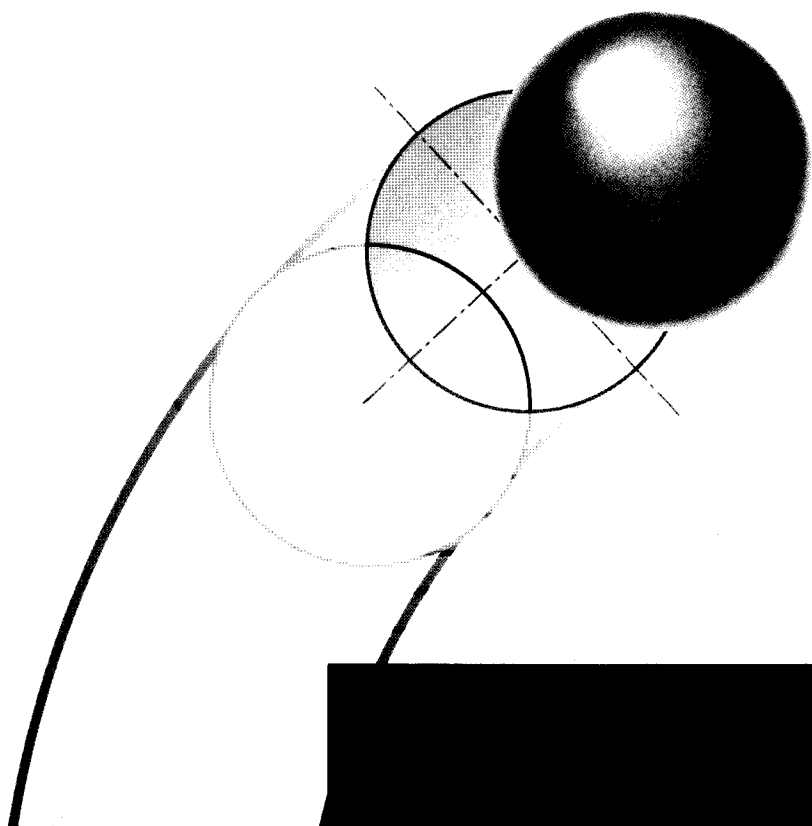


新世界發展有限公司一九九一年年報
NEW WORLD DEVELOPMENT CO. LTD. ANNUAL REPORT 1991



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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)

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 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 407, Level 4, Hong Kong Convention & Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong on Friday, 20 December 1991 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 1991 and to approve a final dividend of 34 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.

Note:

- (1) Register of Shareholders will be closed from 11 to 20 December 1991, 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.

By Order of the Board of Directors
Leung Chi-Kin
Secretary

Hong Kong, 5 November 1991

DIRECTORS' REPORT

The Directors have pleasure in presenting their Annual Report and Statement of Accounts for the year ended 30 June 1991.

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 51 to 56.

Accounts

The profit of the Group for the year ended 30 June 1991 and the state of the Company's and the Group's affairs at that date are set out in the Accounts on pages 24 to 56.

Dividends

The Directors have resolved to recommend a final dividend of 34 cents per share (1990: 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 33 cents per share with a cash option to shareholders registered on 20 December 1991. Together with the interim dividend of 16 cents per share paid in June 1991, total distributions for 1991 would thus be 50 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 33 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 23 December 1991.

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\$4,245,000.

Fixed Assets

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

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.

Dr. Ho Sin-Hang tendered his resignation on 1 February 1991.

DIRECTORS' REPORT *(Cont'd)*

In accordance with article 103 of the Company's Articles of Association, Sir Quo-Wei Lee, Mr. Cheng Yue-Pui, Mr. Yeung Ping-Leung, Howard and Mr. Cha Mou-Sing, Payson, 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

Save for the 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	—	—
Sir Quo-Wei Lee	2,550,071	—
Sir Michael Sandberg	—	—
Dr. Ho Tim	1,359,151	—
Mr. Sin Wai-Kin	3,852,182	—
Dr. Young Bing-Ching, Albert	—	1,134
Mr. Cheng Yue-Pui	—	2,133
Mr. Cheng Kar-Shun, Henry	—	—
Mr. Liang Chong-Hou, David	14,220,594	—
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 490,181,127 shares in the Company and 360,000 shares in a subsidiary company, Beames Holdings Limited.

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, 5 November 1991

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 1991 amounted to HK\$1,168,189,000. This represented an increase of 3.5% over that of the previous year. Earnings per share for the year was HK\$0.87.

The Board of Directors recommended a final dividend of 34 cents per share (1990: 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 33 cents per share with a cash option to shareholders registered on 20 December 1991. Together with the interim dividend of 16 cents per share paid in June 1991, total distribution for 1991 would thus be 50 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. And I am pleased to note some improvement in the Group's profit performance for this year as compared with that of the previous year. During the year under review, the Group has continued with its efforts to consolidate the strength of its core businesses in property development, property investment, construction, hotel investments and management.

In addition, the Group has also been gearing up its diversification efforts in those infrastructure developments of high-growth potential in Hong Kong and China, as well as taking measured steps to expand our hotel business into the international arena. Over the longer term, we will as ever continue to pursue growth strategies that will further enhance our ability to capitalize on the investment opportunities and to face the challenges ahead.

Dr. Ho Sin-Hang, after his long-time invaluable services on the Board of Directors, resigned on 1 February 1991. Dr. Ho is a founder of the New World Group and served as the Group's Chairman from its inception until 1982. On behalf of the Board of Directors, I would take this opportunity to pay a tribute to Dr. Ho for the pioneering efforts and wise counsels during his tenure of office, which have contributed significantly to the Group's growth and development.

Finally, I sincerely thank our shareholders for their continued support and the Group's management and staff for their dedicated loyalty and devoted services.

Dato' Dr. Cheng Yu-Tung
Chairman

Hong Kong, 5 November 1991

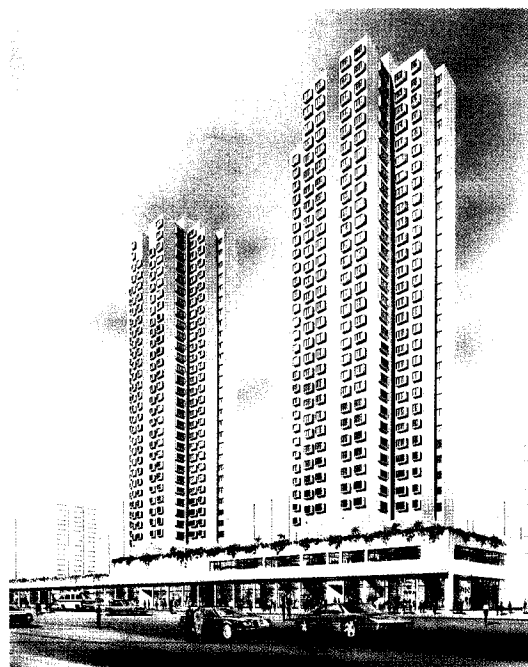
MANAGING DIRECTOR'S BUSINESS REVIEW

PROPERTY DEVELOPMENT

To date, the portfolio of development properties held by the Group consists of 20 sites with total development potential of 6,052,800 square feet accruing to the Group. All the projects are proceeding on schedule.

During the year under review, the following residential properties were completed and received occupation permits:-

Location	Name of Building	Attributable Interest (%)
1. 147 Ap Lei Chau Main Street	Billion Court	100
2. 4-12 Smithfield Road	Markfield Building	100
3. J/O Rua Francisco Xavier Pereors & Estrada, Macau	Sun Yick Gardens	32
4. Phase 4 of Discovery Bay	Low-rise accommodation at Area 4D	100
5. Phase 5 of Discovery Bay	High-rise accommodation at Area 7C1	100
6. 2-4 Conduit Road	Yukon Court	20



位於皇后大道西之「龍輝花園」格調典雅，建材考究，誠理想居所。

The stylish yet functional Dragonfair Garden on Queen's Road West.

愉景灣住宅單位，幽雅清靜，遠離煩囂。

Residential units in Discovery Bay away from bustling hub.



All units in Po Fung Building on 49-55 Fort Street, North Point and Dragonfair Garden on 455-485 Queen's Road West were sold out by early 1991. Similarly, pre-sales of units from Phase 4 low-rise accommodation and Phase 5 high-rise accommodation of Discovery Bay, the Lyttelton Garden on 17-29 Lyttelton Road as well as the Greenway Terrace on 7 Link Road have received overwhelming responses. Higher household incomes and relatively low levels of interest rates have continued to sustain the strong underlying demand for small and medium residential flats. We are thus confident that our residential properties in Phases 4 & 5 of Discovery Bay and the Illumination Terrace on Tai Hang Road will sell well in the near future. As Hong Kong's economy is expected to buoy up with the start of the building of the airport/port project, prices in the luxury residential market are also expected to firm up over the year ahead.

MANAGING DIRECTOR'S BUSINESS REVIEW *(Cont'd)*

The Group had in January 1991 concluded a deal with Tsuen Wan Properties Limited to acquire the neighbourhood shops at Riviera Gardens, Tsuen Wan. Certain shop units from Riviera Gardens and Mei Foo Sun Chuen when offered for sale have resulted in transactions at reasonably good prices. In addition, all the carpark spaces in the various stages of Mei Foo Sun Chuen were sold wholesome to a single buyer in October 1991.

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 with works on the superstructure scheduled to be completed in 1992. The General Building Plan for the commercial development at Wing Lok Street/Queen's Road Central has been approved. While the draft land grant conditions to change the land use have been received for the residential redevelopment at Li Chit Street, Wan Chai, the design work for the commercial redevelopment on the Nathan Road/Dundas Street project has now been finalized.

The Group has also entered into a joint venture agreement with the Guangzhou City Development Corporation to develop two residential/commercial projects respectively at Suiyin Road and Jiangnan Road West in the City of Guangzhou. Likewise, other massive residential/commercial projects are being planned in favourable locations within the Guangdong Province.

RENTAL OPERATIONS

Rental income of the Group for the period under review amounted to approximately HK\$1,313 million. Largely as a result of the slowdown in the global economy and the Gulf War, Hong Kong's

retailing business has been facing tough trading conditions during the year. The situation however now seems to be improving gradually on the strength of tourist consumption growth. It is thus encouraging to see that the New World Centre's shopping mall remains virtually fully let, attributable to a great extent to good anchor tenants and good management. Renovations in the New World Apartments are still under progress and the whole programme is anticipated to be completed by early 1992. Consequently, occupancy for the year registers an average of only 70%. The New World Office Buildings (East and West Wings) are now virtually fully let and can expect to maintain very high occupancy despite the prospect of increased supply of office space in Tsim Sha Tsui over the next two years. The

新世界中心商場內店舖俱經精選，商品琳瑯滿目。

Flourished with a chosen variety of shops, the New World Centre Shopping Mall is always your mall.



