(95,881)	
Depreciation	125,416		86,095	
(Gain)/loss on disposal of:				
Investment properties	(680,380)		(254,347)	
Other listed investments	(3,825)		—	
Fixed assets	16,841		(243,102)	
Associated companies	964		(980)	
Increase/(decrease) in provisions for:				
Investment in and advances to associated companies	17,993		(45,533)	
Other investments	519		—	
Intangible assets amortised	36,396		—	
Pre-operating expenses amortised	22,341		3,482	
Vessels revaluation reserve released	—		(81,258)	
		(394,482)		(631,524)
<b>Total generated from operations</b>		1,209,453		1,255,078
<b>Funds from other sources</b>				
Shares issued	106,918		32,997	
Increase in share premium	855,348		453,938	
Increase in long term liabilities *	2,623,604		949,865	
Proceeds from disposal of:				
Investment properties	910,462		268,292	
Fixed assets	18,890		781,971	
Other listed investments	372,133		—	
Associated companies	12,631		4,229	
Dividends from associated companies	3,348		203,851	
Deferred taxation *	538		—	
		4,903,872		2,695,143
		6,113,325		3,950,221

# Consolidated Statement of Changes in Financial Position (Cont'd)

	Year ended 30 June			1989 HK\$'000
	1990 HK\$'000	1990 HK\$'000	1989 HK\$'000	
<b>Application of funds</b>				
Increase in other investments	27,269		1,185,697	
Increase in investment in associated companies *	1,622,565		730,752	
Increase in long term loans receivable *	59,006		109,616	
Decrease in minority interests *	379,140		202,952	
Purchase of fixed assets *	2,162,542		3,135,381	
Purchase of licence agreement *	880,218		—	
Dividends paid	491,034		425,713	
Tax paid	243,506		136,032	
Share issue expenses	6,929		7,806	
Increase in intangible assets *	1,145,094		—	
Increase in deferred expenditure	90,520		17,792	
Decrease in reserve on consolidation	—		5,675	
Goodwill *	156,277		—	
Exchange loss arising from translation of accounts of overseas subsidiary companies	9,109		3,084	
		<u>7,273,209</u>		<u>5,960,500</u>
		<u>(1,159,884)</u>		<u>(2,010,279)</u>
<b>Movement in Working Capital</b>				
Stocks and construction in progress *	(248,446)		108,269	
Properties held for sale *	826,188		(99,840)	
Debtors and prepayments *	2,038,777		356,003	
Creditors, bills payable and deposits received *	(1,495,581)		(539,883)	
Long term loans receivable — current portion	8,222		6,425	
Other loans receivable	35,921		91,243	
		1,165,081		(77,783)
<b>Movement in net liquid funds</b>				
Cash and bank balances *	576,917		(3,256)	
Bank loans, overdrafts and current portion of long term liabilities *	(2,101,312)		(1,172,491)	
Other unsecured loans	(767,020)		(789,527)	
Overseas treasury bills	(325)		(447)	
Hong Kong listed shares	(33,225)		33,225	
		<u>(2,324,965)</u>		<u>(1,932,496)</u>
		<u>(1,159,884)</u>		<u>(2,010,279)</u>

nt'd)

# Consolidated Statement of Changes in Financial Position (Cont'd)

	Year Ended 30 June	
	1990 HK\$'000	1989 HK\$'000
<b>Net Assets Acquired</b>		
Fixed assets	453,722	1,062,378
Stocks and construction in progress	29,391	11,820
Debtors and prepayments	598,302	3,332
Goodwill	156,277	—
Investment in associated companies	278,599	—
Properties held for sale	1,472,746	—
Intangible assets	799,707	—
Cash and bank balances	405,634	57,882
Creditors and accruals	(2,999,318)	(6,878)
Deferred taxation	(538)	—
Bank loans and overdrafts	(11,345)	—
Long term liabilities	(1,056,086)	(97,000)
Minority interests	396,809	—
Licence agreement	878,686	—
	<u>1,402,586</u>	<u>1,031,534</u>
<b>Financed by:</b>		
Cash paid	1,402,586	917,275
Issue of shares	—	114,259
	<u>1,402,586</u>	<u>1,031,534</u>

# Notes to the Accounts

## (a) Basis of consolidation

The Group accounts incorporate the accounts of the Company and all its subsidiary companies 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. The results of subsidiary companies acquired or disposed of during the year are dealt with in the consolidated profit and loss account from the effective dates of acquisition and to the effective dates of disposal respectively.

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

## (b) Goodwill

Goodwill represents the excess of purchase consideration over fair values ascribed to the net assets acquired and is written off directly to reserves in the year of acquisition.

In prior years, the Group's policy was to write off goodwill to the profit and loss account in the year of acquisition. The adoption of the above-mentioned policy therefore constitutes a change in accounting policy. In the opinion of the directors, the change in accounting policy is appropriate as the new accounting policy enables the presentation of more meaningful and fairer results of the Group. No prior year adjustment to the profit and loss account and the reserves is required as there was no goodwill written off in 1989 and 1988.

## (c) Subsidiary companies

Investments in subsidiary companies are carried at cost or at directors' valuation less provision for any permanent diminution in value.

## (d) Associated companies

An associated company is a company other than a subsidiary company in which the Group's interest is held long term and is substantial or is effectively that of a partner in a consortium and, in both situations, significant influence is exercised through representation on the board of directors. Results of associated companies are accounted for by the Company only to the extent of dividends received and receivable.

## (e) Turnover

Group turnover represents all revenues from rental, sales of properties, construction, piling, air-conditioning engineering, hotel and restaurant operations, financial services, letting agency and theatre operation.

