

新世界發展有限公司
NEW WORLD DEVELOPMENT CO. LTD.

CONTENTS

Corporate Information	2
Notice of Annual General Meeting	4
Chairman's Statement	5
Directors' Profile	6
Directors' Report	8
Management Discussion & Analysis of the Group's Performance	16
Report of the Auditors	46
Consolidated Profit and Loss Account	47
Consolidated Balance Sheet	48
Company Balance Sheet	49
Consolidated Cash Flow Statement	50
Notes to the Accounts	51
Five-Year Financial Summary	88

CORPORATE INFORMATION

BOARD OF DIRECTORS

- * Dato' Dr. Cheng Yu-Tung
D.P.M.S., LL.D., D.B.A. Hon., D.S.Sc.
(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., Chev. Leg. d'Hon., J.P., D.S.Sc.
* Dr. Sin Wai-Kin, David
D.S.Sc. (Hon.)
* Dr. Cheng Kar-Shun, Henry
B.A., M.B.A. D.B.A. Hon.
(Managing Director)
Cheng Yue-Pui
* Liang Chong-Hou, David
Yeung Ping-Leung, Howard
Cha Mou-Sing, Payson
Cheng Kar-Shing, Peter
Leung Chi-Kin, Stewart
Chan Kam-Ling
Chow Kwai-Cheung

* Executive Directors

SECRETARY

Leung Chi-Kin, Stewart

AUDITORS

Price Waterhouse
H.C. Watt & Company

PRINCIPAL BANKERS

ABN AMRO Bank N.V.
Banque Paribas
Bank of America NT & SA
Bank of China
Banque Nationale de Paris
Bank of Communications
Chase Manhattan Bank, N.A.
Citibank, N.A.
Dai-ichi Kangyo Bank
Deutsche Bank
Hang Seng Bank
Hongkong and Shanghai Bank
J.P. Morgan
Sin Hua Trust, Savings & Commercial Bank
Societe Generale
The Bank of Tokyo Mitsubishi
The Mitsui Trust & Banking
The Sakura Bank
The Sanwa Bank
The Sumitomo Bank
The Tokai Bank
The Toyo Trust Bank
Westdeutsche Landesbank Girozentrale
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 406, Level 4, Hong Kong Convention & Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong on Friday, 20 December 1996, 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 1996 and to approve a final dividend.
2. To re-elect the Directors and authorise the Directors to fix their remuneration.
3. To re-appoint Joint Auditors and authorise the Directors to fix their remuneration.

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

Hong Kong, 7 November 1996

Note:

- (1) Register of Shareholders will be closed from 13 December 1996 to 20 December 1996, 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.

CHAIRMAN'S STATEMENT

The Group's audited consolidated net profit after taxation, minority interests and share of the results of associated companies and joint ventures for the year ended 30 June 1996 amounted to HK\$4,157.7 million, an increase of 21.9 per cent over last year's profit of HK\$3,410.9 million. Earnings per share for the year was HK\$2.44, representing an increase of 15.6 per cent compared with HK\$2.11 for the previous year.

The Directors have resolved to recommend total final dividend of 84 cents per share (1995: 78 cents) comprising a 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 a scrip dividend by way of an issue of new shares equivalent to 83 cents per share with a cash option to shareholders registered on 20 December 1996. Together with the interim dividend of 30 cents per share (1995: 28 cents) paid in June 1996, total distributions for 1996 would thus be HK\$1.14 (1995: HK\$1.06) per share.

The Group enjoyed another successful year in its diversified businesses in Hong Kong, China and worldwide including property development and investment, infrastructure development, building and foundation construction, hotel investment and management, and telecommunications. Details of the Group's activities for the year under review have been set out in the "Management Discussion and Analysis of the Group's Performance" of this report. The Group continues to maintain a long-term and focused approach to create value for its shareholders from leveraging the portfolio of investments to even higher profitability. To achieve this, management will endeavour to actively encourage staff to broaden their experiences and job knowledge for extensive application in the process of improving the Group's operational and competitive performance. Combined with our strengths in both entrepreneurial spirit and managerial professionalism, this would result in the creation of a leading edge honed in a relentless drive for operational excellence in the Group's future pursuits.

On behalf of the Board of Directors, I take this opportunity to thank sincerely our shareholders for their continued support and express gratitude to the Group's management and staff for their loyalty and dedication to hard work.

Dato' Dr. Cheng Yu-Tung
Chairman

Hong Kong, 7 November 1996

DIRECTORS' PROFILE

Dato' Dr. Cheng Yu-Tung (aged 71), was appointed Director in May 1970 and became the Chairman of New World Development Company Limited since 1982. He is also the Chairman of New World Hotels (Holdings) Limited, Chow Tai Fook Enterprises Limited and a Director of Hang Seng Bank Limited. He is the brother of Mr. Cheng Yue-Pui, father of Dr. Cheng Kar-Shun, Henry and Mr. Cheng Kar-Shing, Peter. At the year end of 1995, Dr. Cheng was appointed as a member of The Preparatory Committee for The Hong Kong Special Administrative Region of The National People's Congress. Following this, he has also been appointed in November 1996 to The Selection Committee for The First Government of The Hong Kong Special Administrative Region of The People's Republic of China.

Sir Quo-Wei Lee (aged 78) was appointed Director in October 1972. He is the Chairman of Hang Seng Bank Limited and Adviser to the Board of HSBC Holdings plc, the Deputy Chairman of Hysan Development Company Limited. He is a Director of Miramar Hotel & Investment Company Limited, Shaw Brothers (Hong Kong) Limited, Furama Hotel Enterprises Limited, The Kowloon Motor Bus Company (1933) Limited and Shanghai Industrial Holdings Limited. He is also the Chairman and Life Member of the Council of The Chinese University of Hong Kong, a member of the Governor's Business Council and a Hong Kong Affairs Adviser appointed by the Chinese Government. He has been appointed in November 1996 to The Selection Committee for The First Government of The Hong Kong Special Administrative Region of The People's Republic of China.

Sir Michael Sandberg (aged 69), was Director for the period from October 1972 to May 1977 and was reappointed Director in January 1987. He was the Chairman of The Hongkong and Shanghai Banking Corporation Limited from September 1977 to December 1986.

Dr. Ho Tim (aged 87), was appointed Director in October 1972. He is the Chairman of Miramar Hotel & Investment Company Limited and a Director of Hang Seng Bank Limited, Sun Hung Kai Properties Limited, Kumagai Gumi (Hong Kong) Limited, and King Fook Holdings Limited. Dr. Ho is also a Council Member of The Chinese University of Hong Kong. In November 1996, he has been appointed to The Selection Committee for The First Government of The Hong Kong Special Administrative Region of The People's Republic of China.

Dr. Sin Wai-Kin, David (aged 67), was appointed Executive Director in June 1970. He is the Chairman of Myer Jewelry Manufacturer Limited, Vice-Chairman of Miramar Hotel & Investment Company Limited and Hip Hing Construction Company Limited. He is a Director of Hang Seng Bank Limited, Kumagai Gumi (Hong Kong) Limited and King Fook Holdings Limited. Dr. Sin is also a Council Member of The Chinese University of Hong Kong.