MANAGING DIRECTOR'S BUSINESS REVIEW *(Cont'd)*

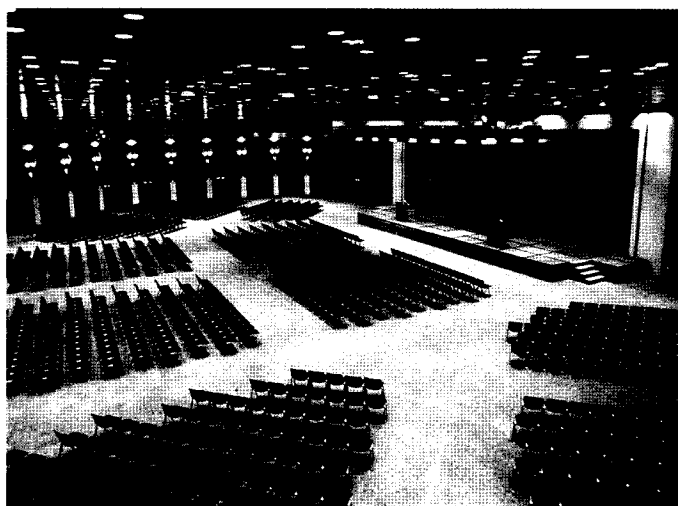
Regent Shopping Arcade currently is 97% let and continued efforts have been put in to locate new tenants for those shops made vacant by the easing back of business in the luxury goods market due to the slowdown of tourist traffic in the past year. Spaces in the Shun Tak Shopping Arcade have been virtually fully let, reflective of the strong demand for moderately priced consumer goods by the local population. Occupancy at Victoria Apartments is 90%. As for the New World Tower in Central, occupancy has been maintained at over 90% but there is much room for improvement in the low occupancy of the integrated Phase 2 of this prime office building. The market for prime office space in Central remains soft with increasing supply coming on stream in the next two years. However, the downward trend of rentals of office properties in various segments has been contained since the signing of the agreement on the new airport in September. The market can now generally look forward to a period of stabilization before a renewed generation of increased activity though rental reversions in the near future are unlikely to be appreciably strong. In the longer term, with the Hong Kong economy moving more devoted to the service sector type, the trend is for continuous increase in the demand for office spaces, commercial shops and serviced apartments. Rental income from our high quality property portfolio will thus continue to provide the Group with a solid base of recurrent income.

HONG KONG CONVENTION AND EXHIBITION CENTRE

From its inception of business in November 1988 until mid-1991, over 3,000 events were held at the Hong Kong Convention and Exhibition Centre. 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 and regional conventions and exhibitions, incentive travel groups, local corporate and banqueting events. Average utilization rate for the two Exhibition Halls and Convention Hall in 1990 stands at about 65% and is expected to increase to 70% in 1991. Advanced bookings for major international events are now going beyond the year 2000.

In view of the growing popularity of the Centre's facilities for local corporate and banqueting events, greater emphasis has also been placed on this aspect of business. There are a few areas of particular interest such as Annual General Meetings, VIP banquets and video conferencing. Each area has strong potential for growth and yet will not interfere with the mainstream business of international conventions and exhibitions. Another increasing trend in the exhibition area is the increased number of tailor made booths as



香港會議展覽中心內之會議廳總面積達一千八百平方米，可容納三千人酒會，一千四百人大型宴會及二千六百人業務會議。

The 1,800 square-metre convention hall in the Hong Kong Convention and Exhibition Centre can accommodate up to 3,000 people for a cocktail reception, 1,400 for a formal banquet and 2,600 for a convention.

MANAGING DIRECTOR'S BUSINESS REVIEW (Cont'd)

exhibitors work harder to vie for customer attention. As regards the area of corporate incentives, the Centre has developed a variety of new theme parties to offer clients a wider choice of options when choosing the centre.

The Centre's management is also keeping on with its aggressive marketing campaigns internationally to publicize the Centre's role in relation to Hong Kong's competitive posture as a premier destination for international conventions and exhibitions. There are plans for international advertising to cover major markets like Europe, the United States and Japan. And through co-operation with the Hong Kong Convention and Incentive Travel Bureau and the Hong Kong Trade Development Council, strategic plans are being formulated to penetrate into the developing markets of Spain and Italy. These direct marketing efforts generally reap dividends in hitting targeted prospects internationally. And the business links so developed will be much reinforced by the follow-up assistance from the Centre's overseas representative offices, which efforts are always closely co-ordinated and monitored by the Head Office in Hong Kong. While the overseas offices are endeavouring to identify sales leads and prime prospects to the Centre, the Hong Kong Head Office also complements these efforts by planning regular promotional sales trips to major markets. In September 1991, a series of in-house seminars were organized for the Japan Travel Agents in Tokyo and a sales road-show to key European cities has also been scheduled to take place in November this year.

Occupancy for the Centre's serviced apartments has been improving to reach over 70% while all the available spaces in the office buildings have virtually been fully let. As of 30 June 1991, the Group had sold thirteen floors of the office buildings. Subsequent to this date, four more floors have been sold.

HOTEL BUSINESS

(a) Hong Kong

Hong Kong's hotel industry had suffered a severe setback from the impact of the Gulf War and worldwide recession. The reduced level of business travels and tourist arrivals is highlighted by the fall of visitor arrivals by 1.3% in the first six months of 1991 compared with 10.7% growth during the same period in 1990. Despite some recovery in the industry subsequent to the ceasefire in the Middle East and good prospect of improvements in the economies of the United States and other major sourcing countries, Hong Kong's hotel industry will continue to face a tough



新世界酒店大堂新裝修後益顯瑰麗豪華。

The de luxe main lobby at New World Hotel after recent renovation.

MANAGING DIRECTOR'S BUSINESS REVIEW *(Cont'd)*

year in 1992 due to the increased supply of rooms scheduled to come on stream. Already most of the hotel operators have been feeling the strain of intense competition when average occupancy hits only slightly over 70% in 1991. With a further build up of room inventory in the industry, both room rates and occupancy are likely to come under further pressure. These, together with rising labour and general operating costs, will undermine the profit performance of the hotels, particularly those at the upper end of the market. The situation will not improve much in the short run unless the demand and supply levels of rooms can quickly pull back into a new equilibrium.

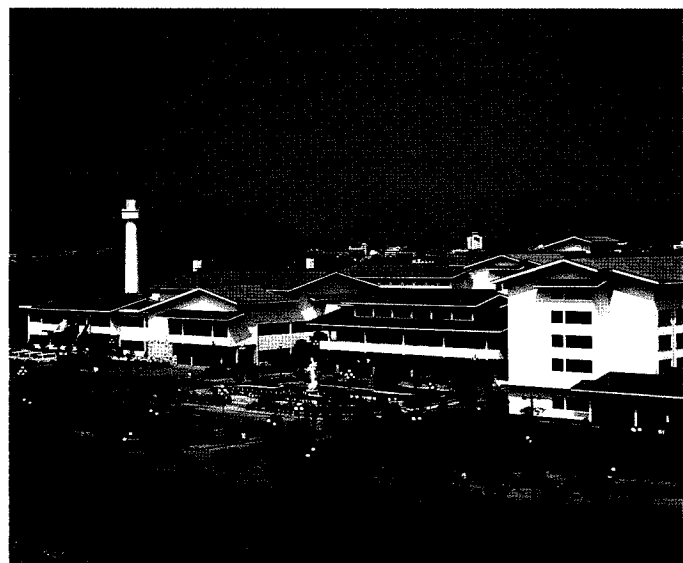
The Group takes comfort in that our hotels have been able to weather these difficult times and consolidate their strength and competitiveness to cope with the challenges ahead.

The Regent of Hong Kong continued to outperform others in its own luxury niche in the hotel market, with average room rate and occupancy improving over those of last year. It has attained the very high prestige of being voted the world's best hotel in a recent annual poll by the US financial magazine "Institutional Investor". As for the New World Hotel, it has recently completed its renovation works. Much effort has been put in to promote a new image for the hotel as well as re-building new clienteles as it takes some time to convert people's thinking that this is practically a brand new hotel when compared with its image for the past twelve years of being a hotel with a large number of small rooms. Based on the feedback from our commercial accounts and travel agents, we expect to reap good results from this hotel in 1992.

Since the majority of the new hotels are on Hong Kong Island, severe competition and undercutting of rates have been the name of the game. Due to these circumstances, performance of the Hotel Victoria in 1991 still leaves room for improvement. But with the tourism industry gradually taking an upturn, there should be some good prospects for its business in 1992. The New World Harbour View Hotel has continued to benefit from the popularity of Hong Kong as a destination for convention and exhibition business. And as new first-class office buildings keep on growing in the Wan Chai area, it has helped New World Harbour View in further building up its commercial clienteles. The hotel is also gaining a reputation for preferred location when compared with the other new hotels. A recent survey conducted by a British business magazine "Business Traveller (UK)" shows that New World Harbour View is ranked the fifth best in the world by UK businessmen for new hotels opened within three years. Its business expectations for 1992 are thus very encouraging. While occupancy at the Grand Hyatt Hong Kong has been progressing steadily, this hotel is also enjoying excellent food and beverage business, with its banqueting facilities proving particularly popular.

本集團在桂林管理之桂山大酒店，環境寧靜幽雅，深受遊客歡迎。

Managed by the Group, Gui Shan Hotel in Guilin enjoys high popularity among tourists.



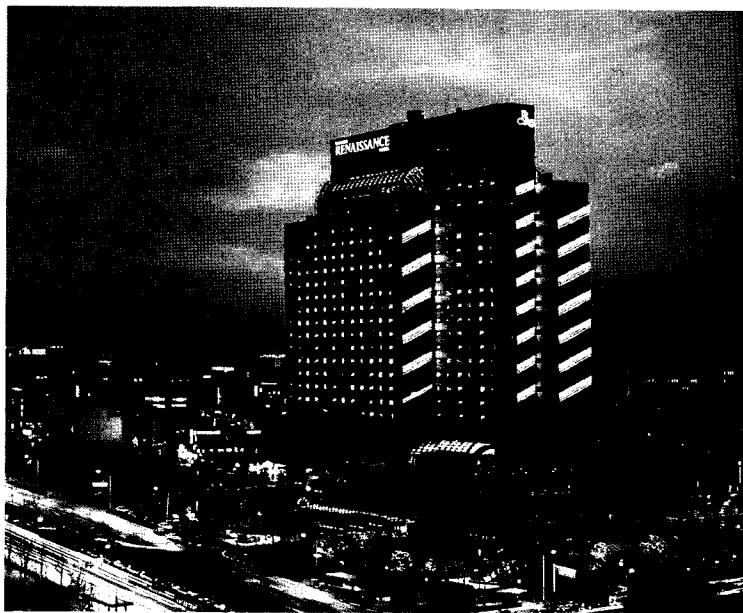
MANAGING DIRECTOR'S BUSINESS REVIEW *(Cont'd)*

(b) China

Performance of the seven hotels managed by the Group in China is still very much affected by the over-supply of hotel rooms. And despite the fact that the business climate and tourism industry in China in the early months of 1990 had gradually recovered from the June 4 incident, renewed uncertainties impacted by the Gulf War spoiled all the efforts made on the part of travel agents in anticipation of a business revival. Finally the war was gone and promotions for China started again. Unfortunately, the floods in the eastern provinces of China further deferred the interest of tourists. However, we believe the situation for China has bottomed. The over-supply of hotel rooms should gradually come into balance with demand in the next two to three years. And in particular, growing affluence among the Asian nations together with ever-expanding intra-regional trade and investment flows in response to China's determination to uphold the open door policy should sustain high growth rates of visitor arrivals for China. In this wider context and over the longer term, we have confidence in achieving good results for our hotel business there.