## (f) Profit recognition

- (i) For properties developed for resale, profit is recognised either when the sale agreement is completed or when the occupation permit is issued, whichever is the later. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.
- (ii) Gain or loss on sales of fixed assets, including investment properties, are included in the operating profit.
- (iii) Profits on joint venture projects and property construction and services contracts are recognised only when the projects or contracts have been completed and in the case of multiphase contracts, on completion of a distinct phase. The directors consider that in view of the fluctuation of cost elements during the life of a project or contract, it is prudent for the Group to recognise profit on such basis.

## (g) Assets under leases

- (i) Finance leases  
Leases that substantially transfer all the benefits and risks of ownership of assets to the Group are accounted for as finance leases. At the inception of a finance lease, the asset and the related long term obligation, excluding interest are recorded to reflect the purchase and its financing.  
Finance charges are debited to the profit and loss account in proportion to the capital balance outstanding.
- (ii) Operating leases  
Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account.

## Notes to the Accounts (Cont'd)

### (h) Fixed assets

#### (i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development has 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 property revaluation reserve; decreases are first set off against earlier revaluation surpluses and thereafter charged to the profit and loss account. No depreciation is provided on investment properties held on leases of more than twenty 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 in the balance sheet at their open market value on the basis of an annual professional valuation. No depreciation is provided on hotel properties held on leases of more than twenty years. It is the Group's practice to maintain the buildings in a continual state of sound repair and to make improvements thereto from time to time and accordingly, the directors consider that depreciation is not necessary due to their high residual value. Such expenditure on repairs and improvements is dealt with through the planned maintenance provision account which has been included in creditors and accrued charges.

#### (iii) Depreciation

Cost or valuation of other fixed assets is depreciated over their estimated useful lives on the straight line basis at the following rates:

Freehold land and land held on long leases	Nil
Buildings	2.5%
Other assets	10-30%

### (i) Planned maintenance

The Group operates a planned maintenance scheme for its hotels which projects future maintenance requirements over a period of years. Within this scheme actual costs and/or projected costs for the ensuing five year periods as estimated by the Group are equalised by annual provisions in the profit and loss account.

### (j) Other investments

Other investments are long term investments other than subsidiary companies and associated companies. Other investments are carried at cost less provision for any permanent diminution in value.

### (k) Licence agreement

The licence agreement represents the right granted to the licensee to operate a hotel franchise system in the USA. The licence agreement is carried at the estimated value of the licence agreement at the date of acquisition less the cumulative principal portion of subsequent royalties paid and payable by the licensee which are recognised on the discounted cash flow method over the term of the licence agreement.

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

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

Stocks are valued 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.

Construction in progress is stated at cost less provision for anticipated losses and progress payments received and receivable.

### (m) Intangible assets

(i) The cost of acquisition of hotel management and franchise agreements is amortised annually on a straight line basis over their average lives of 17.5 years and 12 years respectively.

(ii) The cost of acquisition of franchise rights and trademarks is amortised annually on a straight line basis over their estimated economic lives to the Group of up to 20 years.

### (n) Deferred expenditure

#### (i) Pre-operating expenses

Pre-operating expenses are amortised over five years by equal annual instalments commencing from the first year of operation.

#### (ii) Quarry mill pre-operating expenses

Quarry mill pre-operating expenses are amortised over the lease period from the date of commencement of quarry production.

## Notes to the Accounts (Cont'd)

**(o) Deferred taxation**

Deferred taxation is accounted for at current tax rates 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 asset is expected to be payable or receivable in the foreseeable future.

**(p) Capitalisation of interest and finance charges**

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

**(q) Foreign currencies**

Foreign currencies 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 and the accounts of overseas subsidiary companies are translated into Hong Kong dollars at exchange rates ruling at that date. Exchange differences arising from the translation of the accounts of overseas subsidiary companies are dealt with through the currency translation reserve account. All other exchange differences are included in the determination of operating profit.

## Notes to the Accounts (Cont'd)

	1990 HK\$'000	1989 HK\$'000
An analysis of the Group's turnover and contribution to operating profit by principal activities and geography are as follows:		
(a) Analysis by principal activities		
(i) Turnover		
Rental income	1,106,282	756,774
Property sales	2,308,952	1,404,521
Construction and piling	4,819,180	4,805,613
Hotels and restaurant operations	2,276,279	1,044,703
Others	467,358	406,275
Container liner and related services	—	707,803
	<u>10,978,051</u>	<u>9,125,689</u>
Less: Intra-group transactions		
Rental	49,527	36,750
Property sales	12,589	—
Construction and piling	2,919,754	2,971,750
Others	48,382	1,769
	<u>7,947,799</u>	<u>6,115,420</u>
(ii) Contribution to operating profit		
Rental income	709,265	579,512
Property sales	1,200,049	674,934
Construction and piling	61,283	42,583
Hotels and restaurant operations	293,890	329,422
Others	(45,489)	59,110
Container liner and related services	—	75,617
	<u>2,218,998</u>	<u>1,761,178</u>
Less: Net interest paid	<u>(510,720)</u>	<u>(91,900)</u>
	<u>1,708,278</u>	<u>1,669,278</u>
(b) Analysis by geography		
(i) Turnover		
Hong Kong	7,070,688	5,299,971
South-east Asia and People's Republic of China	37,694	103,649
North America	346,125	499,713
Europe	444,912	—
Australia	40,864	212,087
Others	7,516	—
	<u>7,947,799</u>	<u>6,115,420</u>