Dr. Cheng Kar-Shun, Henry (aged 49), was appointed Director in October 1972 and became Executive Director in 1973 and Managing Director in 1989. He is the Chairman of New World Infrastructure Limited, Renaissance Hotel Group N.V., New World Development (China) Limited, New World Telephone Holdings Limited and Tai Fook Group Limited. He is also the Managing Director of New World Hotels (Holdings) Limited and a Director of Chow Tai Fook Enterprises Limited

and HKR International Limited. He is Chairman of the Advisory Council for the Better Hong Kong Foundation, a member of the Advisory Committee to the Securities and Futures Commission and a Member of the National Committee of the Eighth Chinese People's Political and Consultative Conference. He has been appointed in November 1996 to The Selection Committee for The First Government of The Hong Kong Special Administrative Region of The People's Republic of China. He is the eldest son of Dato' Dr. Cheng Yu-Tung and the brother of Mr. Cheng Kar-Shing, Peter.

Mr. Cheng Yue-Pui (aged 67), was appointed Director in June 1970. He is also a Director of Chow Tai Fook Enterprises Limited. He is the brother of Dato' Dr. Cheng Yu-Tung.

Mr. Liang Chong-Hou, David (aged 51) was appointed Director in November 1979 and became Executive Director in 1986.

Mr. Yeung Ping-Leung, Howard (aged 39), was appointed Director in November 1985. He is also a Director of King Fook Holdings Limited.

Mr. Cha Mou Sing, Payson (aged 54), was appointed Director in April 1989. He is Managing Director of The Mingly Corporation Limited and HKR International Limited. Mr. Cha is also the Deputy Chairman of Ocean Park Corporation, and a Member of the Executive Committee of the Hong Kong Housing Society and Sub-Committees of the Hong Kong Housing Authority. In 1993, Mr. Cha was appointed as a member of The National Committee of the Chinese People's Political and Consultative Conference and appointed as a member of The Selection Committee for The First Government of The Hong Kong Special Administrative Region of The People's Republic of China in November 1996. Mr. Cha is also an Advisor of the Advisory Council of Graduate School of Business at Stanford University.

Mr. Cheng Kar-Shing, Peter (aged 44), was appointed Director in October 1994. He is a Director of New World Hotels (Holdings) Limited, Deputy Managing Director of New World Development (China) Limited and Executive Director of New World Infrastructure Limited. He is the son of Dato' Dr. Cheng Yu-Tung and brother of Dr. Cheng Kar-Shun, Henry.

Mr. Leung Chi-Kin, Stewart (aged 57), was appointed Director in October 1994 and has been the Group General Manager since May 1988. He is Managing Director of Urban Property Management Limited and Director of Hip Hing Construction Company Limited, Asia Television Limited and Young's Engineering Company Limited.

Mr. Chan Kam-Ling (aged 56), was appointed Director in October 1994. He is Managing Director of Hip Hing Construction Company Limited and a Director of New World Development (China) Limited and Executive Director of New World Infrastructure Limited.

Mr. Chow Kwai-Cheung (aged 54), was appointed Director in October 1994. He is a Director of Hip Hing Construction Company Limited, Hong Kong Convention & Exhibition Centre (Management) Limited and Urban Property Management Limited.

DIRECTORS' REPORT

The Directors have pleasure in presenting their Annual Report and Statement of Accounts for the year ended 30 June 1996.

GROUP ACTIVITIES

The principal activities of the Company remain investment holding and property investment. The principal activities of the principal subsidiary companies, principal associated companies and principal joint venture companies are shown in Notes 31, 32 and 33 to the Accounts on pages 80 to 87.

ACCOUNTS

The profit of the Group for the year ended 30 June 1996 and the state of the Company's and the Group's affairs at that date are set out in the Accounts on pages 47 to 87.

DIVIDENDS

The Directors have resolved to recommend total final dividend of 84 cents per share (1995: 78 cents) comprising a 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 a scrip dividend by way of an issue of new shares equivalent to 83 cents per share with a cash option to shareholders registered on 20 December 1996. Together with the interim dividend of 30 cents per share (1995: 28 cents) paid in June 1996, total distributions for 1996 would thus be HK\$1.14 (1995: HK\$1.06) 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 they be given the option to elect to receive payment in cash of 83 cents per share instead of the allotment of shares.

SHARE CAPITAL

Details of the increase in share capital during the year are set out in Note 20 to the Accounts.

RESERVES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's listed securities during the year.

DONATIONS

The Group made charitable donations during the year amounting to HK\$19,092,000.

FIXED ASSETS

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

CONNECTED TRANSACTIONS

- (a) On 12 August 1996, a sale and purchase agreement (the "Sale and Purchase Agreement") was entered into between Kaysville Limited ("Kaysville") and Goland Developments Limited ("Goland") (a newly incorporated indirect wholly owned subsidiary company of New World Hotels (Holdings) Limited ("NWHH") which is a 64% subsidiary company of the Company) pursuant to which Goland agreed to purchase from Kaysville 6,400,000 shares in Realform Developments Limited ("Realform") (a company 70% owned by Rich Apple Developments Limited, an indirect subsidiary company effectively 30.17% owned by the Company, 20% owned by Kaysville and 10% owned by a third party independent from Kaysville), being $13\frac{1}{3}\%$ of the equity interest of Realform which represents two-thirds of the shares owned by Kaysville, and the benefits of two-thirds of the shareholders' loan of approximately HK\$49,202,000 owed to Kaysville by Realform for a total cash consideration of HK\$110,000,000 (the "Transaction").

The consideration for the Transaction was fully paid by Goland in cash on completion which took place immediately after the signing of the Sale and Purchase Agreement and was financed by internal resources of Goland's indirect holding company, NWHH. For the financing of Realform, the existing and future shareholders' loans were and are to be made by the shareholders to Realform on a pro rata basis.

After completion of the Sale and Purchase Agreement, the additional effective equity interest in Realform acquired by the Company is 8.53% and the Company's total effective equity interest in Realform has increased from approximately 21.12% to approximately 29.65%.

The principal asset of Realform is a 100% shareholding in New World International Development Philippines, Inc. which manages and operates The New World Hotel in Makati, Metro Manila, Philippines (the "Makati Hotel").

The Directors of the Company including the independent non-executive directors consider that there is a potential for profit contribution from the operation of the Makati Hotel in the coming years in view of the growing reputation of Makati Hotel in Philippines. Therefore, the acquisition of further equity interest in Realform will increase the share of profits receivable from Realform.

The Directors of the Company including the independent non-executive directors consider that the terms of the Sale and Purchase Agreement including the consideration which was arrived at based on the net asset value of Realform and a premium of approximately 8.7% were determined on an arm's length basis and are fair and reasonable. The value of shares based on the net asset value of Realform is approximately HK\$51,947,000 and the benefits of the

shareholders' loan acquired pursuant to the Sale and Purchase Agreement is approximately HK\$49,202,000. The total value of the assets acquired is approximately HK\$101,149,000.

Kaysville, a non wholly owned subsidiary company of Kumagai Gumi (Hong Kong) Limited, being a shareholder holding 20% of the issued share capital of Realform prior to entering into the Sale and Purchase Agreement was a "substantial shareholder" of a subsidiary company of the Group and therefore a connected person of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Therefore, the Transaction constitutes a connected transaction for the Company.