(c) Other Areas

Performance of the New World Harbourside Hotel in Vancouver is regarded as generally satisfactory in view of the recessionary state of the Canadian economy. In June 1991, this hotel's management was taken over by the Group's Ramada International Hotels & Resorts, with the hotel's name changed to Ramada Renaissance Hotel, Vancouver. The Group's plans, as previously reported, of investing and managing hotels in the Philippines, Thailand, Malaysia, Indonesia, Vietnam and Macau, are progressing according to schedule. The New World Emperor Hotel in Macau will open in early 1992 and the other new



漢城「Ramada Renaissance」酒店璀璨之燈飾夜景。

A glamorous night view of Ramada Renaissance Hotel, Seoul.

hotels are scheduled to open between 1993-1995.

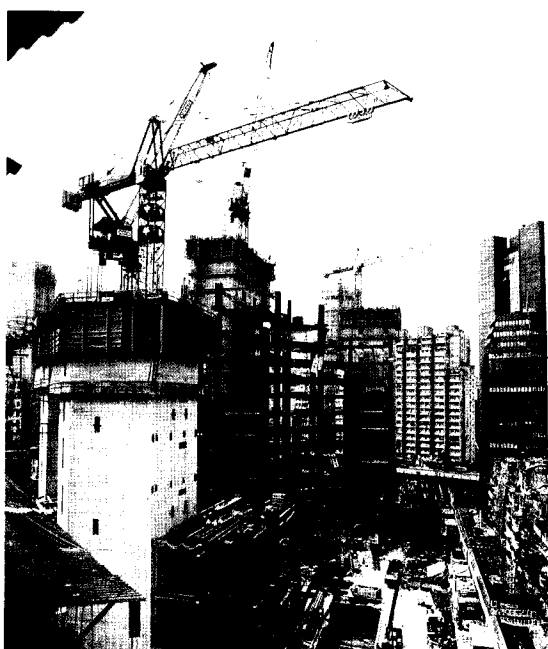
These activities no doubt will contribute significantly in further strengthening of the Group's hotel portfolio in the Southeast Asian region.

(d) The Ramada Hotels System

Through late 1991, Ramada International Hotels & Resorts opened 23 properties, 11 of which were five-star Ramada Renaissance Hotels, in strategic locations worldwide. These included Sydney, Australia; Guangzhou, China; Sapporo, Japan; Amsterdam, the Netherlands; Zurich, Switzerland; and Vancouver and Los Angeles in North America. In New York, a unique Ramada Renaissance Hotel featuring butler service on every floor will open at the heart of Times Square in February 1992.

MANAGING DIRECTOR'S BUSINESS REVIEW *(Cont'd)*

Resort properties were opened in key destinations including Bondi Beach, Australia; Belize City, Belize; Santo Domingo, Dominican Republic; Goa, India; Ocho Rios, Jamaica; Sandakan, Malaysia; Atlantic City, United States; and Pattaya, Thailand.



羅素街時代廣場建築工程在進行中。
Construction works at Times Square, Russel Street.

Ramada International is one of only a few major hotel companies that are penetrating into global markets with flexible tiers of service to reach a larger, broader base of customers. As of 30 June 1991, the company owned, operated or franchised 113 hotels in 39 countries with a total of 28,522 rooms. The company is currently launching an expansion plan outside of the United States. With some 24 hotel projects already committed to

management contracts, leases, joint ventures and franchises, the total number of hotel rooms under operation will be boosted to 30,733 by June 1992 and 32,474 by June 1993. And by mid-1995, the company will own, operate or franchise 137 hotels with a total of 35,470 rooms. While the Renaissance Hotels compete effectively with upper-tier hotels, its Ramada Hotels and Inns offer levels of product quality and service expected by experienced business travellers and well-suited to group tours and meetings.

Since the Group acquired Ramada Inc.'s hotel business in late 1989, 15 of 18 company-owned properties, all in the United States, have been sold. These sales proceeds were used to reduce the debt resulting from the acquisition. Under the agreement signed with an affiliate of the Blackstone Group of New York on 16 July 1991, the Group's control over licensing of Ramada Hotels and Inns in the United States had been strengthened with provisions to fix guaranteed income from fees for the duration of the contract on an escalation basis. And increased efficiency in performance has also been attained through reorganization of the company's operations with the effect of reaping the benefits of economies of scale.

With the world economy on its way to recovery, Ramada International is poised to take advantage of future growth in international markets and to provide strategic outlets for the globalization of the Group's expanding hotel management business.

MANAGING DIRECTOR'S BUSINESS REVIEW *(Cont'd)*

CONSTRUCTION AND ENGINEERING

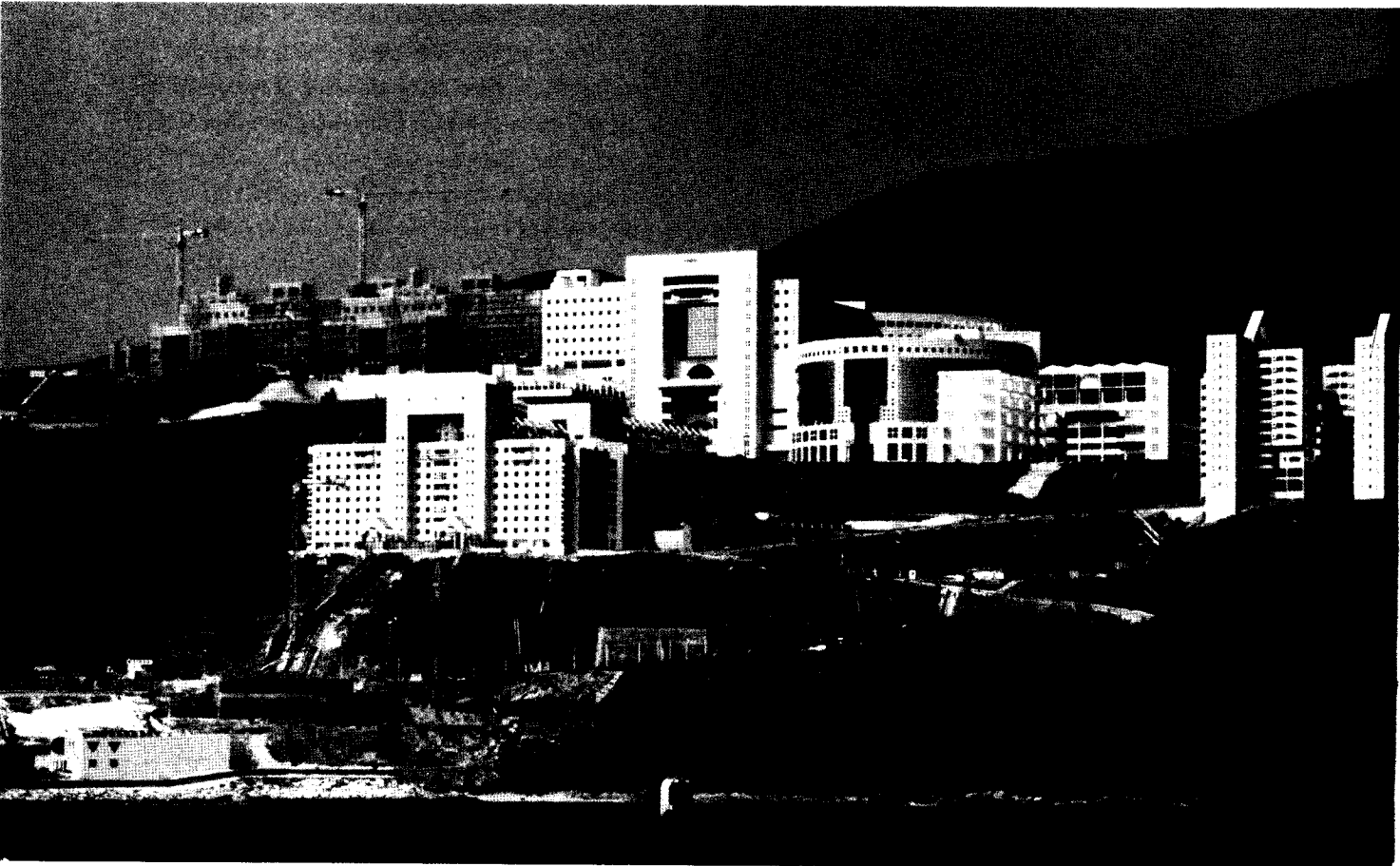
During the year under review, Hip Hing Construction Group reported a total turnover of HK\$3.24 billion, resulting in an increase of profit by over 50% compared with that of previous year. Total value of job orders on hand reached HK\$9.5 billion. With the airport infrastructure programme coming through by 1992, outlook for our construction business is positive over the next few years. Major projects completed during the year included the new Headquarters of Hang Seng Bank in Central, Phase 1 of Hong Kong University of Science and Technology, and Bank of China Building, Macau. Among its impressive list of jobs for the coming year are Phases 3-5 of the extension to the Asia Terminals container freight station in Kwai Chung; Hong Kong Sanatorium

最新學府香港科技大學。

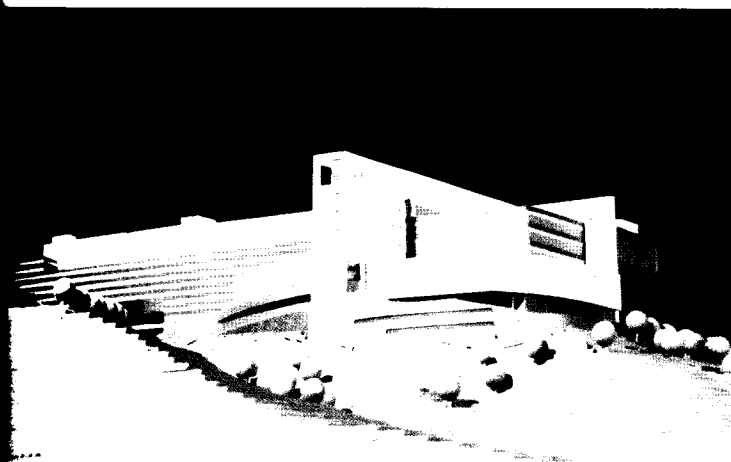
Hong Kong University of Science and Technology - the new seat of learning.

and Hospital Extension and redevelopment works; development of Times Square at Russel Street, Causeway Bay; redevelopment of the residential project of Tregunter on the Old Peak Road; and the development of a residential community above the Light Rail Transit System at the junction of Sam Shing Estate in Tuen Mun.

Young's Engineering Company Limited has extensive experience in the wide-ranging airconditioning, mechanical and electrical services. During the year, all the projects undertaken by Young's were progressing according to schedule, thanks to its strategy of improved co-ordination and the use of computer-aided design and drafting. Despite tough competition in the marketplace, Young's managed to turn out a moderately satisfactory result and hold its own.



MANAGING DIRECTOR'S BUSINESS REVIEW *(Cont'd)*



亞洲電視有限公司在馬鞍山所興建之新電視中心模型。

A model of Asia Television Limited's new television centre at Ma On Shan.