## Notes to the Accounts (Cont'd)

	1990 HK\$'000	1989 HK\$'000
(ii) Contribution to operating profit before interest		
Hong Kong	2,188,662	1,685,485
South-east Asia and People's Republic of China	11,023	15,671
North America	37,892	37,348
Europe	(3,268)	—
Australia	(10,694)	22,674
Others	(4,617)	—
	<u>2,218,998</u>	<u>1,761,178</u>

	1990 HK\$'000	1989 HK\$'000
Operating profit of the Group is arrived at after crediting and charging the following:		
<b>Crediting</b>		
Net rental income	751,946	576,082
Dividend income		
Listed investments	34,722	24,733
Unlisted investments	15,892	56,598
Gain on sales of investment properties	680,380	254,347
Gain on sales of land and buildings	—	30,648
Royalty income from licence agreement	59,608	—
	<u>751,946</u>	<u>576,082</u>
<b>Charging</b>		
Interest on bank loans, overdrafts and other loans repayable within 5 years	630,271	265,617
Interest on finance leases	13,085	7,445
Less: Interest capitalised as cost of property development and construction in progress	(22,659)	(37,146)
	<u>620,697</u>	<u>235,916</u>
Auditors' remuneration	6,940	4,469
Depreciation		
Leased fixed assets	36,572	25,178
Owned fixed assets	88,844	60,917
Operating lease rentals for land and buildings	118,231	1,425
Amortisation of intangible assets	36,396	—
Amortisation of pre-operating expenses	22,341	3,482
	<u>620,697</u>	<u>235,916</u>

## Notes to the Accounts (Cont'd)

	1990 HK\$'000	1989 HK\$'000
Company and subsidiary companies		
Hong Kong profits tax	228,185	214,089
Overseas taxation	12,579	1,929
Deferred taxation	<u>1,309</u>	<u>882</u>
	242,073	216,900
Associated companies		
Hong Kong profits tax	12,921	19,654
Overseas taxation	<u>125</u>	<u>(16)</u>
	<u>255,119</u>	<u>236,538</u>

Hong Kong profits tax is provided at the rate of 16.5% (1989: 16.5%) 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.

	1990 HK\$'000	1989 HK\$'000
(Loss)/gain on discontinuance of the shipping business:		
(Loss)/gain on disposal of shipping related fixed assets	(18,421)	173,614
Winding-down expenses	<u>(16,669)</u>	<u>(52,171)</u>
	<u>(35,090)</u>	<u>121,443</u>

Profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$858,799,000 (1989: HK\$1,002,571,000).

## Notes to the Accounts (Cont'd)

	1990 HK\$'000	1989 HK\$'000
Interim dividend paid of 22 cents per share (1989: 21 cents)	320,692	248,993
Proposed final dividend of 39 cents per share (1989: 39 cents)	<u>516,052</u>	<u>463,349</u>
	<u>836,744</u>	<u>712,342</u>

Of which the following were settled by the issue of scrip:

Interim dividend	135,029	35,048
Final dividend	*	157,978

\* Full provision has been made for the 1990 final dividend on the basis that all shareholders will elect to receive cash, being the alternative to their entitlements to the scrip dividend.

The calculation of basic earnings per share is based on profit before extraordinary items of HK\$1,128,273,000 (1989: HK\$1,248,455,000) and the weighted average of 1,250,164,000 shares in issue (1989: 1,155,362,000 shares) during the year.

The fully diluted earnings per share is based on adjusted profit before extraordinary items of HK\$1,215,097,000 (1989: HK\$1,430,666,000) on the assumption that all outstanding warrants had been exercised at the beginning of the year and that the proceeds of subscription had been placed on fixed deposits with a leading bank earning interest, and the weighted average of 1,357,853,000 shares (1989: 1,370,455,000 shares) issued and issuable.

	1990 HK\$'000	1989 HK\$'000
Fees	646	611
Other emoluments	<u>—</u>	<u>—</u>
	<u>646</u>	<u>611</u>

## Notes to the Accounts (Cont'd)

	Group				Total HK\$'000
	Investment properties HK\$'000	Hotel properties HK\$'000	Land and buildings HK\$'000	Other assets HK\$'000	
<b>Cost or valuation</b>					
At 1.7.1989	10,116,061	3,592,916	4,233,203	432,723	18,374,903
Translation difference	—	6,726	—	756	7,482
Transfers	2,485,982	1,858,845	(4,344,827)	—	—
Acquisition of subsidiary companies	40,000	221,941	31,341	178,965	472,247
Additions	18,728	515,965	941,072	233,055	1,708,820
Disposals	(231,695)	—	(2,980)	(81,442)	(316,117)
Revaluation surplus	3,813,963	891,944	—	—	4,705,907
At 30.6.1990	<u>16,243,039</u>	<u>7,088,337</u>	<u>857,809</u>	<u>764,057</u>	<u>24,953,242</u>
<b>Accumulated depreciation</b>					
At 1.7.1989	—	—	11,266	244,828	256,094
Translation difference	—	—	—	173	173
Acquisition of subsidiary companies	—	—	1,264	17,261	18,525
Charge for the year	—	—	2,549	122,867	125,416
Written back on disposals	—	—	(2,834)	(47,172)	(50,006)
At 30.6.1990	<u>—</u>	<u>—</u>	<u>12,245</u>	<u>337,957</u>	<u>350,202</u>
<b>Net book value</b>					
At 30.6.1990	<u>16,243,039</u>	<u>7,088,337</u>	<u>845,564</u>	<u>426,100</u>	<u>24,603,040</u>
At 30.6.1989	<u>10,116,061</u>	<u>3,592,916</u>	<u>4,221,937</u>	<u>187,895</u>	<u>18,118,809</u>