- (b) The Company and a wholly owned subsidiary company provided guarantees in respect of certain bank loans granted to New World Infrastructure Limited ("NWI"), a 66.5% subsidiary company of the Group, its two subsidiary companies, an associated company and a PRC joint venture which NWI in return gave counter-guarantees to the Company. The aggregate outstanding balance at 30 June 1996 of these bank loans amounted to HK\$1,945 million. The aforementioned guarantees and NWI's counter-guarantees will remain in force until the bank loans concerned are fully repaid.

DIRECTORS

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

The Board notes with regret the passing away of Dr. Young Bing-Ching, Albert on 27 November 1995.

In accordance with Article 103 of the Company's Articles of Association, Dato' Dr. Cheng Yu-Tung, Sir Michael Sandberg, Mr. Liang Chong-Hou, David and Mr. Cha Mou-Sing, Payson, retire by rotation and, being eligible, offer themselves for re-election.

The Company's non-executive directors serve for a term of three years and each is subject to re-election by the shareholders in general meeting.

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.

On 29 August 1995, a re-organisation (the "Re-organisation") took place whereby certain hotel and related interests of the Group (then held via New World Hotels (Holdings) Limited ("NWHH"), a 64% owned subsidiary company of the Group) and certain related parties were re-structured and as a result of which all the existing New World Hotels hotel management business and all the Ramada/Renaissance hotel management and franchise business was consolidated in Renaissance Hotel

DIRECTORS' INTERESTS IN CONTRACTS

Group N.V. ("RHG"), a company incorporated in the Netherlands and subsidiary company of the Group. The Re-organisation involved, inter alia, the followings:-

- (a) RHG's acquisition of 49% interests in New World Hotels International Limited ("NWHIL") from certain connected persons (namely, Mr. Wong Kwok-Kin, Andrew, Mr. Wong Chi-Keung, Mr. Ma Sai-On, Mr. Fong Shing-Kwong, Mr. Leung Chi-Kin, Stewart, Mr. Chan Kam-Ling, Dr. Tong Yuk-Lun, Paul, Mr. Chow Yu-Chun, Alexander, Mr. Chow Kwai-Cheung and Mr. Doo Wai-Hoi, William, all being directors of either the Company and/or subsidiary companies of the Group) (the "Connected Persons") in consideration of RHG issuing its shares to the Connected Persons resulting in them holding approximately 12.0% of the Shares (as hereinafter defined) in RHG immediately upon completion of the Flotation (as hereinafter defined);
- (b) the extension of the duration of an existing management agreement (the "CTF Agreement") dated 5 August 1993 and made between Renaissance Hotel Operating Company (formerly known as Ramada Hotel Operating Company) (the "Operator"), a 64% owned subsidiary company of the Group, and CTF Hotel Holdings, Inc. (formerly known as Stouffer Hotel Holdings, Inc.) ("CTF"), for approximately 12 years with a termination date expiring in the year 2015. CTF is a company incorporated in the United States with limited liability and is controlled by Dr. Cheng Kar-Shun, Henry, Mr. Cheng Kam-Biu and Mr. Doo Wai-Hoi, William. Dr. Cheng Kar-Shun, Henry is a director of the Company and Mr. Doo Wai-Hoi, William is a director of certain subsidiary companies of the Group. The Operator is entitled to management and incentive fees, which are based on a percentage of the gross revenue of the Hotels, amounting to US\$35,932,000, equivalent to HK\$277,754,000 (1995: US\$32,942,000, equivalent to HK\$254,642,000) for the year;
- (c) the extension of the duration of an existing agreement (the "BVI Agreement") dated 5 August 1993 and made between Hotel Property Investments (B.V.I.) Ltd. (formerly known as Ramada Holdings (B.V.I.) Limited and Renaissance Hotel Holdings (B.V.I.) Ltd.) ("HPI"), a wholly-owned subsidiary company of NWHH, and CTF Holdings Ltd. ("CTF Holdings"), for approximately 12 years with a termination date also expiring in the year 2015. CTF Holdings is a company incorporated in the British Virgin Islands with limited liability and is controlled by Dr. Cheng Kar-Shun, Henry, Mr. Cheng Kam-Biu and Mr. Doo Wai-Hoi, William. HPI paid CTF Holdings an annual fee amounted to US\$11,882,000, equivalent to HK\$91,848,000 (1995: US\$11,158,000, equivalent to HK\$86,254,000) from its non-U.S. operations during the year in accordance with the BVI agreement;
- (d) an indemnity to RHG being granted by Chow Tai Fook Enterprises Limited ("CTFEL"), the controlling shareholder of the Company, and the Company severally in the proportion of 36% and 64% in respect of any obligations RHG or its subsidiary companies may have in respect of certain lease payment obligations or guarantees of leases of Hotel Property Investments, Inc., a Delaware corporation held by HPI, and related liabilities; and

(e) a strategic alliance agreement being entered into between the Company, Dr. Cheng Kar-Shun, Henry, CTFEL and RHG which provides that, inter alia, RHG has a right of first and last refusal to manage any hotel controlled by the Group or CTFEL and the Group and CTFEL shall not compete with the hotel management and/or franchise business of RHG.

Following completion of the Re-organisation, a listing (the "Flotation") of RHG shares was sought on the New York Stock Exchange by way of an offer for sale of 10,120,000 shares ("Shares") of common stocks of RHG (representing approximately 33.6% of the issued share capital of RHG) by Diamant Hotel Investments N.V., a Netherlands Antilles corporation which is a wholly-owned subsidiary company of NWHH, at a price of US\$17 per Share. Closing of the said offer for sale took place on 2 October 1995. NWHH now holds Shares representing approximately 54.4% of the issued share capital of RHG.

Save for contracts amongst group companies and the aforementioned transactions, 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.

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.

As at 30 June 1996, interests of the Directors and their associates in the equity securities of the Company and its subsidiary companies which have been entered into the register kept by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance are set out below.

	Personal Interests	Family Interests	Corporate Interests	Other Interests
New World Development Co., Ltd. (ordinary shares of HK\$1.00 each)				
Dato' Dr. Cheng Yu-Tung	452,208	-	-	-
Sir Quo-Wei Lee	-	-	2,990,753 ⁽¹⁾	250,000 ⁽²⁾
Sir Michael Sandberg	-	-	-	-
Dr. Ho Tim	1,577,959	-	-	-
Dr. Sin Wai-Kin, David	3,337,478	52,067	-	-
Dr. Cheng Kar-Shun, Henry	-	-	-	-
Mr. Cheng Yue-Pui	-	-	-	-
Mr. Liang Chong-Hou, David	228,198	-	-	-
Mr. Yeung Ping-Leung, Howard	-	-	-	-
Mr. Cha Mou-Sing, Payson	-	-	746,000 ⁽¹⁾	-
Mr. Cheng Kar-Shing, Peter	-	-	-	-
Mr. Leung Chi-Kin, Stewart	23,253	-	-	-
Mr. Chan Kam-Ling	84,918	-	-	-
Mr. Chow Kwai-Cheung	20,818	-	-	-