TELEVISION

1991 is a very encouraging year for Asia Television Limited in that the station has achieved improvements in its market share in terms of viewership and advertising revenue.

After prolonged negotiations with the Government, the station has now been able to finalize the terms and conditions for the agreement to construct the new television centre at Ma On Shan. Built on a site of 230,000 square feet, the first phase of construction will reach 8 storeys covering a gross floor area of 480,000 square feet. It will contain ten studios of various sizes plus a special variety show studio which can accommodate an audience of over 700 and two new studios, together with all other necessary equipments and facilities. Total development costs will be over \$600 million. On its completion by the end of 1993, it will be one of the most modern facilities for television programmes production and broadcast. Most important of all, the new centre will result in substantial savings in costs and significant improvement in production efficiency.

Asia Television Limited has now come a long way in strengthening its competitiveness with increased market share and revenue base. Indeed the station has formulated assertive strategies in competing for the advertising revenue in the electronic media market, which will expand with the local consumption growth continuing in a prosperous economy. Business prospects for the station thus look bright despite increasingly keen competition brought to the industry with the entry of satellite and cable television.

TRANSPORT

Asia Terminals Limited

The fundamental strong growth in Hong Kong's imports, exports and re-exports, coupled with the end of the Gulf War has dictated a healthy growth trend for the container business. The container throughput volume of the Port of Hong Kong has recorded an impressive and healthy growth rate of 21% in the first six months of 1991 as compared with the same period last year. Total containers handled in Hong Kong for this period amounted to 2.82 million 20-foot equivalent units (TEU's) and the total annual throughput volume for 1991 is projected to exceed 6 million TEU's. This has led to a strong demand for terminal and container freight station/warehouse facilities, especially in the Kwai Chung Container Terminal nearby areas.

Asia Terminals Limited owns and operates at Berth 3 of Kwai Chung Container Terminal the largest container freight station and cargo-distribution centre in Asia. The existing terminal facilities of the Phases 1 & 2 Building are currently fully utilized for both leasing and container freight station operations. Demand for additional space from the existing and potential customers can now be accommodated with the additional space from the new Phases 3, 4 & 5

MANAGING DIRECTOR'S BUSINESS REVIEW *(Cont'd)*

expansion. The construction progress of the Phases 3, 4 & 5 Building is on schedule with final completion estimated in early 1994. The first stage of Phase 3 with an additional rentable area of over 450,000 square feet was opened for operations in the second quarter of 1991. All the additional facilities are being fully utilized for leasing, container freight station and storage operations. Moreover, most of the additional areas to be available early next year have already been committed, particularly by those existing tenants for additional space. The massive improvements to the highway systems in Western Kowloon and the New Territories, planned in the context of the "Port and Airport Development Strategy" Project, will be of great benefit in the medium term to Asia Terminals Limited's facilities, which is strategically located relative to these infrastructural developments.

Asia Terminals Limited's joint venture company, Asia Terminals (Thailand) Limited is developing a container freight station and warehouse facility in Bangkok. Phase I of the development consisting of two modern double-storey container freight station/warehouse is scheduled for completion towards the end of 1991.

Sea Land Orient Terminals Limited (SLOT) owns Kwai Chung Terminal 3 and a 50% interest in Asia Terminals Limited. In June 1991, New World took a 39% interest in a consortium, which in turn acquired 33.34% of SLOT. As a result of this and other investments, the Group's stake in Asia Terminals Limited was increased by 7.25%. These newly acquired interests plus the 39% originally owned, have raised New World's effective holding interest in Asia Terminals Limited to a total of 46.25%.

Tate's Cairn Tunnel

The 4-kilometre Tate's Cairn Tunnel from Siu Lek Yuen in Shatin to Diamond Hill in East Kowloon was opened in July 1991, two months ahead of schedule. The ceremony was officiated by His Excellency, the Governor, Sir David Wilson. This dual two-lane tunnel, now the longest in Hong Kong, provides a major boost to improved road links between the urban area, Shatin and the northeastern territories. It also relieves motorists from having to face the heavy congestion in the Lion Rock Tunnel and Cross Harbour Tunnel. Already it has attracted high usage and is currently blessed with a high traffic flow of between 55,000 and 60,000 vehicles per day. The Group holds a 24% equity interest in the 30-year franchise to operate this project.

The Kowloon Sky Rail

The Group is leading a consortium of international and local interests to develop an aerial mass transit system that will serve the east and west of the busy Tsim Sha Tsui tourist district. Some headway had been made in respect of the project after active negotiations with the Government. The Government has now in principle approved the proposed plans submitted previously. Moreover, both parties have managed to identify certain areas of the project such as land matters, finances, infrastructural developments and the overall environmental impact as the basis for future discussions.

INFRASTRUCTURAL INVESTMENTS IN MAINLAND CHINA

The Group's participation in the joint ventures of Guangzhou Northern Ring Road and the Zhujiang Thermal Power Station commits the Group to

MANAGING DIRECTOR'S BUSINESS REVIEW *(Cont'd)*

long-term investments with the prospect of good profit returns.

The 22-kilometre Guangzhou Northern Ring Road, with total investments of RMB 1.2 billion, comprises a co-operation agreement extending over a period of 33 years with New World entitled to 40% of the profits. The joint-venture partner, Guangzhou Freeway Company completed part of the road to the length of 7.3 kilometres, which was opened to traffic in July 1990. For the month of September 1991, the completed section is attracting an average flow of 15,347 vehicles per day, representing an increase of 58.2% over July 1990. The whole road is scheduled for through traffic by the end of 1993.

As for the 600,000 kilowatt Zhujiang Thermal Power Station, total investments have been estimated at RMB 2.1 billion, with 50% of its profits attributable to New World. The final agreement in respect of the project will be signed in November 1991. The new station is due for commissioning in July 1992 with full operations scheduled to commence in late 1993.

TELECOMMUNICATIONS

During 1990, New World Paging Limited was established as a subsidiary of the Group and a joint venture was entered into with the Infa Telecom Group to operate paging services in Hong Kong. The Infa Telecom Group is a major supplier of personal communication products and telecom systems. New World Paging is a pioneer in "personalized paging" services which provides consumers with extra convenience beyond those provided by the traditional paging services. The New World Paging service was launched in May 1991 and since then has been very well received.

In less than five months of operations, it has captured over 11,000 subscribers.

The telecommunication service market in Hong Kong is fast growing. In particular, the directors of New World Paging Limited are optimistic that the paging service market will be able to maintain a 20% growth in 1991. With innovative technologies and aggressive marketing, New World Paging is well poised to be a trend setter and a major player in the market. Plans are under way for a phased expansion of the current paging capacity to 100,000 subscribers within the next three years.

INSURANCE SERVICES

New World Indosuez Insurance Services Limited is the Group's associated company formed in November 1988 in a joint venture with Indosuez Asia Limited. Its purpose is to provide insurance consultancy and insurance broker services for clients locally and internationally. During the year, New World Indosuez added significantly to its portfolio of corporate clients internationally, providing risk and insurance management. Many international clients also appointed New World Indosuez to look after their activities in the Asia/Pacific Rim region, acting as their regional broker. The firm experienced tremendous growth this year, increasing gross income by almost 80% and expanding facilities to now include offices in Hong Kong, Toronto, Singapore, Vancouver, Kuala Lumpur and Jakarta. New World Indosuez was a founding member of a co-operative group of international brokers, Comité Internationale des Assureurs Conseils (CIAC), and it has also founded a service network of insurance brokers in the Asia/Pacific Rim. Future outlook is extremely positive, with continued emphasis in several areas including network expansion, international

MANAGING DIRECTOR'S BUSINESS REVIEW *(Cont'd)*

referrals, providing services regionally within the Asia/Pacific Rim area for international clients, introducing specialised products in view of new technical capabilities, and the ongoing training and development of professional staff.

OTHER ACTIVITIES

The Group had in April this year disposed of all its shares in The Wing On (Holdings) Limited at a profit.

The Group's 22% interest in SHK Hong Kong Industries Limited, after its listing in December 1990 and the issue of further new shares, had been diluted to 13.7%. Formed in September 1990, SHK Hong Kong Industries Limited is an investment fund aimed to provide investors with a vehicle for achieving capital appreciation by investing primarily in Hong Kong and Macau based industrial companies. During the past year, the company had made investments in a wide range of industries including computer components and consumer electronic and electrical products; brewing and distributing of draught, bottled and canned beer; container terminal services; telephone paging services and second generation cordless telephone technology; and other industries such as building materials and printing. Several proposals on the acquisition of stakes in other industrial companies have also been discussed. With its investments so far, the company has moved in the direction of fulfilling its stated investment objective and the concept underlying the formation of the company will be even better recognized and its intrinsic value even better realized when the full network of investments is completed.

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

PROSPECTS

The Hong Kong economy has regained its momentum in the first half of 1991 as indicated by the uptrend in export growth. Re-exports and domestic exports rose respectively by 27% and 2.5% during the period. The ending of the war in the Gulf had relieved the tensions and concerns of businessmen and entrepreneurs, particularly those in the United States and other industrialized nations. Also, the recent renewal of the Most Favoured Nation (MFN) trading status of China by the United States administration has benefitted China and Hong Kong, which serves as an important re-export centre for the southern provinces of China. With the fiscal deficit of the United States being brought into manageable proportions, there are good expectations of cuts in its interest rates, which should allow local interest rates to trend downwards. All these improved economic prospects have pointed to forecast a growth in the local economy of 4% in real terms for the whole of 1991. The signing of the Sino-British Memorandum of Understanding in September has not only helped resolve the impasse in talks over the new airport project but is also productive in smoothing the progress on relations with China. And Hong Kong can now look forward to accelerated economic growth in the coming years, albeit at the price of persistent inflationary pressures, as construction works on the new airport and related transport infrastructures will begin in 1992. Through the various intensive economic activities between

MANAGING DIRECTOR'S BUSINESS REVIEW *(Cont'd)*

Hong Kong and the China Mainland, particularly in the Pearl River Delta region of Guangdong, there has been evolving very rapidly a synergic relationship enabling Hong Kong to continue thriving as a leading centre of international finance, trade and investments. On the wider international front, the failed coup in the Soviet Union in August has had a ripple effect throughout its economy. This has generated the impetus for the USSR to make further strides on the road to a freer market economy along with their brethren Eastern European countries. To a large extent, these changes in the international situation have helped defuse much of the world's political tensions and anxieties to the effect of enhancing the global investment confidence. All in all, Hong Kong's sound economic fundamentals together with the growing business optimism around the world will ensure much success for Hong Kong's future.