## Notes to the Accounts (Cont'd)

	Compay		Total HK\$'000
	Investment Properties HK\$'000	Land and buildings HK\$'000	
<b>Cost or valuation</b>			
At 1.7.1989	16,000	5,296	21,296
Additions	—	15	15
Revaluation surplus	<u>2,000</u>	<u>—</u>	<u>2,000</u>
At 30.6.1990	<u>18,000</u>	<u>5,311</u>	<u>23,311</u>
<b>Accumulated depreciation</b>			
At 1.7.1989	—	535	535
Charge for the year	<u>—</u>	<u>71</u>	<u>71</u>
At 30.6.1990	<u>—</u>	<u>606</u>	<u>606</u>
<b>Net book value</b>			
At 30.6.1990	<u>18,000</u>	<u>4,705</u>	<u>22,705</u>
At 30.6.1989	<u>16,000</u>	<u>4,761</u>	<u>20,761</u>

Cost or valuation of properties at 30 June 1990 was made up as follows:

	Investment properties	Hotel properties	Hotel properties	Land and buildings	Total  HK\$'000
	Hong Kong long lease HK\$'000	Hong Kong long lease HK\$'000	Overseas freehold HK\$'000	Hong Kong long lease HK\$'000	
<b>Group</b>					
At cost	—	—	—	857,809	857,809
At 1990 professional valuation	<u>16,243,039</u>	<u>6,497,000</u>	<u>591,337</u>	<u>—</u>	<u>23,331,376</u>
	<u>16,243,039</u>	<u>6,497,000</u>	<u>591,337</u>	<u>857,809</u>	<u>24,189,185</u>
<b>Company</b>					
At cost	—	—	—	5,311	5,311
At 1990 professional valuation	<u>18,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>18,000</u>
	<u>18,000</u>	<u>—</u>	<u>—</u>	<u>5,311</u>	<u>23,311</u>

The investment properties and hotel properties were valued on 30 June 1990 on an open market value basis by Chesterton Petty Limited and Colliers Macaulay Nicolls Inc.

Other assets comprising plant, machinery, equipment, furniture, fixtures and motor vehicles are stated at cost. The net book value of fixed assets includes equipment held under finance leases amounting to HK\$122,975,000 (1989: containers and chassis amounting to HK\$8,190,000 were included under current assets).

## Notes to the Accounts (Cont'd)

	Company	
	1990 HK\$'000	1989 HK\$'000
Unlisted shares		
At cost	2,418,487	1,825,276
Less: Provision for permanent diminution in value	(394,071)	(394,071)
	<u>2,024,416</u>	<u>1,431,205</u>
At directors' valuation in 1972	72,000	72,000
	<u>2,096,416</u>	<u>1,503,205</u>
Listed shares - Hong Kong, at cost	—	93,456
	<u>2,096,416</u>	<u>1,596,661</u>
Amounts due by subsidiary companies less provision	4,578,754	3,460,749
	<u>6,675,170</u>	<u>5,057,410</u>
Less: Amounts due to subsidiary companies	(2,000,928)	(1,013,741)
	<u>4,674,242</u>	<u>4,043,669</u>
Market value of listed shares	—	1,061,067
	<u>—</u>	<u>1,061,067</u>

Details of principal subsidiary companies are given in Note 28.

	Group		Company	
	1990 HK\$'000	1989 HK\$'000	1990 HK\$'000	1989 HK\$'000
Unlisted shares at cost less amount written off	1,622,376	459,107	966,444	175,934
Amounts due by associated companies				
Current accounts	1,196,087	866,257	248,569	232,596
Subordinated loans	488,125	488,125	196,898	196,898
	<u>3,306,588</u>	<u>1,813,489</u>	<u>1,411,911</u>	<u>605,428</u>
Less: Provisions	(83,679)	(65,686)	(9,620)	(9,620)
	<u>3,222,909</u>	<u>1,747,803</u>	<u>1,402,291</u>	<u>595,808</u>
Share of post-acquisition reserves	618,084	445,654	—	—
	<u>3,840,993</u>	<u>2,193,457</u>	<u>1,402,291</u>	<u>595,808</u>
Less: Amounts due to associated companies	(131,048)	(228,289)	(74,440)	(145,844)
	<u>3,709,945</u>	<u>1,965,168</u>	<u>1,327,851</u>	<u>449,964</u>

Shares and advances in the form of subordinated loans, totalling HK\$530,738,000 (1989: HK\$530,738,000) have been pledged as part of the security for credit facilities of HK\$2,520,000,000 (1989: HK\$864,000,000) granted to associated companies of which HK\$783,320,000 (1989: HK\$864,000,000) had been utilised as at balance sheet date.

Details of principal associated companies are given in Note 29.

## Notes to the Accounts (Cont'd)

	Group		Company	
	1990 HK\$'000	1989 HK\$'000	1990 HK\$'000	1989 HK\$'000
Unlisted shares at cost	45,301	11,389	5,048	5,048
Less: Provision for permanent diminution in value	(605)	(725)	(500)	(500)
	<u>44,696</u>	<u>10,664</u>	<u>4,548</u>	<u>4,548</u>
Hong Kong listed shares at cost	<u>580,373</u>	<u>945,990</u>	<u>—</u>	<u>368,265</u>
Investment in unincorporated joint ventures				
At cost	2,800	2,800	—	—
Less: Provision	(1,409)	(870)	—	—
	<u>1,391</u>	<u>1,930</u>	<u>—</u>	<u>—</u>
Advances	<u>383,616</u>	<u>393,051</u>	<u>—</u>	<u>—</u>
	<u>385,007</u>	<u>394,981</u>	<u>—</u>	<u>—</u>
	<u>1,010,076</u>	<u>1,351,635</u>	<u>4,548</u>	<u>372,813</u>
Market value of listed shares	<u>722,620</u>	<u>669,267</u>	<u>—</u>	<u>192,968</u>

Hong Kong listed shares held by the Group includes a 27.2% equity interest in Wing On (Holdings) Limited, a company incorporated in Hong Kong.