**DIRECTORS'
RIGHTS TO
ACQUIRE
SHARES OR
DEBENTURES**

**DIRECTORS'
INTERESTS IN
SHARES**

	Personal Interests	Family Interests	Corporate Interests	Other Interests
Hip Hing Construction Co., Ltd. (ordinary shares of HK\$100.00 each)				
Dr. Sin Wai-Kin, David	42,000	-	-	-
Mr. Chan Kam-Ling	15,000	-	-	-
International Property Management Ltd. (ordinary shares of HK\$10.00 each)				
Dr. Sin Wai-Kin, David	5,400	-	-	-
Mr. Chan Kam-Ling	1,350	-	-	-
Renaissance Hotel Group N.V. (ordinary shares of NLG0.01 each)				
Mr. Leung Chi-Kin, Stewart	120,412	-	-	-
Mr. Chan Kam-Ling	120,412	-	-	-
Mr. Chow Kwai-Cheung	120,412	-	-	-
Master Services Ltd. (ordinary shares of US\$0.01 each)				
Mr. Leung Chi-Kin, Stewart	16,335	-	-	-
Mr. Chan Kam-Ling	16,335	-	-	-
Mr. Chow Kwai-Cheung	16,335	-	-	-
New World Infrastructure Ltd. (ordinary shares of HK\$1.00 each)				
Dr. Ho Tim	148	-	-	-
Dr. Sin Wai-Kin, David	5,594	53	-	-
Mr. Liang Chong-Hou, David	262	-	-	-
Mr. Chan Kam-Ling	6,800	-	-	-
Urban Property Management Ltd. (ordinary shares of HK\$1.00 each)				
Mr. Leung Chi-Kin, Stewart	750	-	-	-
Mr. Chow Kwai-Cheung	750	-	-	-
Young's Engineering Holdings Ltd. (ordinary shares of US\$1.00 each)				
Mr. Leung Chi-Kin, Stewart	37,500	-	-	-
Progreso Investment Ltd. (ordinary shares of HK\$1.00 each)				
Mr. Leung Chi-Kin, Stewart	-	-	119,000 ⁽¹⁾	-

Note:

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

(2) Interests held by a charitable foundation of which Sir Quo-Wei Lee and his spouse are members of its board of trustees.

**SUBSTANTIAL
SHAREHOLDER**

As at 30 June 1996, Chow Tai Fook Enterprises Limited, together with its subsidiary companies had interests in 657,813,892 shares in the Company.

Save for the shareholder referred to the above, no other shareholder is recorded in the register kept pursuant to Section 16 (1) of the Securities (Disclosure of Interests) Ordinance as having an interest in 10% or more of the issued share capital of the Company.

**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.

**MAJOR
CUSTOMERS
AND SUPPLIERS**

During the year, less than 30% of the Group's turnover and less than 30% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

**CORPORATE
GOVERNANCE**

The Directors are not aware of any information that would indicate that the Company was not in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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, 7 November 1996



**MANAGEMENT
DISCUSSION
AND ANALYSIS**



The Hong Kong Convention and Exhibition Centre Extension — venue for witnessing the reversion of Hong Kong to Chinese sovereignty at midnight, 30 June 1997, represents an extraordinary feat delightfully in between state-of-the-art technology and history in the making.

MANAGEMENT DISCUSSION & ANALYSIS OF THE GROUP'S PERFORMANCE

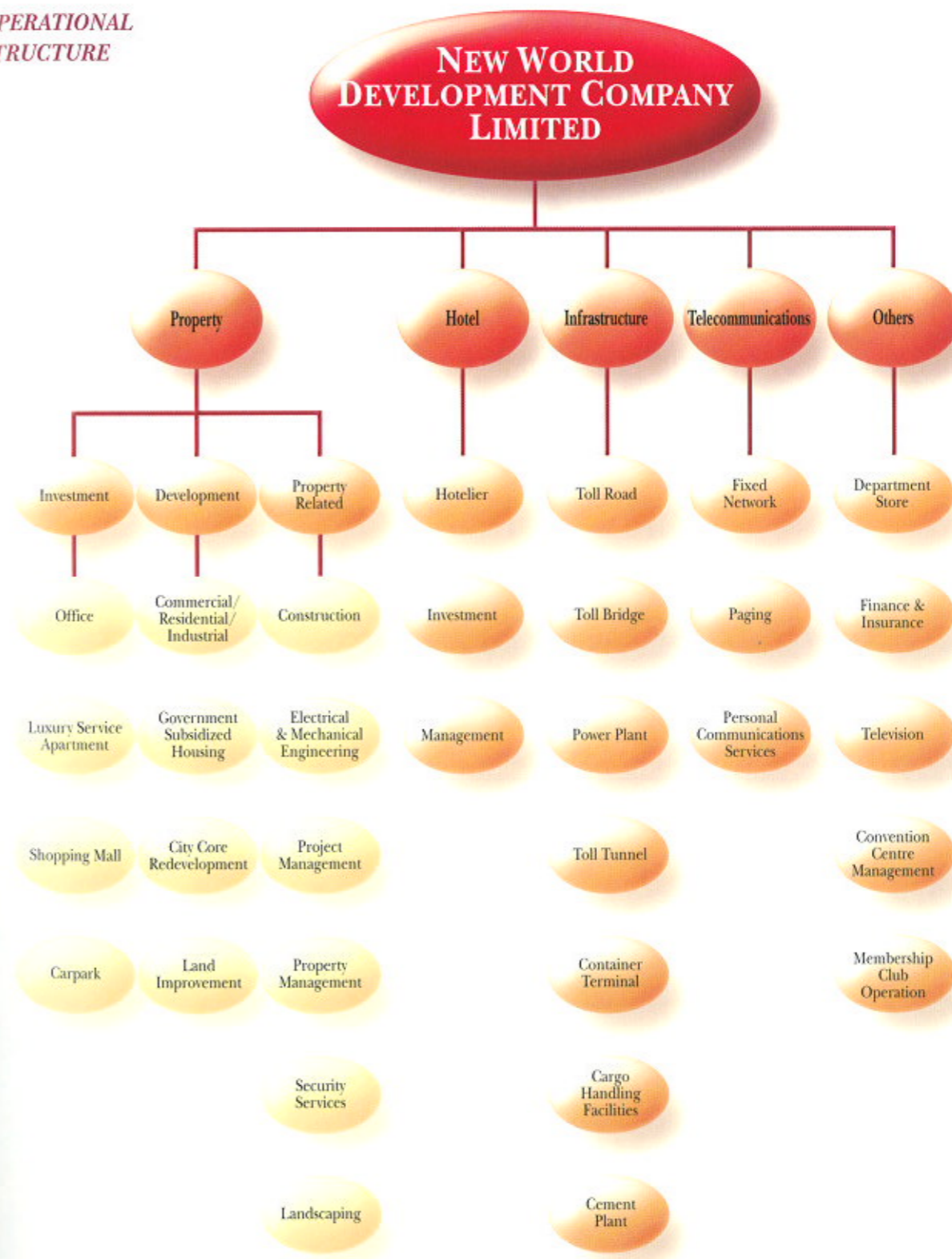
PERFORMANCE

The Group's turnover for the year amounted to HK\$16,715.5 million. Profit before taxation was HK\$5,627.3 million.