Cheng Kar-Shun, Henry

Managing Director

Hong Kong, 5 November 1991

GROUP'S SIGNIFICANT PROPERTIES

Investment and Other Properties	Commercial Sq. M.	Residential Sq. M.	Hotel Sq. M.	Gross Group Percentage	Expected Completion	Lease Expiry
Hong Kong						
1. Manning House, 48 Queen's Road Central	10,223	—	—	100.00	Completed	2843
2. New World Tower & Extension, 14-18 Queen's Road Central	59,049	—	—	100.00	Completed	2863
3. New World Centre, KIL 9844	141,383	36,531	53,961	100.00	Completed	2052
4. Commercial Space and Car Port in Mei Foo Sun Chuen	13,111	—	—	75.00	Completed	2047
5. Container Freight Station in Berth 3, Kwai Chung						
Phases 1 & 2	148,645	—	—	46.25	Completed	2047
Phases 3 & 4	185,800	—	—	46.25	1992-1993	2047
Phase 5	130,000	—	—	46.25	1994	2047
6. Shun Tak Centre IL 8517	35,974	37,720	39,050	45.00	Completed	2055
7. Hong Kong Convention & Exhibition Centre IL 8593	34,661	61,954	99,354	100.00	Completed	2060
8. Paterson Plaza, 24-30 Paterson Street	2,386	—	—	100.00	Completed	2868
9. 12 May Road, Mid Level	471	49,219	—	100.00	1994	2107
10. Shui On Centre, 6-8 Harbour Road	51,435	—	—	30.00	Completed	2135

Overseas Hotel Properties

		Number of Rooms	Gross Group Percentage	Lease Expiry
1. Ramada Renaissance Hotel 1133, West Hastings Street, Vancouver		425	100.00	Freehold
2. Edmonton Renaissance Hotel 10155, 105th Street, Edmonton, Alberta		300	100.00	Freehold
3. O'Hare Ramada Hotel 6600 N. Mannheim Road, Rosemont, Illinois		723	100.00	Freehold
4. Tyson's Corner Ramada Hotel 7801 Leesburg Pike Falls Church, Virginia		404	100.00	Freehold
5. Los Angeles Renaissance Hotel 9620 Airport Boulevard Los Angeles, California		505	100.00	Freehold
6. Ramada Hotel Miami International Airport 3941 NW 22nd Street, Miami, Florida		265	100.00	Freehold
7. Jaragua Renaissance Hotel, George Washington Avenue, Santo Domingo, Dominican Republic		310	100.00	2014

GROUP'S SIGNIFICANT PROPERTIES *(Cont'd)*

Development Properties	Usage	Stage of Completion	Site Area Sq. M.	Commercial Sq. M.	Residential Sq. M.	Gross Group Percentage	Expected Completion
1. Discovery Bay, Phase 4, Area 4A and 4C	R	Caisson work	N/A	—	56,226	100.00	1993
2. Discovery Bay, Phase 4, Area 4B and 4D	R	Superstructure	N/A	—	24,998	100.00	1992
3. Discovery Bay, Phase 5, Area 2	R	Superstructure	N/A	—	22,079	100.00	1992
4. Discovery Bay, Phase 5, Area 2C	R	Foundation	N/A	—	39,446	100.00	1994
5. 7 Link Road	R	Superstructure	415	—	3,320	100.00	1992
6. 17-29 Lyttelton Road	R	Superstructure	1,587	—	12,760	100.00	1993
7. 455-485 Queen's Road West	R	Superstructure	1,408	1,807	10,301	100.00	1992
8. 5-7 Tai Hang Road	R	Superstructure	5,302	—	52,904	100.00	1993
9. 49-55 Fort Street	R	Superstructure	885	20	7,100	100.00	1992
10. CWIL 139, Kai Yip Street	I	Superstructure	4,688	56,244	—	35.00	1992
11. 30-34 Conduit Road/ 51-53A Robinson Road	R	Superstructure	1,462	—	12,432	33.33	1994
12. 1-20 Li Chit Street	R	Planning	1,418	—	8,542	100.00	1994
13. Wing Sing Street	C	Planning	7,203	96,026	—	100.00	1995
14. Third Street, IL 8764	R	Superstructure	862	1,085	7,702	100.00	1993
15. 580A-580F, Nathan Road and 1L-1X Sai Yeung Choi Street South	C	Planning	1,612	25,242	—	100.00	1994
16. 3 Babington Road	R	Planning	2,751	—	13,755	100.00	1994
17. 56-58 Conduit Road	R	Planning	1,798	—	15,655	84.00	1994
18. TMTL 303 RP, Riviera Gardens Shops, Tsuen Wan	C	Completed	N/A	13,737	—	100.00	Completed

R: Residential

I: Industrial

C: Commercial

FIVE-YEAR FINANCIAL SUMMARY

	1991 HK\$'000	1990 HK\$'000	1989 HK\$'000	1988 HK\$'000	1987 HK\$'000
Fixed assets	25,935,392	24,603,040	18,118,809	4,077,977	2,884,119
Associated companies	4,154,708	3,709,945	1,965,168	975,924	832,007
Other investments	637,452	1,010,076	1,351,635	165,938	60,782
Licence agreement	946,182	880,218	—	—	—
Long term loans receivable	363,589	487,095	318,210	208,594	206,278
Current assets	5,703,913	7,575,383	4,481,233	3,939,226	3,726,994
Total assets	37,741,236	38,265,757	26,235,055	9,367,659	7,710,180
Less: Current liabilities	6,874,412	10,195,634	5,781,760	3,101,667	2,254,377
	30,866,824	28,070,123	20,453,295	6,265,992	5,455,803
Intangible assets	1,032,587	1,108,698	—	—	—
Deferred expenditure	66,469	89,609	21,430	7,120	9,272
	31,965,880	29,268,430	20,474,725	6,273,112	5,465,075
Share capital	1,396,897	1,323,209	1,188,074	1,141,072	1,102,161
Reserves	22,509,216	20,977,559	16,411,300	3,745,849	2,715,299
Shareholders' funds	23,906,113	22,300,768	17,599,374	4,886,921	3,817,460
Minority interests	2,838,646	2,859,026	1,392,166	853,753	721,839
Long term liabilities	5,213,587	4,105,907	1,482,303	532,438	925,776
Deferred taxation	7,534	2,729	882	—	—
	31,965,880	29,268,430	20,474,725	6,273,112	5,465,075
Turnover	9,677,423	7,947,799	6,115,420	5,296,855	4,271,711
Operating profit	1,627,705	1,708,278	1,669,278	1,273,038	1,001,155
Share of results of associated companies	(38,903)	(69,253)	95,881	292,641	217,169
Profit before taxation	1,588,802	1,639,025	1,765,159	1,565,679	1,218,324
Taxation	(262,213)	(255,119)	(236,538)	(173,174)	(166,488)
Profit after taxation	1,326,589	1,383,906	1,528,621	1,392,505	1,051,836
Minority interests	(158,400)	(255,633)	(280,166)	(277,056)	(206,706)
Profit before extraordinary items	1,168,189	1,128,273	1,248,455	1,115,449	845,130
Extraordinary items	—	(35,090)	121,443	—	(27,672)
Profit attributable to shareholders	1,168,189	1,093,183	1,369,898	1,115,449	817,458
Dividend per share — interim (cents)	16	22	21	18	14
— final (cents)	34	39	39	32	24
	50	61	60	50	38

REPORT OF THE AUDITORS

**To the Members of
New World Development Company Limited**

We have audited the accounts on pages 24 to 56 in accordance with 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 1991 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, 5 November 1991

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Year ended 30 June	
		1991	1990
	Note	HK\$'000	HK\$'000
Turnover	2	<u>9,677,423</u>	<u>7,947,799</u>
Operating profit	3	1,627,705	1,708,278
Share of results of associated companies		<u>(38,903)</u>	<u>(69,253)</u>
Profit before taxation		1,588,802	1,639,025
Taxation	4	<u>(262,213)</u>	<u>(255,119)</u>
Profit after taxation		1,326,589	1,383,906
Minority interests		<u>(158,400)</u>	<u>(255,633)</u>
Profit before extraordinary items		1,168,189	1,128,273
Extraordinary items	5	<u>—</u>	<u>(35,090)</u>
Profit attributable to shareholders	6	1,168,189	1,093,183
Dividends	7	<u>(696,542)</u>	<u>(836,744)</u>
Retained profit for the year		<u>471,647</u>	<u>256,439</u>
Retained by:			
Company and subsidiary companies		572,183	323,526
Associated companies		<u>(100,536)</u>	<u>(67,087)</u>
		<u>471,647</u>	<u>256,439</u>
Earnings per share	8		
Basic		<u>HK\$0.87</u>	<u>HK\$0.90</u>
Fully diluted		<u>HK\$0.85</u>	<u>HK\$0.89</u>

CONSOLIDATED BALANCE SHEET

	Note	As at 30 June	
		1991 HK\$'000	1990 HK\$'000
Fixed assets	10	25,935,392	24,603,040
Associated companies	12	4,154,708	3,709,945
Other investments	13	637,452	1,010,076
Licence agreement	14	946,182	880,218
Long term loans receivable	15	363,589	487,095
Net current liabilities	16	(1,170,499)	(2,620,251)
		30,866,824	28,070,123
Intangible assets	17	1,032,587	1,108,698
Deferred expenditure	18	66,469	89,609
		31,965,880	29,268,430
Financed by:			
Share capital	19	1,396,897	1,323,209
Reserves	21	22,509,216	20,977,559
Shareholders' funds		23,906,113	22,300,768
Minority interests		2,838,646	2,859,026
Long term liabilities	22	5,213,587	4,105,907
Deferred taxation	23	7,534	2,729
		31,965,880	29,268,430

Sin Wai-Kin
Cheng Yue-Pui
Directors

COMPANY BALANCE SHEET

	Note	As at 30 June	
		1991 HK\$'000	1990 HK\$'000
Fixed assets	10	27,434	22,705
Subsidiary companies	11	6,240,404	4,674,242
Associated companies	12	1,265,674	1,327,851
Other investments	13	3,374	4,548
Net current (liabilities)/assets	16	(81,916)	359,593
		<u>7,454,970</u>	<u>6,388,939</u>
Financed by:			
Share capital	19	1,396,897	1,323,209
Reserves	21	<u>6,058,073</u>	<u>5,065,730</u>
Shareholders' funds		<u>7,454,970</u>	<u>6,388,939</u>

Sin Wai-Kin
Cheng Yue-Pui
Directors

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended 30 June		
	1991	1991	1990
	HK\$'000	HK\$'000	HK\$'000
Source of funds			
Profit before taxation		1,588,802	1,639,025
Extraordinary items		—	(35,090)
		<u>1,588,802</u>	<u>1,603,935</u>
Adjustments for items not involving the movement of funds:			
Share of results of associated companies	38,903		69,253
Depreciation	127,333		125,416
(Gain)/loss on disposal of:			
Investment properties	(399,665)		(680,380)
Other investments	(117,439)		(3,825)
Fixed assets	(5,138)		16,841
Associated companies	(4,638)		964
Increase/(decrease) in provisions for:			
Investment in and advances to associated companies	23,288		17,993
Other investments	(1,873)		519
Intangible assets amortised	76,111		36,396
Pre-operating expenses amortised	23,149		22,341
		<u>(239,969)</u>	<u>(394,482)</u>
Total generated from operations		<u>1,348,833</u>	<u>1,209,453</u>
Funds from other sources			
Shares issued	28,678		106,918
Increase in share premium	182,150		855,348
Increase in long term liabilities	1,107,680		2,623,604
Proceeds from disposal of:			
Investment properties	508,376		910,462
Fixed assets	36,823		18,890
Other investments	863,172		372,133
Associated companies	4,312		12,631
Dividends from associated companies	47,878		3,348
Deferred taxation	—		538
Decrease in long term loans receivable	123,506		—
		<u>2,902,575</u>	<u>4,903,872</u>
		<u>4,251,408</u>	<u>6,113,325</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION (Cont'd)