Concurrent with the acquisition of a hotel group in the USA during the year, the Group entered into a long term licence agreement which grants the right to the licensee to operate a hotel franchise system in the USA owned by the newly acquired group. Royalties receivable under the licence agreement are determined as a specified percentage of the franchise system room sales as defined in the licence agreement. The performance of the licensee under the licence agreement is guaranteed by its former holding company ("the guarantor"). The licence agreement may be terminated by the Group upon the occurrence of certain events as defined in the licence agreement. In May 1990, the guarantor sold certain assets including all the shares of the licensee to a third party. The obligations under the above guarantee are retained by the guarantor. Subsequent to the balance sheet date, the guarantor filed for protection under Chapter 11 of the federal Bankruptcy Code in the USA. In the opinion of the directors, the effect of such filing will not have a material adverse effect on the Group's financial position.

## Notes to the Accounts (Cont'd)

	Group	
	1990 HK\$'000	1989 HK\$'000
Mortgage loans	299,588	232,360
Loan to a minority shareholder	100,731	100,731
	<u>400,319</u>	<u>333,091</u>
Less: Amounts receivable within one year included in current assets (Note 16)	(23,103)	(14,881)
	<u>377,216</u>	<u>318,210</u>

	Group		Company	
	1990 HK\$'000	1989 HK\$'000	1990 HK\$'000	1989 HK\$'000
<b>Current assets</b>				
Construction in progress (Note a)	(122,297)	142,713	—	—
Properties held for sale (Note b)	3,030,875	2,204,687	857,307	875,888
Stocks	115,480	98,916	—	—
Overseas treasury bills, at cost	62,430	62,755	—	—
Hong Kong listed shares, at market value	—	33,225	—	—
Long term loans receivable				
- current portion (Note 15)	23,103	14,881	—	—
Other loans receivable	166,697	130,776	—	—
Debtors and prepayments	3,557,006	1,518,229	485,862	165,839
Cash and bank balances (Note c)	851,968	275,051	2,842	2,409
	<u>7,685,262</u>	<u>4,481,233</u>	<u>1,346,011</u>	<u>1,044,136</u>
<b>Current liabilities</b>				
Creditors and accrued charges	3,480,975	1,929,309	268,495	277,163
Deposits received on sale of properties	184,841	185,955	—	23,987
Bills payable	10,193	65,164	—	—
Bank loans and overdrafts				
Secured	2,064,533	117,258	99,969	—
Unsecured	1,546,062	1,576,678	101,902	2,530
Other unsecured loans	1,693,520	926,500	—	33,165
Long term liabilities				
- current portion (Note 22)	428,273	243,620	—	—
Taxation	271,185	273,927	—	14,609
Proposed final dividend	516,052	463,349	516,052	463,349
	<u>10,195,634</u>	<u>5,781,760</u>	<u>986,418</u>	<u>814,803</u>
	<u>(2,510,372)</u>	<u>(1,300,527)</u>	<u>359,593</u>	<u>229,333</u>



## Notes to the Accounts (Cont'd)

	Group		Company	
	1990 HK\$'000	1989 HK\$'000	1990 HK\$'000	1989 HK\$'000
(a) Construction in progress				
At cost	2,403,739	1,772,490	—	—
Less: Provision for anticipated losses	(3,679)	(5,160)	—	—
Progress payments received and receivable	<u>(2,522,357)</u>	<u>(1,624,617)</u>	—	—
	<u>(122,297)</u>	<u>142,713</u>	—	—
(b) Properties held for sale				
Properties under development, at cost	1,833,315	2,005,537	543,599	834,665
Completed properties, at cost	<u>546,719</u>	<u>241,150</u>	<u>313,708</u>	<u>41,223</u>
	2,380,034	2,246,687	857,307	875,888
Less: Provision	<u>(42,000)</u>	<u>(42,000)</u>	—	—
	2,338,034	2,204,687	857,307	875,888
Overseas hotel properties, at cost	<u>692,841</u>	—	—	—
	<u>3,030,875</u>	<u>2,204,687</u>	<u>857,307</u>	<u>875,888</u>
(c) Included in the cash and bank balances of the Group is a restricted bank balance amounting to HK\$70,000,000 (1989: Nil).				

	Group	
	1990 HK\$'000	1989 HK\$'000
Hotel management and franchise agreements	845,713	—
Franchise rights and trademarks	<u>299,381</u>	—
	1,145,094	—
Less: Amortisation	<u>(36,396)</u>	—
	<u>1,108,698</u>	—

## Notes to the Accounts (Cont'd)

	Group	
	1990 HK\$'000	1989 HK\$'000
Pre-operating expenses at cost less amounts amortised:		
Hong Kong Convention and Exhibition Centre	9,842	16,090
Quarry mill	3,560	5,340
Hotels	76,207	—
	<u>89,609</u>	<u>21,430</u>

	1990 HK\$'000	1989 HK\$'000
Authorised:		
1,500,000,000 shares of HK\$1 each	<u>1,500,000</u>	<u>1,500,000</u>
Issued and fully paid:		
Shares of HK\$1 each		
Balance at 1 July	1,188,074	1,141,072
Exercise of warrant subscription rights	106,918	551
Issued as scrip dividends	28,217	14,005
Exchange for listed investments	—	24,846
Issue of shares for acquisition of a subsidiary company	—	7,600
Balance at 30 June	<u>1,323,209</u>	<u>1,188,074</u>

At the balance sheet date the Company has outstanding warrants with subscription rights to subscribe for 107,688,000 shares of HK\$1 each of the Company at the current subscription price of HK\$9 per share, exercisable at any time until 31 December 1991.