A comparison of the respective contributions to the Group's operating profit (before interest) by principal activities in fiscal 1996 and fiscal 1995:

	Year Ended 30 June 1996		Year Ended 30 June 1995	
	(HK\$m)		(HK\$m)	
Rental income	1,336.5	27.5%	1,183.5	27.8%
Property sales	2,425.6	49.8%	2,018.1	47.4%
Construction and piling	236.5	4.9%	132.7	3.1%
Hotel and restaurant operations	814.0	16.7%	804.4	18.9%
Toll road and bridge operations	169.7	3.5%	55.8	1.3%
Telecommunication services	(163.3)	(3.4%)	9.5	0.2%
Others	47.3	1.0%	56.7	1.3%
	<u>4,866.3</u>	<u>100.0%</u>	<u>4,260.7</u>	<u>100.0%</u>

OPERATIONAL STRUCTURE



**PROPERTY
DEVELOPMENT
AND INVESTMENT
IN HONG KONG**

PROPERTY DEVELOPMENT

The Group's current portfolio of residential, commercial and industrial projects in Hong Kong consists of 23 sites with a total development potential of approximately 8.6 million square feet in terms of gross floor area attributable to the Group. All projects are progressing on schedule. Details of the portfolio are set out in the section on "Property Development in Hong Kong" on page 36.

Total property sales during the year amounted to HK\$3,556.7 million. The following major residential projects were offered to the market during the year:

Location	Name of Project	Gross Floor Area (sq.ft.)	Percentage Sold (%)
Phase IV, 4A East, Discovery Bay	Crestmont Villa (low-rise)	238,904	100.0
Phase IV, 4C, Discovery Bay	Coastline Villa (low-rise)	378,603	96.4
48 Lyttelton Road, Mid-Levels	Scholastic Garden	255,422	99.6



The musical rhythm of the sea at Discovery Bay makes Coastline Villa an alluring residential environment as ever.



The upmarket residential development of Scholastic Garden at Western Mid-Levels.

A total of three projects, with an aggregate attributable Gross Floor Area (GFA) of 467,689 square feet has been added to the portfolio.

Location	Site Area (sq.ft.)	Gross Floor Area (sq.ft.)	Group's Interest (%)	Gross Floor Area Attributable to the Group (sq.ft.)	Status
18-24 Tin Hau Temple Road	7,965	63,723	60.0	38,234	Demolition
Portion of KIL No. 6059 RP	65,316	326,581	50.0	163,291	Planning *
Belcher's Garden Redevelopment	322,894	2,661,641	10.0	266,164	Planning
				<u>467,689</u>	

* Application for usage modification in progress



On completion, Discovery Park will be the most prestigious residential development in Tsuen Wan. The residential complex comprises 12 tower blocks with a large landscaped garden complete with a waterfall, a shopping mall and a luxury clubhouse. Other excellent leisure facilities are also featured in this fantasy environment.

The Group expects to have approximately five million square feet of development properties attributable to the Group completed in the next two years.

YEAR ENDING 30 JUNE 1997

Location	Group's Attributable Share of GFA (sq.ft.)
7-9 High Street, Hong Kong	14,936
51 Tsun Yip Street, Kwun Tong	51,634
Discovery Park, Phases 1 & 2, Tsuen Wan	1,510,965
Telford Gardens Extension Redevelopment, Kowloon Bay	436,187
Nathan Road/Dundas Street, Kowloon	129,485
TOTAL	2,143,207

YEAR ENDING 30 JUNE 1998

Location	Group's Attributable Share of GFA (sq.ft.)
41-55 Wo Tong Tsui Street, Kwai Chung	149,578
Discovery Park, Phase 3, Tsuen Wan	755,482
Wing Sing Street Redevelopment Project, Central	1,217,470
85-99 Ham Tin Street, Tsuen Wan	85,359
28-42 Luen Yan Street, Tsuen Wan	84,189
15-19 Luk Hop Street, San Po Kong	285,456
Area 19, Luen Wo Hui, Fanling, New Territories	138,018
YLTL 463, Fung Kam Street, Yuen Long	22,185
NKIL 4850RP, Tai Po Road, Kowloon	95,130
TOTAL	2,832,867

The Group has a sizeable agricultural land bank of 13,432,000 square feet in the New Territories.

Location	Land Area (sq.ft.)	Area Attributable to the Group (sq.ft.)
Yuen Long	7,866,000	7,717,000
Tai Po	3,728,000	3,665,000
Sheung Shui	855,000	855,000
Ma On Shan	424,000	148,000
Sai Kung	1,496,000	1,047,000
TOTAL	14,369,000	13,432,000

Applications are being made for the conversion of land use classification to residential and/or commercial to provide greater long-term development opportunities for the Group. As of today, four sites with about 1.3 million square feet of land area for residential purpose attributable to the Group have been approved. Another eight sites with about 3.7 million square feet of land area also for residential purpose attributable to the Group are under review by the respective authorities.

PROPERTY INVESTMENT

The Group's sizeable rental properties portfolio comprises a good balance of office/commercial buildings, hotels and luxury service apartments, shopping centres and carparks, all strategically located in Hong Kong and Kowloon with attributable gross floor area totalling approximately 7.4 million square feet. Details of them are set out in the section headed "Property Investment in Hong Kong" on page 37. These high quality investment properties all achieved strong performances with healthy reversionary potential realized. Gross rental income of the Group for the year under review amounted to approximately HK\$1,714.9 million compared to that of HK\$1,564.2 million last year, representing an increase of 9.6%.



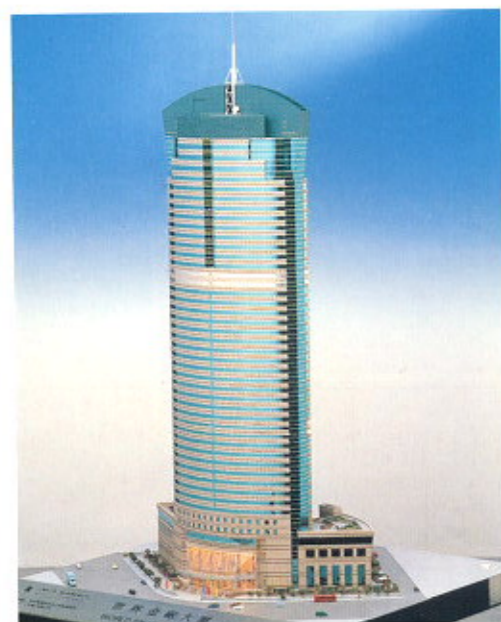
The newly completed hostel at 2 MacDonnell Road, Mid-Levels where traditions of hospitality and service blend with contemporary comfort and style, commits to leave every tenant a long and lasting impression.

The Group envisages significant growth in the base of its recurrent income with additions of the following rental properties to the portfolio over the next financial year:

Project	Gross Floor Area (sq.ft.)	Usage
No. 2, MacDonnell Rd.	116,954	Hostel
Salisbury Garden, Tsimshatsui	141,439	Retail Commercial
Discovery Park, Tsuen Wan	466,400	Retail Commercial
Telford Gardens Extension Redevelopment	335,960	Retail Commercial

PROPERTY DEVELOPMENT AND INVESTMENT IN CHINA

China's property market is one with vast growth potential. Herein lies tremendous opportunities for the Group to leverage off our experience and professional expertise in identifying projects, potential joint venture partners and international financiers to build up a well-balanced portfolio of diverse developments catering for different market segments. The Group has focused its investments in the key cities with promising economic growth profile, namely Beijing, Guangzhou, Shanghai, Wuhan, Nanjing and Dalian etc. Apart from following well-defined financial criteria to evaluate potential investments in China, the Group normally participates in sectors with real demand and strong government support. Such investment strategies have enabled the Group to cultivate strong working relationships with all levels of government authorities in China. Combined with the synergistic benefits among the Group's investments in infrastructure and hotel businesses, New World has built up its reputation as one of the premier property developers in China.