	Year ended 30 June			
	1991	1991	1990	1990
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Application of funds				
Increase in other investments *	371,236		27,269	
Increase in investment in associated companies *	503,109		1,622,565	
Increase in long term loans receivable	—		59,006	
Decrease in minority interests *	219,818		379,140	
Purchase of fixed assets *	996,033		2,162,542	
Purchase of licence agreement	—		880,218	
Dividends paid	366,616		491,034	
Tax paid *	199,333		243,506	
Share issue expenses	3,256		6,929	
Increase in intangible assets	—		1,145,094	
Increase in deferred expenditure	9		90,520	
Goodwill on acquisition of subsidiary companies *	22,633		156,277	
Additional goodwill in relation to acquisition of subsidiary companies in prior year	115,304		—	
Exchange loss arising from translation of accounts of overseas subsidiary companies	7,686		9,109	
		2,805,033		7,273,209
		1,446,375		(1,159,884)
Movement in Working Capital				
Stocks and construction in progress *	4,241		(248,446)	
Properties held for sale	12,738		826,188	
Debtors and prepayments *	(1,280,642)		2,038,777	
Creditors, bills payable and deposits received *	(65,581)		(1,495,581)	
Long term loans receivable				
— current portion	(11,572)		8,222	
Other loans receivable	(55,659)		35,921	
		(1,396,475)		1,165,081
Movement in net liquid funds				
Cash and bank balances *	(541,310)		576,917	
Bank loans, overdrafts and current portion of long term liabilities	2,087,400		(2,101,312)	
Other unsecured loans	1,296,026		(767,020)	
Overseas treasury bills	734		(325)	
Hong Kong listed shares	—		(33,225)	
		2,842,850		(2,324,965)
		1,446,375		(1,159,884)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION *(Cont'd)*

* Summary of effects of the acquisition of subsidiary companies

	Year ended 30 June	
	1991 HK\$'000	1990 HK\$'000
Net Assets Acquired		
Fixed assets	852	453,722
Stocks and construction in progress	3,004	29,391
Debtors and prepayments	12,942	598,302
Other investments	164,604	—
Goodwill	22,633	156,277
Investment in associated companies	847	278,599
Properties held for sale	—	1,472,746
Intangible assets	—	799,707
Cash and bank balances	6,985	405,634
Creditors and accruals	(79,060)	(2,999,318)
Taxation	(1,997)	—
Deferred taxation	—	(538)
Bank loans and overdrafts	—	(11,345)
Long term liabilities	—	(1,056,086)
Minority interests	(440)	396,809
Licence agreement	—	878,686
	<u>130,370</u>	<u>1,402,586</u>
Financed by:		
Cash paid	<u>130,370</u>	<u>1,402,586</u>

NOTES TO THE ACCOUNTS

1 Principal Accounting Policies

(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.

(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. The Group's investments in associated companies are stated at the Group's share of net assets after attributing fair value to the net assets at the time of acquisition of the interest in the associated companies. The company's investments in associated companies are carried at cost less provision. 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 cinema 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.

NOTES TO THE ACCOUNTS *(Cont'd)*

1 Principal Accounting Policies *(Cont'd)*

(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.

(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%

NOTES TO THE ACCOUNTS *(Cont'd)*

1 Principal Accounting Policies *(Cont'd)*

(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.

NOTES TO THE ACCOUNTS *(Cont'd)*

Principal Accounting Policies *(Cont'd)*

(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.

(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)

2 Turnover and Contribution to Operating Profit

	1991 HK\$'000	1990 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	1,364,536	1,106,282
Property sales	1,629,442	2,308,952
Construction and piling	4,392,817	4,819,180
Hotels and restaurant operations	3,027,215	2,276,279
Others	472,557	467,358
	<u>10,886,567</u>	<u>10,978,051</u>
Less: Intra-group transactions		
Rental	51,132	49,527
Property sales	—	12,589
Construction and piling	1,090,645	2,919,754
Others	67,367	48,382
	<u>9,677,423</u>	<u>7,947,799</u>
(ii) Contribution to operating profit		
Rental income	939,408	709,265
Property sales	748,276	1,200,049
Construction and piling	160,471	61,283
Hotels and restaurant operations	386,461	335,890
Others	56,316	(45,489)
	<u>2,290,932</u>	<u>2,260,998</u>
Less: Net interest paid	<u>(663,227)</u>	<u>(552,720)</u>
	<u>1,627,705</u>	<u>1,708,278</u>
(b) Analysis by geography		
(i) Turnover		
Hong Kong	8,042,564	7,070,688
South-east Asia and People's Republic of China	75,209	37,694
North America	525,230	346,125
Europe	927,242	444,912
Australia	83,179	40,864
Others	23,999	7,516
	<u>9,677,423</u>	<u>7,947,799</u>

NOTES TO THE ACCOUNTS *(Cont'd)*

2 Turnover and Contribution to Operating Profit *(Cont'd)*

	1991 HK\$'000	1990 HK\$'000
(ii) Contribution to operating profit before interest		
Hong Kong	2,361,071	2,230,662
South-east Asia and People's Republic of China	18,929	11,023
North America	(60,769)	37,892
Europe	(35,875)	(3,268)
Australia	(12,012)	(10,694)
Others	19,588	(4,617)
	<u>2,290,932</u>	<u>2,260,998</u>

3 Operating Profit

	1991 HK\$'000	1990 HK\$'000
Operating profit of the Group is arrived at after crediting and charging the following:		
Crediting:		
Net rental income	984,194	751,946
Dividend income		
Listed investments	18,022	34,722
Unlisted investments	11,080	15,892
Gain on sales of investment properties	399,665	680,380
Gain on sales of listed investments	111,475	—
Royalty income from licence agreement	112,702	59,608
Charging:		
Interest on bank loans, overdrafts and other loans	775,019	672,271
Interest on finance leases	24,817	13,085
Less: Interest capitalised as cost of property development and construction in progress	—	(22,659)
	<u>799,836</u>	<u>662,697</u>
Auditors' remuneration	8,237	6,940
Depreciation		
Leased fixed assets	29,599	36,572
Owned fixed assets	97,734	88,844
Operating lease rentals for land and buildings	259,573	118,231
Amortisation of intangible assets	76,111	36,396
Amortisation of pre-operating expenses	23,149	22,341

NOTES TO THE ACCOUNTS (Cont'd)

4 Taxation

	1991 HK\$'000	1990 HK\$'000
Company and subsidiary companies		
Hong Kong profits tax	223,992	228,185
Overseas taxation	13,045	12,579
Deferred taxation	4,805	1,309
	<u>241,842</u>	<u>242,073</u>
Associated companies		
Hong Kong profits tax	19,036	12,921
Overseas taxation	1,335	125
	<u>262,213</u>	<u>255,119</u>

Hong Kong profits tax is provided at the rate of 16.5% (1990: 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.

5 Extraordinary Items

	1991 HK\$'000	1990 HK\$'000
Loss on disposal of a finance lease asset	—	18,421
Winding-down expenses on the discontinuance of the shipping business	—	16,669
	<u>—</u>	<u>35,090</u>

6 Profit Attributable to Shareholders

Profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$1,179,194,000 (1990: HK\$858,799,000).

NOTES TO THE ACCOUNTS (Cont'd)

7 Dividends

	1991 HK\$'000	1990 HK\$'000
Interim dividend paid of 16 cents per share (1990: 22 cents)	221,571	320,692
Proposed final dividend of 34 cents per share (1990: 39 cents)	474,971	516,052
	<u>696,542</u>	<u>836,744</u>

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

Interim dividend	123,722	135,029
Final dividend	*	247,285

- * Full provision has been made for the 1991 final dividend on the basis that all shareholders will elect to receive cash, being the alternative to their entitlements to the scrip dividend.

Earnings Per Share

The calculation of basic earnings per share is based on profit before extraordinary items of HK\$1,168,189,000 (1990: HK\$1,128,273,000) and the weighted average of 1,348,864,000 shares in issue (1990: 1,250,164,000 shares) during the year.

The fully diluted earnings per share is based on adjusted profit before extraordinary items of HK\$1,243,090,000 (1990: HK\$1,215,097,000) 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 1,456,527,000 shares (1990: 1,357,853,000 shares) issued and issuable.

Directors' Emoluments

	1991 HK\$'000	1990 HK\$'000
Fees	652	646
Other emoluments	480	—
	<u>1,132</u>	<u>646</u>

NOTES TO THE ACCOUNTS *(Cont'd)*

10 Fixed Assets

	Group				
	Investment properties HK\$'000	Hotel properties HK\$'000	Land and buildings HK\$'000	Other assets HK\$'000	Total HK\$'000
Cost or valuation					
At 1.7.1990	16,243,039	7,088,337	857,809	764,057	24,953,242
Translation difference	—	1,991	—	(1,027)	964
Acquisition of subsidiary companies	—	—	—	1,175	1,175
Additions	120,264	375,545	154,365	345,007	995,181
Disposals	(295,248)	—	—	(51,950)	(347,198)
Revaluation surplus	465,245	321,021	3,094	—	789,360
At 30.6.1991	16,533,300	7,786,894	1,015,268	1,057,262	26,392,724
Accumulated depreciation					
At 1.7.1990	—	—	12,245	337,957	350,202
Translation difference	—	—	—	(118)	(118)
Acquisition of subsidiary companies	—	—	—	323	323
Charge for the year	—	—	2,707	124,626	127,333
Written back on disposals/ revaluation	—	—	(143)	(20,265)	(20,408)
At 30.6.1991	—	—	14,809	442,523	457,332
Net book value					
At 30.6.1991	16,533,300	7,786,894	1,000,459	614,739	25,935,392
At 30.6.1990	16,243,039	7,088,337	845,564	426,100	24,603,040

NOTES TO THE ACCOUNTS *(Cont'd)*

10 Fixed Assets *(Cont'd)*

	Compay		
	Investment properties HK\$'000	Land and buildings HK\$'000	Total HK\$'000
Cost or valuation			
At 1.7.1990	18,000	5,311	23,311
Revaluation surplus	4,800	—	4,800
	<hr/>	<hr/>	<hr/>
At 30.6.1991	22,800	5,311	28,111
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
At 1.7.1990	—	606	606
Charge for the year	—	71	71
	<hr/>	<hr/>	<hr/>
At 30.6.1991	—	677	677
	<hr/>	<hr/>	<hr/>
Net book value			
At 30.6.1991	22,800	4,634	27,434
At 30.6.1990	18,000	4,705	22,705

NOTES TO THE ACCOUNTS (Cont'd)

10 Fixed Assets (Cont'd)

Cost or valuation of properties at 30 June 1991 was made up as follows:

	Investment properties	Hotel properties	Hotel properties	Land and buildings	Land and buildings	Total
	Hong Kong long lease HK\$'000	Hong Kong long lease HK\$'000	Overseas freehold HK\$'000	Hong Kong long lease HK\$'000	Overseas freehold HK\$'000	HK\$'000
Group						
At cost	—	—	—	905,921	94,797	1,000,718
At 1991 professional valuation	16,533,300	7,043,000	743,894	14,550	—	24,334,744
	<u>16,533,300</u>	<u>7,043,000</u>	<u>743,894</u>	<u>920,471</u>	<u>94,797</u>	<u>25,335,462</u>
Company						
At cost	—	—	—	5,311	—	5,311
At 1991 professional valuation	22,800	—	—	—	—	22,800
	<u>22,800</u>	<u>—</u>	<u>—</u>	<u>5,311</u>	<u>—</u>	<u>28,111</u>

The investment properties and hotel properties were valued on 30 June 1991 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\$244,681,000 (1990: HK\$122,975,000).