## Notes to the Accounts (Cont'd)

	Group		Company	
	1990 HK\$'000	1989 HK\$'000	1990 HK\$'000	1989 HK\$'000
Share premium (Note a)	2,517,521	1,404,312	2,517,521	1,404,312
Capital reserve (Note b)	140,839	223,755	—	—
Asset revaluation reserve (Note c)	14,741,494	11,461,861	16,515	14,515
General reserve	70,800	70,800	—	—
Currency translation reserve	4,285	4,391	—	—
Retained profits (Note d)	3,502,620	3,246,181	2,531,694	2,509,639
	<u>20,977,559</u>	<u>16,411,300</u>	<u>5,065,730</u>	<u>3,928,466</u>
(a) Share premium				
Balance at 1 July	1,404,312	783,762	1,404,312	783,762
Issue of shares for:				
Acquisition of a subsidiary company	—	106,659	—	106,659
Exchange for listed investments	—	342,873	—	342,873
Exercise of warrant subscription rights	855,348	4,406	855,348	4,406
Scrip dividends	264,790	174,418	264,790	174,418
Share issue expenses	(6,929)	(7,806)	(6,929)	(7,806)
Balance at 30 June	<u>2,517,521</u>	<u>1,404,312</u>	<u>2,517,521</u>	<u>1,404,312</u>
(b) Capital reserve				
Balance at 1 July	223,755	279,865		
(Goodwill)/reserve on consolidation	(156,277)	7,448		
Vessel revaluation reserve reversed	—	(81,258)		
Reserve on consolidation of associated company	73,361	—		
Transfer from profit and loss account	—	17,700		
Balance at 30 June	<u>140,839</u>	<u>223,755</u>		
Dealt by:				
Company and subsidiary companies	67,478	223,755		
Associated companies	73,361	—		
	<u>140,839</u>	<u>223,755</u>		

## Notes to the Accounts (Cont'd)

	Group		Company	
	1990 HK\$'000	1989 HK\$'000	1990 HK\$'000	1989 HK\$'000
(c) Asset revaluation reserve				
Investment and hotel properties				
Balance at 1 July	11,461,861	—	14,515	—
Surplus for the year	3,274,841	11,461,861	2,000	14,515
Disposal	(1,613)	—	—	—
Balance at 30 June	<u>14,735,089</u>	<u>11,461,861</u>	<u>16,515</u>	<u>14,515</u>
Land and buildings				
Balance at 1 July	—	—	—	—
Surplus for the year	6,405	—	—	—
Balance at 30 June	<u>6,405</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>14,741,494</u>	<u>11,461,861</u>	<u>16,515</u>	<u>14,515</u>
Dealt by:				
Company and subsidiary companies				
Investment and hotel properties	<u>14,476,654</u>	<u>11,289,610</u>		
Associated companies				
Investment and hotel properties	258,435	172,251		
Land and buildings	6,405	—		
	<u>264,840</u>	<u>172,251</u>		
	<u>14,741,494</u>	<u>11,461,861</u>		
(d) Retained profits				
Balance at 1 July	3,246,181	2,606,325	2,509,639	2,219,410
Retained profit for the year	256,439	639,856	22,055	290,229
Balance at 30 June	<u>3,502,620</u>	<u>3,246,181</u>	<u>2,531,694</u>	<u>2,509,639</u>
Retained by:				
Company and subsidiary companies	3,467,869	3,144,343		
Associated companies	34,751	101,838		
	<u>3,502,620</u>	<u>3,246,181</u>		

## Notes to the Accounts (Cont'd)

	Group	
	1990 HK\$'000	1989 HK\$'000
Long term loans		
Secured bank loans	2,594,245	1,684,287
Unsecured bank loans (Note a)	1,200,000	—
Other unsecured loans (Note b)	469,265	—
Obligations under finance leases wholly repayable within five years	152,672	21,113
	4,416,182	1,705,400
Debentures (Note c)	97,551	—
Accounts payable	20,447	20,523
	4,534,180	1,725,923
Less: Amounts repayable within one year included in current liabilities (Note 16)	(428,273)	(243,620)
	<u>4,105,907</u>	<u>1,482,303</u>

	Group				Total HK\$'000
	Secured bank loans HK\$'000	Unsecured bank loans HK\$'000	Other unse- cured loans HK\$'000	Obligations under fin- ance leases HK\$'000	
Long term loans are repayable within periods as follows:					
Of less than one year	341,612	54,600	—	32,061	428,273
Of more than one year, but not exceeding two years	574,172	112,700	—	120,611	807,483
Of more than two years, but not exceeding five years	1,115,334	646,200	—	—	1,761,534
Of more than five years	563,127	386,500	469,265	—	1,418,892
	<u>2,594,245</u>	<u>1,200,000</u>	<u>469,265</u>	<u>152,672</u>	<u>4,416,182</u>

- (a) On 19 October 1990, certain wholly-owned subsidiary companies of the Group entered into a syndicated loan agreement with bankers, the negotiation of which commenced prior to 30 June 1990, to borrow a HK\$1,200 million long term bank loan to refinance the Group's unsecured short term bank loans. On the foregoing basis, the unsecured short term bank loans are classified as long term bank loans. The long term syndicated bank loan is secured on certain investment properties of the Group.
- (b) Other unsecured loans include notes payable of HK\$452,980,000 (1989: Nil) which bear interest at 11% per annum and are repayable in 2005.
- (c) The debentures have been issued by a subsidiary company which operates a proprietary club. The debentures are unsecured, interest free, transferrable at the subsidiary company's consent and redeemable at par upon the expiry of fifty years from the dates of issue or at any earlier time at the subsidiary company's discretion.