The gleaming image of Shanghai World Finance Tower adds a new dimension of vitality to the vibrant commercial atmosphere of Shanghai.

Broadly speaking, our property projects in China comprise four categories: (a) Government Subsidized Housing Projects, (b) City Core Redevelopment Projects, (c) Conventional Property Development Projects and (d) Land Improvement Projects:

(a) Government Subsidized Housing Projects

The concept is pioneered by New World in China as a direct outgrowth of our experience in Hong Kong of providing housing to the less affluent sectors of the population. It also ties in with the firm commitments of the central and local governments to develop an urgent and long term programme to provide subsidized housing for families with housing difficulty or low income families in the rapidly growing urban areas of China. The Group currently has 57% interest in a private company, NW China Homeowner Development Limited, formed to develop the Group's Government Subsidized Housing Projects in China. It has a total of the following five contracted projects. Each project consists of the development of moderate quality subsidized housing, commercial space and commodity housing.

Location	Site Area (sq.ft.)	Total Gross Floor Area (sq.ft.)	Number of Phases	Group's Attributable Interest	
				Subsidized Housing (%)	Commodity Housing (%)
Wuhan	28,815,000	43,056,000	5-6	57.0	34.2
Tianjin	12,917,000	13,616,000	3-4	57.0	34.2
Shenyang:					
Site 1	1,780,000	2,796,000	1	57.0	34.2
Site 2	13,993,000	27,986,000	6	57.0	34.2
Huizhou	3,423,000	5,648,000	3-4	57.0	35.6
Guangzhou	5,510,000	10,979,000	To Be Determined	57.0	34.2

The projects enjoy such concessions as exemptions or reductions in taxes, fees and land costs as well as guaranteed returns on invested capital. Furthermore, the government will also be responsible for buying back all completed subsidized housing units within six months from the completion of each phase.

(b) City Core Redevelopment Projects

Most of the core areas inside the key cities of China are plagued with congested and dilapidated buildings, inadequate public facilities and lack of modern amenities. To improve the people's standard of living, local governments are committed to replacing deteriorated residential and commercial structures with modern buildings and improved facilities in the city centre. Commerce and industry will also flourish there with the provisions of modern buildings and facilities. New World has teamed up with local governments to comprehensively redevelopment these areas.

The Group's City Core Redevelopment Projects include the followings:-

City	Location	Site Area (sq.ft.)	Group's Attributable Interest (%)
Beijing	Chong Wen District	21,528,000	56.0
Tianjin	Hongqiao and Heping Districts	22,389,000	70.0
Guangzhou	Dongshan District	592,000	60.0
Huizhou	Huicheng District	353,000	62.5

Under these joint ventures, the Group is able to secure development rights on large tracts of land in prime locations at low premiums, advantageous payment terms and special investment incentives.

(c) Conventional Property Development Projects

The Group has been actively pursuing opportunities for commercial and residential developments at prime locations in the key cities of China and maintains a well-balanced portfolio structured to meet market needs. The portfolio now comprises about 50 development projects. Current projects of the Group at various stages of development include upmarket high rise serviced apartments, hotels, resort-style villa developments, prime office towers, mixed use residential commercial and retail complexes and fully planned middle income residential estates. Details of them are set out in the section headed "Conventional Property Development Projects in China" on pages 38 to 41.



Classic in look, yet contemporary in facilities, the Beijing New World Centre ranks as one of the Group's most prestigious developments.

During the period under review, the following properties had been offered to the market either for sale or leasing:

Location	Name of Project	Group's Attributable Interest (%)	G.F.A. Sold / Leased (sq.ft.)
<i>For Sale</i>			
Area 14 Ersha Island Guangzhou	New World Riverside Villa	60.0	126,595 (36 units)
Guangzhou Guangdong	Fortuna Garden	61.4	255,746 (299 units)
Dongguan Guangdong	Dongguan New World Garden	36.7	1,021,633 (621 units)
Beijing	Beijing New World Centre Phase I	53.9	178,273 (serviced apartments all sold) 111,461 (103 office units)
<i>For Leasing</i>			
Wuhan	Wuhan World Trade Centre Extension	70.0	215,743 (office all leased)



Set in meticulously landscaped ambience, Dongguan New World Garden embraces every resident with harmony of natural calm and modern design and architecture.

The Group will seek to maintain a balance between properties developed for sale and those retained for recurrent income and long-term investment in China.

The Group expects to sell/let the following properties in the next two years:

Location	Name of Project	Actual/ Planned Gross Building Area (sq.ft.)	Usage*	Group's Attributable Interest (%)
Dongguan	Dongguan New World Garden	10,976,000	R	36.7
Guangzhou	Fortuna Garden	159,000	R	61.4
Guangzhou	Golden Lake Garden City	4,716,000	R	Phase 1: 40.0 Phases 2 & 3: 50.0
Guangzhou	New World Riverside Villa	287,000	R	60.0
Beijing	Beijing Tianzhu Garden	740,000	R	40.0
Beijing	New World Centre	3,387,000	H/C/R	Phase 1: 54.0 Phase 2: 60.0
Tianjin	Tianjin Fuhui Huayuan	2,072,000	C/R	80.0
Shanghai	Euston Villas	1,236,000	R	72.0

*(R – Residential C – Commercial H – Hotel)

(d) Land Improvement Projects

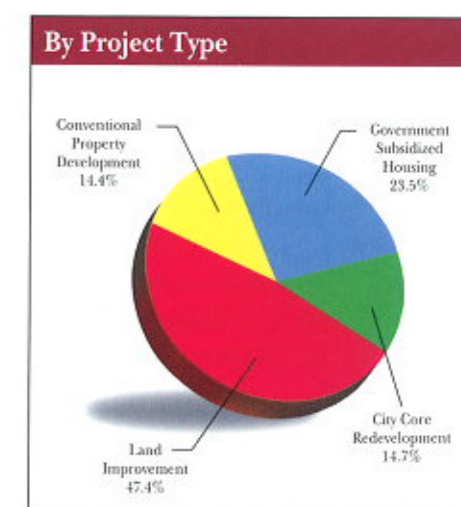
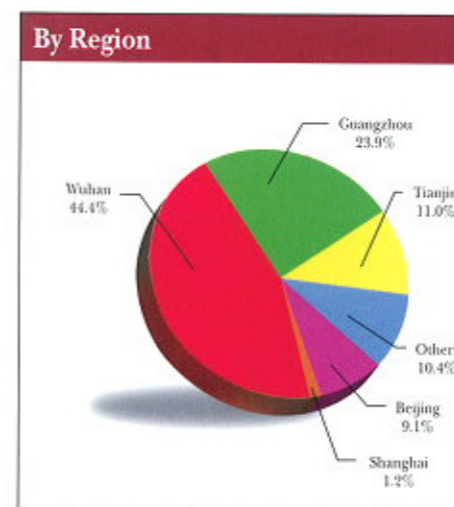
China's fast economic growth combined with population pressures have taken on new dimensions for urbanization. There is an increasing need to open up undeveloped land for urban development in order to put in the infrastructures and public facilities before people start to inhabit the townships. These projects mainly relate to sites identified by the local governments for planned future development such as satellite towns or industrial parks away from the saturated city cores and they offer significant development opportunities. The Group can also establish a degree of exclusivity and control through its involvement in planning and design of the development zone to the effect of cultivating synergistic benefits for its other property development and investment activities.