11 Subsidiary Companies

	Company	
	1991 HK\$'000	1990 HK\$'000
Unlisted shares		
At cost	2,421,976	2,418,487
Less: Provision for permanent diminution in value	(394,071)	(394,071)
	<u>2,027,905</u>	<u>2,024,416</u>
At directors' valuation in 1972	72,000	72,000
	<u>2,099,905</u>	<u>2,096,416</u>
Amounts due by subsidiary companies less provision	6,047,320	4,578,754
	<u>8,147,225</u>	<u>6,675,170</u>
Less: Amounts due to subsidiary companies	(1,906,821)	(2,000,928)
	<u>6,240,404</u>	<u>4,674,242</u>

Details of principal subsidiary companies are given in Note 28.

NOTES TO THE ACCOUNTS (Cont'd)

12 Associated Companies

	Group		Company	
	1991 HK\$'000	1990 HK\$'000	1991 HK\$'000	1990 HK\$'000
Unlisted shares, at cost less provision	1,772,712	1,581,941	966,395	966,395
Share of post acquisition reserves	582,700	618,084	—	—
Group's share of net assets	2,355,412	2,200,025	966,395	966,395
Amounts due by associated companies	-----	-----	-----	-----
Current accounts	1,693,550	1,196,087	177,265	248,569
Subordinated loans	282,925	488,125	196,898	196,898
	1,976,475	1,684,212	374,163	445,467
Less: Provisions	(46,602)	(43,244)	(12,735)	(9,571)
	1,929,873	1,640,968	361,428	435,896
Less: Amounts due to associated companies	(130,577)	(131,048)	(62,149)	(74,440)
	1,799,296	1,509,920	299,279	361,456
	=====	=====	=====	=====
	4,154,708	3,709,945	1,265,674	1,327,851

Shares and advances in the form of subordinated loans, totalling HK\$529,691,000 (1990: HK\$530,738,000) have been pledged as part of the security for credit facilities of HK\$3,670,000,000 (1990: HK\$2,520,000,000) granted to associated companies of which HK\$1,601,550,000 (1990: HK\$783,320,000) had been utilised as at balance sheet date.

Shares and advances totalling HK\$477,739,000 (1990: Nil) have been pledged to a third party as security for credit facilities totalling HK\$200,000,000 (1990: Nil) granted to a subsidiary company of which HK\$50,700,000 (1990: Nil) had been utilised as at balance sheet date.

Details of principal associated companies are given in Note 29.

NOTES TO THE ACCOUNTS (Cont'd)

13 Other Investments

	Group		Company	
	1991 HK\$'000	1990 HK\$'000	1991 HK\$'000	1990 HK\$'000
Unlisted shares, at cost	33,305	45,301	3,374	5,048
Less: Provision for permanent diminution in value	(141)	(605)	—	(500)
	33,164	44,696	3,374	4,548
Hong Kong listed shares, at cost	1,101	580,373	—	—
Investment in unincorporated joint ventures				
At cost	147,023	2,800	—	—
Less: Provision	—	(1,409)	—	—
	147,023	1,391	—	—
Advances	456,164	383,616	—	—
	603,187	385,007	—	—
	637,452	1,010,076	3,374	4,548
Market value of listed shares	137,710	722,620	—	—

14 Licence Agreement

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 hotel group. Royalties payable 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 holding company. The licence agreement may be terminated by the Group upon the occurrence of certain events as defined in the licence agreement.

The licence agreement has an initial term of thirty-five years with one five-year additional term and forty one-year additional extensions, each at the option of the licensee.

NOTES TO THE ACCOUNTS (Cont'd)

15 Long Term Loans Receivable

	Group	
	1991 HK\$'000	1990 HK\$'000
Notes receivable	185,392	109,879
Mortgage loans	88,997	299,588
Loan to a minority shareholder	100,731	100,731
	375,120	510,198
Less: Amounts receivable within one year included in current assets (Note 16)	(11,531)	(23,103)
	<u>363,589</u>	<u>487,095</u>

16 Net Current (Liabilities)/Assets

	Group		Company	
	1991 HK\$'000	1990 HK\$'000	1991 HK\$'000	1990 HK\$'000
Current assets				
Construction in progress (Note a)	(164,714)	(122,297)	—	—
Properties held for sale (Note b)	3,043,613	3,030,875	643,907	857,307
Stocks	162,138	115,480	—	—
Overseas treasury bills, at cost	63,164	62,430	—	—
Long term loans receivable				
- current portion (Note 15)	11,531	23,103	—	—
Other loans receivable	111,038	166,697	—	—
Debtors and prepayments	2,166,485	3,447,127	356,894	485,862
Cash and bank balances (Note c)	310,658	851,968	3,750	2,842
	<u>5,703,913</u>	<u>7,575,383</u>	<u>1,004,551</u>	<u>1,346,011</u>
Current liabilities				
Creditors and accrued charges	3,322,259	3,480,975	367,649	268,495
Deposits received on sale of properties	418,296	184,841	97,860	—
Bills payable	1,035	10,193	—	—
Bank loans and overdrafts				
Secured	82,126	2,064,533	—	—
Unsecured	772,278	1,546,062	5,643	101,902
Other unsecured loans	397,494	1,693,520	123,177	99,969
Long term liabilities				
- current portion (Note 22)	1,097,064	428,273	—	—
Taxation	308,889	271,185	17,167	—
Proposed final dividend	474,971	516,052	474,971	516,052
	<u>6,874,412</u>	<u>10,195,634</u>	<u>1,086,467</u>	<u>986,418</u>
	<u>(1,170,499)</u>	<u>(2,620,251)</u>	<u>(81,916)</u>	<u>359,593</u>

NOTES TO THE ACCOUNTS *(Cont'd)*

16 Net Current (Liabilities)/Assets *(Cont'd)*

	Group		Company	
	1991 HK\$'000	1990 HK\$'000	1991 HK\$'000	1990 HK\$'000
(a) Construction in progress				
At cost	2,978,249	2,403,739	—	—
Less: Provision for anticipated losses	(2,439)	(3,679)	—	—
Progress payments received and receivable	(3,140,524)	(2,522,357)	—	—
	<u>(164,714)</u>	<u>(122,297)</u>	<u>—</u>	<u>—</u>
(b) Properties held for sale				
Properties under development, at cost	2,091,512	1,833,315	615,108	543,599
Completed properties, at cost less provision	<u>209,496</u>	<u>504,719</u>	<u>28,799</u>	<u>313,708</u>
	2,301,008	2,338,034	643,907	857,307
Overseas hotel properties, at cost	<u>742,605</u>	<u>692,841</u>	<u>—</u>	<u>—</u>
	<u>3,043,613</u>	<u>3,030,875</u>	<u>643,907</u>	<u>857,307</u>
(c) Included in the cash and bank balances of the Group is a restricted bank balance amounting to HK\$45,525,000 (1990: HK\$70,000,000).				

17 Intangible Assets

	Group	
	1991 HK\$'000	1990 HK\$'000
Hotel management and franchise agreements	845,713	845,713
Franchise rights and trademarks	<u>299,381</u>	<u>299,381</u>
	1,145,094	1,145,094
Less: Amortisation	<u>(112,507)</u>	<u>(36,396)</u>
	<u>1,032,587</u>	<u>1,108,698</u>

NOTES TO THE ACCOUNTS (Cont'd)

18 Deferred Expenditure

	Group	
	1991 HK\$'000	1990 HK\$'000
Pre-operating expenses at cost less amounts amortised:		
Hong Kong Convention and Exhibition Centre	6,956	9,842
Quarry mill	1,780	3,560
Hotels	57,733	76,207
	<u>66,469</u>	<u>89,609</u>

19 Share Capital

	1991 HK\$'000	1990 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	1,323,209	1,188,074
Exercise of warrant subscription rights	25	106,918
Issued as scrip dividends	45,010	28,217
Issue of shares for acquisition of properties	<u>28,653</u>	<u>—</u>
Balance at 30 June	<u>1,396,897</u>	<u>1,323,209</u>

20 Warrants

At the balance sheet date the Company has outstanding warrants with subscription rights to subscribe for 107,663,000 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)

21 Reserves

	Group		Company	
	1991	1990	1991	1990
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Share premium (Note a)	3,022,412	2,517,521	3,022,412	2,517,521
Capital reserve (Note b)	12,262	140,839	—	—
Asset revaluation reserve (Note c)	15,431,442	14,741,494	21,315	16,515
General reserve	70,800	70,800	—	—
Currency translation reserve	1,883	4,285	—	—
Retained profits (Note d)	3,970,417	3,502,620	3,014,346	2,531,694
	<u>22,509,216</u>	<u>20,977,559</u>	<u>6,058,073</u>	<u>5,065,730</u>
(a) Share premium				
Balance at 1 July	2,517,521	1,404,312	2,517,521	1,404,312
Issue of shares for acquisition of properties	181,947	—	181,947	—
Exercise of warrant subscription rights	203	855,348	203	855,348
Scrip dividends	325,997	264,790	325,997	264,790
Share issue expenses	(3,256)	(6,929)	(3,256)	(6,929)
Balance at 30 June	<u>3,022,412</u>	<u>2,517,521</u>	<u>3,022,412</u>	<u>2,517,521</u>
(b) Capital reserve				
Balance at 1 July	140,839	223,755		
Goodwill on consolidation	(71,973)	(156,277)		
Share of (goodwill)/capital reserve of an associated company	(60,454)	73,361		
Transfer from profit and loss account	3,850	—		
Balance at 30 June	<u>12,262</u>	<u>140,839</u>		
Dealt by:				
Company and subsidiary companies	(645)	67,478		
Associated companies	12,907	73,361		
	<u>12,262</u>	<u>140,839</u>		

The amount transferred from profit and loss account represents the amount of the Group's reserves which have been capitalised for the issue of bonus shares by a subsidiary company.