## Notes to the Accounts (Cont'd)

	Group	
	1990 HK\$'000	1989 HK\$'000
Balance at 1 July	882	—
Transfer from profit and loss account	1,309	882
Acquisition of subsidiary companies	538	—
Balance at 30 June	<u>2,729</u>	<u>882</u>
The amount provided is in respect of:		
Accelerated depreciation allowances	2,729	1,143
Other timing differences	—	(261)
	<u>2,729</u>	<u>882</u>

No provision has been made in respect of revaluation surplus arising from the revaluation of the Group's and/or the Company's investment properties and hotel properties as they do not constitute timing differences. There are no material unprovided timing differences at the balance sheet date.

	Group		Company	
	1990 HK\$'000	1989 HK\$'000	1990 HK\$'000	1989 HK\$'000
(a) Contracted for but not provided				
Fixed assets	113,726	12,055	—	—
Properties under development	82,083	166,620	—	—
Investments in associated companies	—	66,300	—	66,300
Investments in joint ventures	1,354,304	15,725	—	—
	<u>1,550,113</u>	<u>260,700</u>	<u>—</u>	<u>66,300</u>
Authorised but not contracted for	<u>4,711,362</u>	<u>1,142,772</u>	<u>413,250</u>	<u>932,000</u>
(b) Commitments under operating leases payable in 1990/91 expiring:				
(i) Land and buildings				
In the first year	1,359	2,329	—	—
In the second to fifth years inclusive	8,929	3,637	—	—
After the fifth year	142,868	—	—	—
	<u>153,156</u>	<u>5,966</u>	<u>—</u>	<u>—</u>
(ii) Other assets				
In the first year	664	—	—	—
In the second to fifth years inclusive	17,369	—	—	—
	<u>18,033</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>171,189</u>	<u>5,966</u>	<u>—</u>	<u>—</u>

## Notes to the Accounts (Cont'd)

	Group		Company	
	1990 HK\$'000	1989 HK\$'000	1990 HK\$'000	1989 HK\$'000
Guarantees for the performance and completion of construction contracts	391,139	274,719	—	67,700
Guarantees for credit facilities granted to:				
Subsidiary companies	—	—	4,017,810	1,231,410
Associated companies	351,000	772,200	224,450	603,000
Investee companies included under other investments	110,920	127,579	110,760	124,510
Joint venture projects	249,432	—	—	—
	<u>1,102,491</u>	<u>1,174,498</u>	<u>4,353,020</u>	<u>2,026,620</u>

Certain subsidiary companies undertaking hotel operations are parties to various claims, legal actions and complaints arising in the ordinary course of business or asserted by way of defence or counter-claim in actions filed by those subsidiary companies. In the opinion of the directors, the defences are substantial in each of these matters and the Group's legal posture can be successfully defended without any material adverse effect on the Group's financial position.

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

The accounts set out on pages 22 to 50 were approved by the Board of Directors on 6 November 1990.

## Notes to the Accounts (Cont'd)

	Ordinary share capital issued		Percentage of equity share held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
<b>Incorporated and operated in Hong Kong</b>					
Billion Town Company Limited	200	10	100	100	Property Trading
Birkenshaw Limited	10,000	1	100	100	Property Investment
Bright Moon Company Limited	200	10	75	75	Property Trading
Capital System Limited	5,000	1	100	100	Property Trading
Cheong Yin Company Limited	30,000	100	100	100	Property Trading
Convention Plaza Apartments Limited	2	10	100	100	Apartment Services
Crystal Centre Properties (International) Limited	1,000	1	—	58	Investment Holding
Eurasia Hotel Limited	80,000,000	1	—	48	Hotel Operation
Fook Hong Enterprises Company Limited	10,000	100	100	100	Property Investment
Fook Ying Enterprises Company Limited	10,000	100	100	100	Property Investment
General Security (HK) Limited	20,000	100	22	77	Security Services
Gold Queen Limited	5,000	1	100	100	Property Trading
Golden Result Development Limited	2	1	—	100	Investment Holding
Grand Hyatt Hong Kong Company Limited	2	1	—	64	Hotel Operation
Hang Bong Company Limited	225,000	1	100	100	Property Trading
Happy Champion Limited	2	1	100	100	Investment Holding
Head Step Limited	2	1	100	100	Property Investment
Hip Hing Construction Company Limited	300,000	100	59	59	Construction & Civil Engineering
Hong Bridge Trading Company Limited	50,000	10	—	77	Electrical Equipment Sales
Hong Kong Convention and Exhibition Centre (Management) Limited	2	1	—	100	Property Management
Hong Kong Island Development Limited	2,000,000	5	100	100	Property Investment
Humphreys Estate (Clovelly) Limited	2	10	—	100	Property Investment
International Property Management Limited	100,000	10	55	55	Property Management
Istaron Limited	2	1	—	64	Investment Holding
Joy Sky Limited	2	1	100	100	Property Investment
Keepwin Investment Limited	10,000	1	—	100	Property Investment
Kin Kiu Enterprises Limited	10,000	1,000	100	100	Property Investment
King Lee Investment Company Limited	300	1,000	100	100	Investment Holding
Lung Kee Investment Company Limited	1,000	1,000	100	100	Property Investment