The Group's Land Improvement Projects include the following:

Location	Name of Project	Site Area (sq.km.)	Group's Attributable Interest (%)
Tianjin	Tianjin Port Free Trade Zone – Phase 2	2.0	50.0
* Guangzhou	Pearl River New City	6.6	40.5
Wuhan	Wujiashan Economic Development Area	7.5	45.0
* Wuhan	Songjiagang Industrial Development Area	4.5	To Be Determined
* Wuhan	Yantze River-Bank Development	30.0	To Be Determined

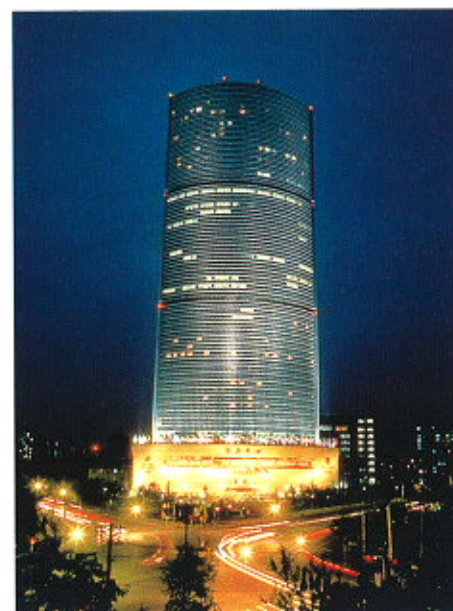
* Letter of Intent or Agreement in Principle signed only.

The Group has accumulated a massive land bank amounting to 919 million square feet in China. Its breakdown by region and by project type is as follows:



HOTELS

Pursuant to a spin-off exercise in 1995, the Group's hotel management and franchising activities were segregated from its hotel investment activities, with the former now under Renaissance Hotel Group N.V. (RHG), a 54.4% subsidiary company of New World Hotels (Holdings) Limited ("NWHH") and listed on the New York Stock Exchange since September 1995; and the latter under Hotel Property Investment (BVI) Limited ("HPI"), a wholly-owned subsidiary company of NWHH. As part of the restructuring, New World Hotels International Limited, a former separate hotel management company of the New World Group, was merged into RHG. Market capitalisation, based on the closing price of RHG shares on 28 June 1996, was US\$647 million (HK\$5,001 million).



Unpretentious and yet captivating in outlook, Beijing Jing Guang Centre best embodies New World's enterprising spirit and passion for excellence.

Turnover from the Group's hotel and restaurant operations increased 8.2 per cent in Fiscal 1996 to HK\$7,018.4 million compared to Fiscal 1995 primarily as a result of an increase in the number of hotels owned, leased or managed by the Group and increased occupancy in the hotels owned by the Group. These factors together contributed to a 1.2 per cent increase in operating profit (before interest) from hotel and restaurant operations in Fiscal 1996 to HK\$814.0 million. The initial public offering of RHG's shares generated an exceptional gain of HK\$563.4 million.

(a) Hotel Investment

Currently the Group has ownership interests in 23 hotels worldwide. Details of the hotel properties owned are set out in the section headed "Hotel Investment" on page 42.

In addition, new hotels to be completed in the next two years will be as follows:

Location	Name of Hotel	Group's Attributable Interest (%)	Total Number of Rooms	Year of Operation
Johor Bahru, Malaysia	Ramada	33.3	368	1997
Wuxi, China	Ramada	25.6	325	1997
Shunde, China	Ramada	20.6	450	1998
London, United Kingdom	Renaissance	64.0	340	1998
Ho Chi Minh City, Vietnam	Renaissance	21.7	388	1998

(b) Hotel Management and Franchising

RHG's operations are well diversified by brand and by geography. It is now one of the world's leading hotel management companies, operating and franchising a portfolio of 146 hotels with approximately 46,000 rooms under the Renaissance, New World and Ramada brand names in 38 countries on five continents. Profile of their regional operations appears in the section headed "Renaissance Hotel Group" on page 43. For Fiscal 1996, RHG reported a profit after tax of US\$31.8 million.

Operating statistics for hotels managed by Renaissance showed improvement in results. The occupancy percentage for managed hotel properties that were in operation for both years increased to 66.5% for Fiscal 1996 from 65.8% for Fiscal 1995. The average daily rate for these hotels increased to US\$103.9 for Fiscal 1996 from US\$101.1 for Fiscal 1995. Revenue per available room for these hotels increased to US\$69.1 for Fiscal 1996 from US\$66.5 for the previous year.

RHG is poised to expand in the Asia-Pacific market, where it plans to open its first Renaissance Hotels in Bangkok, Jakarta and Ho Chi Minh City. Additional New World Hotels planned and under way include the renovation of an historic property in Tianjin, China and new hotels in the cities of Dalian, Nanjing and Shanghai, China as well as in Bangkok, Thailand. As for Europe, RHG sees a major opportunity to grow by building the reputation of its Renaissance and Ramada brands. While the strong pipeline of hotels continues to expand, RHG still actively seeks high growth opportunities through chain consolidations and new management and franchise agreements.



Unwinding in the elegant surroundings and warmth of excellent services, each guest is ensured a most relaxed stay at New World Hotel, Kuala Lumpur.



Renaissance hotels are luxury properties located in business and financial centres throughout the world; they are designed as "a home away from home" for the discerning executives of today.

INFRASTRUCTURE

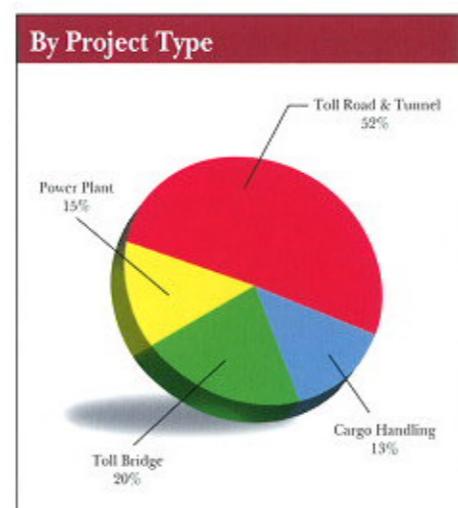
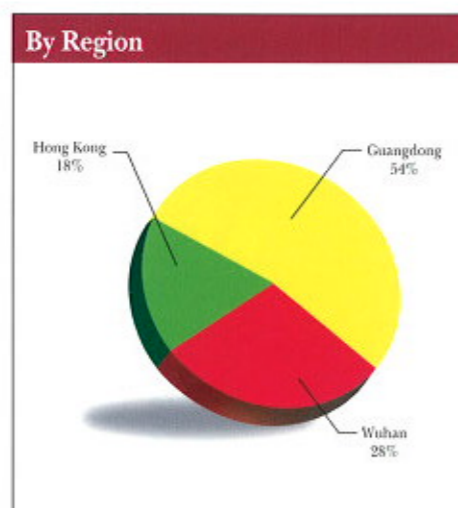
New World Infrastructure Limited ("NWI"), is responsible for the development and operation of all of the Group's interests in infrastructure projects in Hong Kong and China. A portfolio summary of NWI's infrastructure projects is set out in the section headed "Infrastructure Development and Investment" on page 44. Those projects already in operation have been contributing steady stream of earnings and point to potential profitability for the future. This will provide a broad base to boost the Group's recurrent income. For the year ended 30 June 1996, NWI reported an after tax profit of HK\$454 million.