NOTES TO THE ACCOUNTS (Cont'd)

21 Reserves (Cont'd)

	Group		Company	
	1991 HK\$'000	1990 HK\$'000	1991 HK\$'000	1990 HK\$'000
(c) Asset revaluation reserve				
Investment and hotel properties				
Balance at 1 July	14,735,089	11,461,861	16,515	14,515
Transfer from land and buildings	6,405	—	—	—
Surplus for the year	874,957	3,274,841	4,800	2,000
Disposal	(186,537)	(1,613)	—	—
Balance at 30 June	15,429,914	14,735,089	21,315	16,515
Land and buildings				
Balance at 1 July	6,405	—	—	—
Surplus for the year	1,528	6,405	—	—
Transfer to investment and hotel properties	(6,405)	—	—	—
Balance at 30 June	1,528	6,405	—	—
	15,431,442	14,741,494	21,315	16,515
Dealt by:				
Company and subsidiary companies				
Investment and hotel properties	15,064,176	14,476,654		
Land and buildings	1,528	—		
	15,065,704	14,476,654		
Associated companies				
Investment and hotel properties	365,738	258,435		
Land and buildings	—	6,405		
	365,738	264,840		
	15,431,442	14,741,494		
(d) Retained profits				
Balance at 1 July	3,502,620	3,246,181	2,531,694	2,509,639
Retained profit for the year	471,647	256,439	482,652	22,055
Transfer to capital reserve	(3,850)	—	—	—
Balance at 30 June	3,970,417	3,502,620	3,014,346	2,531,694
Retained by:				
Company and subsidiary companies	4,036,202	3,467,869		
Associated companies	(65,785)	34,751		
	3,970,417	3,502,620		

NOTES TO THE ACCOUNTS (Cont'd)

22 Long Term Liabilities

	Group	
	1991 HK\$'000	1990 HK\$'000
Long term loans		
Secured bank loans	2,896,024	2,594,245
Unsecured bank loans	1,596,500	1,200,000
Other unsecured loans (Note a)	1,003,633	469,265
Other secured loans	380,782	—
Obligations under finance leases		
Wholly repayable within five years	313	152,672
Not wholly repayable within five years	268,270	—
	6,145,522	4,416,182
Debentures (Note b)	147,656	97,551
Accounts payable	17,473	20,447
	6,310,651	4,534,180
Less: Amounts repayable within one year included in current liabilities (Note 16)	(1,097,064)	(428,273)
	<u>5,213,587</u>	<u>4,105,907</u>

	Group					
	Secured bank loans HK\$'000	Unsecured bank loans HK\$'000	Other unse- cured loans HK\$'000	Other se- cured loans HK\$'000	Obligations under fin- ance leases HK\$'000	Total HK\$'000
Long term loans are repayable within periods as follows:						
Of less than one year	420,355	609,925	—	18,865	47,919	1,097,064
Of more than one year, but not exceeding two years	792,502	103,850	—	10,028	54,866	961,246
Of more than two years, but not exceeding five years	1,420,900	363,475	550,700	351,889	100,373	2,787,337
Of more than five years	262,267	519,250	452,933	—	65,425	1,299,875
	<u>2,896,024</u>	<u>1,596,500</u>	<u>1,003,633</u>	<u>380,782</u>	<u>268,583</u>	<u>6,145,522</u>

- (a) Other unsecured loans include notes payable of HK\$449,500,000 (1990: HK\$452,980,000) which bear interest at 11% per annum and are repayable in 2005.
- (b) 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)

23 Deferred Taxation

	Group	
	1991 HK\$'000	1990 HK\$'000
Balance at 1 July	2,729	882
Transfer from profit and loss account	4,805	1,309
Acquisition of subsidiary companies	—	538
Balance at 30 June	<u>7,534</u>	<u>2,729</u>
The amount provided is in respect of:		
Accelerated depreciation allowances	7,534	2,729
Other timing differences	—	—
	<u>7,534</u>	<u>2,729</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.

24 Commitments

	Group		Company	
	1991 HK\$'000	1990 HK\$'000	1991 HK\$'000	1990 HK\$'000
(a) Contracted for but not provided				
Fixed assets	433,372	113,726	—	—
Investments in joint ventures	688,810	1,354,304	—	—
	<u>1,122,182</u>	<u>1,468,030</u>	<u>—</u>	<u>—</u>
Authorised but not contracted for				
Investments in joint ventures	<u>434,850</u>	<u>443,650</u>	<u>413,250</u>	<u>413,250</u>
(b) Commitments under operating leases payable in 1991/92 expiring:				
(i) Land and buildings				
In the first year	2,431	1,359	—	—
In the second to fifth years inclusive	20,927	8,929	—	—
After the fifth year	200,199	142,868	—	—
	<u>223,557</u>	<u>153,156</u>	<u>—</u>	<u>—</u>
(ii) Other assets				
In the first year	357	664	—	—
In the second to fifth years inclusive	2,441	17,369	—	—
	<u>2,798</u>	<u>18,033</u>	<u>—</u>	<u>—</u>
	<u>226,355</u>	<u>171,189</u>	<u>—</u>	<u>—</u>

NOTES TO THE ACCOUNTS (Cont'd)

25 Contingent Liabilities

	Group		Company	
	1991 HK\$'000	1990 HK\$'000	1991 HK\$'000	1990 HK\$'000
Guarantees for the performance and completion of construction contracts	229,438	391,139	—	—
Guarantees for credit facilities granted to:				
Subsidiary companies	—	—	4,556,910	4,017,810
Associated companies	1,195,379	351,000	643,850	224,450
Investee companies included under other investments	110,760	110,920	110,760	110,760
Joint venture projects	15,035	249,432	—	—
	<u>1,550,612</u>	<u>1,102,491</u>	<u>5,311,520</u>	<u>4,353,020</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.

26 Comparative Figures

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

27 Approval of Accounts

The accounts set out on pages 24 to 56 were approved by the Board of Directors on 5 November 1991.

NOTES TO THE ACCOUNTS *(Cont'd)*

28 Principal Subsidiary Companies As At 30 June 1991

	Ordinary share capital issued		Percentage of equity share held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
Incorporated and operated in Hong Kong					
Billion Town Company Limited	200	10	100	100	Property Trading
Birkenshaw Limited	10,000	1	—	100	Property Investment
Bright Moon Company Limited	200	10	75	75	Property Trading
Broadway-Nassau Investments Limited	3,000	10,000	75	75	Property Investment
Calpella Limited	2	10	—	100	Property Investment
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	Apartment Services
Country Seal Limited	10,000	1	63	63	Investment Holding
Crystal Centre Properties (International) Limited	1,000	1	—	58	Investment Holding
Disneyland Housing Limited	1,000	100	100	100	Property Investment
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
Fuji (China) Decoration & Engineering Company Limited	3,000,000	1	—	50	Interior Decoration
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	1,000	1	—	64	Hotel Operation

NOTES TO THE ACCOUNTS (Cont'd)

28 Principal Subsidiary Companies As At 30 June 1991 (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	
Incorporated and operated in Hong Kong					
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	600,000	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
Hong Kong Island Landscape Company Limited	60,000	10	—	86	Landscape Services
Humphreys Estate (Clovelly) Limited	2	10	—	100	Property Investment
International Property Management Limited	100,000	10	55	55	Property Management
Island Sauna Company Limited	10,000	1	—	100	Sauna & Fitness Centre
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	Investment Holding
King Lee Investment Company Limited	300	1,000	100	100	Investment Holding
Kiu Lok Service Management Limited	1,000	100	—	33	Property Management
Lord City Development Limited	10,000	1	—	88	Property Trading
Loyalton Holdings Limited	2	10	—	100	Property Investment
Lung Kee Investment Company Limited	1,000	1,000	100	100	Property Investment

NOTES TO THE ACCOUNTS (Cont'd)

28 Principal Subsidiary Companies As At 30 June 1991 (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	
Incorporated and operated in Hong Kong					
Manning Entertainment & Investment Company Limited	20,000	100	—	100	Cinemas
Mill Plan Limited	2	1	—	100	Property Trading
New World Finance Company Limited	200,000	100	100	100	Financial Services
New World Harbourview Hotel Company Limited	1,000	1	—	64	Hotel Operation
New World Hotel Company Limited	40,000,000	1	—	64	Hotel Operation
New World 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
New World Paging Limited	15,000,000	1	—	51	Paging Services
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	Property Investment
Pridemax Limited	2	1	—	100	Property Investment
Prime Harbour Limited	2	1	100	100	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
True Hope Investment Limited	2	1	—	100	Investment Holding
Tridant Engineering Company Limited	10,000,000	1	—	77	Electrical Engineering

NOTES TO THE ACCOUNTS *(Cont'd)*

28 Principal Subsidiary Companies As At 30 June 1991 *(Cont'd)*

	Ordinary share capital issued		Percentage of equity share held		Principal activities
	Number/ Amount	Par value per share HK\$	By the Company	By the Group	
Incorporated and operated in Hong Kong					
Urban Property Management Limited	15,000	1	—	52	Property Management
Vibro (HK) Limited	799,479	3	—	59	Piling and Caisson
Yargo Company Limited	150,000	100	62	79	Stone Quarrying
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
Incorporated and operated in Jersey					
Bianchi Holdings Limited	1,000	US\$1	100	100	Investment Holding
Incorporated and operated in Canada					
New World Hotels (B.C.) Limited	C\$1	—	—	64	Hotel Operation
Incorporated and operated in United States of America					
Ramada International Hotels & Resorts Inc.	100	US\$0.01	—	64	Hotel Operation
Incorporated in British Virgin Islands					
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
Crowley Investments Limited	1	US\$1	—	64	Hotel Operation

NOTES TO THE ACCOUNTS (Cont'd)

29 Principal Associated Companies As At 30 June 1991

	Ordinary share capital issued		Percentage of equity share held		Principal activities
	Number/ Amount	Par value per share HK\$	By the Company	By the Group	
Incorporated and operated in Hong Kong					
Asia Television Limited	120	0.25	—	47.50	Television Broadcasting
Asia Terminals Limited	100,000	1	39	46.25	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
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
Sea-Land Orient Terminals Limited	55,000‘A’ 5,000‘B’	1	—	—	Terminal Operation
Shun Tak Centre Limited	1,000	100	—	13	
Siu Ming Development Company Limited	600	100	—	29	Property Investment
Soon Start Limited	2	1	20	20	Property Trading
SHK Hong Kong Industries Limited	1,018,750,000	0.10	50	50	Property Trading
Tai Yieh Construction & Engineering Company Limited	7,000	1,000	—	13.66	Investment Holding
Tate’s Cairn Tunnel Company Limited	600,000,000	1	49	49	Construction & Civil Engineering
The Village Enterprises Limited	400	1,000	24	24	Operation of Tate’s Cairn Tunnel
Waking Builders Limited	5,000	1,000	—	39	Restaurant Operation
Incorporated and operated in Macau					
Sun Yick Development Company Limited	PTC1,000,000	—	—	49	Construction
				32	Property Trading

NOTES TO THE ACCOUNTS *(Cont'd)*

29 Principal Associated Companies As At 30 June 1991 *(Cont'd)*

	Ordinary share capital issued		Percentage of equity share held		Principal activities
	Number/ Amount	Par value per share	By the Company	By the Group	
Incorporated and operated in People's Republic of China					
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
Incorporated in the Republic of Liberia and operated in Macau					
Carvin Investment Limited	500	US\$100	—	19	Hotel Operation
Incorporated in British Virgin Islands					
Shui On Holdings Limited	1,000,000	US\$1	—	30	Investment Holding
Incorporated and Operated in Thailand					
Century Country Club Company Limited	30,000,000	Baht 10	—	26	Golf Club Investment
Sthirasuta Company Limited	20,000	Baht 10,000	—	13	Hotel Investment
Thai-World Development Company Limited	10,000,000	Baht 100	—	17	Hotel Investment