## Notes to the Accounts (Cont'd)

	Ordinary share capital issued		Percentage of equity share held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
Manning Entertainment & Investment Company Limited	20,000	100	—	100	Cinemas
Mega Fortune Company Limited	2	10	—	64	Investment Holding
Mei Foo Investments Limited	3,000	10,000	75	75	Property Investment
Mill Plan Limited	2	1	—	100	Property Investment
New World Finance Company Limited	200,000	100	100	100	Financial Services
New World Harbourview Hotel Company Limited	2	1	—	64	Hotel Operation
New World Hotel Company Limited	40,000,000	1	—	64	Hotel Operation
New World Hotels (Holdings) Limited	576,000,000	0.25	—	64	Investment Holding
New World Hotels International Limited	1,000,000	10	—	33	Hotel Management
New World Nominee Limited	2	100	100	100	Nominee Services
Nice Kingdom Limited	10,000	1	100	100	Property Investment
Paterson Plaza Properties Limited	10,000	1	—	100	Property Investment
Polytown Company Limited	100,000	10	100	100	Property Investment
Pontiff Company Limited	10,000,000	1	100	100	Property Investment
Prime Harbour Limited	2	1	100	100	Investment Holding
Progreso Investment Limited	625,000	1	—	32	Investment Holding
Quality Imports Limited	500	1,000	100	100	Property Investment
Rush Will Limited	2	1	—	100	Investment Holding
Saint Galerie Tiles Limited	13,750	1,000	—	100	Manufacturing of Ceramic Tiles
Shun Fung Ironworks Limited	1,500,000	10	100	100	Steel Bar Trading
Sorany Company Limited	200	1	100	100	Property Trading
The Dynasty Club Limited	2	1	100	100	Proprietary Club Operation
Thyme Company Limited	500	10	70	89	Property Investment
Timely Enterprises Corporation Limited	450,000	100	100	100	Property Investment
Tridant Engineering Company Limited	5,000,000	1	—	77	Electrical Engineering
Urban Property Management Limited	15,000	1	—	52	Property Management
Vibro (HK) Limited	799,479	3	—	59	Piling and Caisson
Yargoan Company Limited	150,000	100	62	79	Stone Quarry
Young's Engineering Company Limited	1,000,000	10	55	55	Air-conditioning Engineering
Yue Wah Enterprises Company Limited	390,500	100	100	100	Investment Holding

## Notes to the Accounts (Cont'd)

	Ordinary share capital issued		Percentage of equity share held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
<b>Incorporated and operated in Jersey</b>					
Bianchi Holdings Limited	1,000	US\$1	100	100	Investment Holding
<b>Incorporated and operated in Canada</b>					
New World Hotels (B.C.) Limited	1	—	—	64	Hotel Operation
<b>Incorporated and operated in United States of America</b>					
New World Hotels (U.S.A) Inc.	100	US\$0.01	—	64	Investment Holding
Ramada Inc.	100	US\$0.01	—	64	Hotel Operation
<b>Incorporated and operated in British Virgin Islands</b>					
Beames Holdings Limited	1,000,000	US\$1	64	64	Investment Holding
New World Hotels (BVI) Limited	100	US\$1	—	64	Investment Holding
New World Hotels (Corporation) Limited	1	US\$1	—	64	Investment Holding

## Notes to the Accounts (Cont'd)

	Ordinary share capital issued		Percentage of equity share held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
<b>Incorporated and operated in Hong Kong</b>					
Asia Television Limited	120	0.25	47.5	47.5	Television Broadcasting
Asia Terminals Limited	100,000	1	39	39	Operation of Container Terminal
Autowin Limited	10,000	1	35	35	Property Trading
Fook Hang Trading Company Limited	100	100	50	50	Property Trading
Gloryland Limited	900	1	—	33	Property Trading
Hong Kong Island Landscape Company Limited	60,000	10	—	33	Landscape Services
May Queen Limited	900	1	—	33	Property Trading
New World Indosuez Insurance Services Limited	10,000	1	50	50	Insurance Broker
Pierhead Garden Management Limited	50,000	1	—	50	Property Management
Shun Tak Centre Limited	1,000	100	—	29	Property Trading
Siu Ming Development Company Limited	600	100	20	20	Property Trading
Soon Start Limited	2	1	50	50	Property Trading
Tai Yieh Construction & Engineering Company Limited	7,000	1,000	49	49	Construction & Civil Engineering
Tate's Cairn Tunnel Company Limited	600,000,000	1	24	24	Construction & Operation of Tate's Cairn Tunnel
The Village Enterprises Limited	400	1,000	—	39	Restaurant
Waking Builders Limited	5,000	1,000	—	49	Construction
<b>Incorporated and operated in Macau</b>					
Sun Yick Development Company Limited	PTC1,000,000	—	—	32	Property Trading
<b>Incorporated and operated in People's Republic of China</b>					
Shanghai Hong Kong Construction & Engineering Company Limited	RMB1,000,000	—	—	19	Construction & Civil Engineering
Wah Hing Construction Materials Company Limited	US\$2,000,000	—	—	30	Manufacturing of Bricks
<b>Incorporated in the Republic of Liberia and operated in Macau</b>					
Carvin Investment Limited	500	US\$100	—	15	Hotel Operation
<b>Incorporated in the Republic of Liberia</b>					
Goodnews Investments Limited	10	US\$1	—	30	Investment Holding
<b>Incorporated in British Virgin Islands</b>					
Shui On Holdings Limited	1,000,000	US\$1	—	30	Investment Holding