The Northern Ring Road constitutes an essential link in the entire Guangzhou ring road system.

A total of HK\$2.37 billion in new equity had been raised through international placement and public offering of 186,300,000 shares at HK\$12.75 per share. These proceeds would be fully invested in financing new projects which offer significant potential for attractive returns. NWI shares were listed on the Hong Kong Stock Exchange on 27 October 1995. Following the listing, the Group owns 66.5% interest in NWI. Market capitalisation, based on the closing price of NWI shares on 28 June 1996, was HK\$12.41 billion.

Charts to show the Group's distribution of infrastructure investments by region and by project type:



Looking ahead, the Group will constantly look for investment opportunities in both Hong Kong and China, aiming to tap the needs for upgrading the infrastructures in these regions. China's Ninth Five-Year Plan (1996-2000) is emphatic about the government's policy priorities on infrastructure development. The World Bank reported that as public-sector investment in China is however not sufficient to

sustain the projected infrastructure investment, incentives could be offered by the government to foreign investors for preferential treatment in taxation, project approval and financing, guaranteed returns and other policies. The Group's planned infrastructure projects are high on government priorities as well as serving the needs of the regions concerned. In addition, the Group's balanced portfolio of diverse infrastructure projects could achieve substantial management synergies among those property and property-related developments, thus paving the way for even greater successes of our investments in China. And with Hong Kong's pre-eminence as "The Gateway to China", expansion of industry, commerce, trade and investments in the Pearl River Delta underscores the need for accelerating the development of cross-border infrastructure facilities.



The Zhujiang Power Station fuels the sustained growth of the Pearl River Delta.



New World's investments in container terminal and cargo distribution facilities have contributed to increased capacities and efficient operations of the Port of Hong Kong.

Container Terminal Nine (CT9)

The long-awaited breakthrough in the development of CT9 was finally achieved when agreement was reached between various parties on berth allocation at the Kwan Chung port. Asia Container Terminals Limited, in which NWI is a partner, will swap the two berths at CT9 for the two existing berths at Terminal No. 8. The development will help contribute to Hong Kong's continuing prosperity as well as its status as an Asian hub port.

CONSTRUCTION AND ENGINEERING

The Group's Construction and Engineering arm headed by Hip Hing Construction Company Limited, Vibro (H.K.) Limited, Young's Engineering Holdings Company Limited and Tridant Engineering Company Limited had achieved a total turnover of HK\$3,221.8 million for the year ended 30 June 1996. Operating profit before interest amounted to HK\$236.5 million.

Major projects completed during the year are summarized as follows:

Construction and Civil Engineering Works

- Pioneer Centre, Nathan Road, Kowloon
- Phase 4 Area C, Discovery Bay, Lantau Island
- Discovery Park, Tsuen Wan, New Territories
- Macau International Airport, Macau
- New World Hotel, Kuala Lumpur
- Renaissance Hotel, Kuala Lumpur
- Redevelopment of St. John's Headquarters

Electrical and Mechanical Installations

- Redevelopment of St. John's Headquarters at 2 MacDonnell Road, Mid-Levels, Hong Kong
- Lingnan College New Campus Development, Tuen Mun, New Territories
- China Merchants Building, Shanghai, China

Construction and engineering contracts on hand of the Group amounted to approximately HK\$14.3 billion as of 30 June 1996, consisting of HK\$11.1 billion of contracts in Hong Kong, HK\$2.65 billion in the PRC and HK\$0.55 billion in South East Asia.



Palace Mall, the underground shopping centre embedded within Salisbury Garden, Tsim Sha Tsui reshapes a new focus in a familiar landmark for tourists and locals alike.

A list of some of the major construction contracts in progress with the Hip Hing Group as at 30 June 1996 is set out below:

Location/Project	Contract value Attributable to the Hip Hing Group (HK\$ million)	Expected Completion Date
Salisbury Garden Development, Tsim Sha Tsui	363	Mid 97
Telford Garden Extension	867	September 96
Tseung Kwan O, TL No. 35 at Area 19B, New Territories	1,076	February 97
MTRC Contract 505- Tai Kok Tsui Station	213	April 98
Hong Kong Convention & Exhibition Centre Extension	1,485	April 97
Wing Sing Street Redevelopment Project, Central	1,130	March 97
Discovery Park, Tsuen Wan	1,254	April 97
Tseung Kwan O Hospital	600	April 99
IL 8822 Harcourt Road	403	August 97
Canadian International Hospital, Aberdeen IL 433	320	June 98
25 Westlands Road, Quarry Bay	523	November 97

TELE- COMMUNICATIONS

Inaugurated on 1 July 1995, New World Telephone Limited, a wholly-owned subsidiary company of New World Telephone Holdings Limited ("NWT") became the first new telephone company to launch services after a 70 year-old telephone monopoly ended in Hong Kong. NWT is a partnership between New World Development and INFA Telecom Group. The partnership derives its strengths from New World Development's powerful financial resources and INFA Telecom Group's technological and marketing excellence.

NWT has a long term commitment to build an extensive network infrastructure for growth in the local market and for expansion into China and regional markets. The key objectives of NWT are to expand telecommunication market size and grow market share. In the process, it will contribute to industry development, delight customer, and earn an attractive return for shareholders.



New World recognizes that innovation fulfills customers' expectations and this is the key to its success in competitive telecommunications.

NWT bases its business plans on a number of key strategies that bring value to the Hong Kong customers:

- Unique combination of Paging, Fixed Line, and Personal Communication Services ("PCS") licenses that allow service integration and differentiation;
- A leading edge technology platform that integrates fixed and mobile services;
- Extensive infrastructure for quality services and maximum market coverage;
- Comprehensive support/service facilities including 24-hour total customer service hotline;
- Comprehensive and innovative services; and
- Total Telecommunications Services.

NWT is committed to provide Total Telecommunications Services to satisfy the needs of corporate customers and personal customers:

- **Integrated Personal Communications Service:**
 - PCS
 - Residential Fixed Line Service
 - Personal Direct Line and Centrex Service
 - Personal Internet Service
 - Personal Numbering Service
 - Premium Secretarial Paging Service
 - Voice/Data Mail Service
 - Calling Card Service

- **Integrated Corporate Networking Service**

- Wire and Wireless Centrex Service
- Business Fixed Line Service
- Intranet
- Frame Relay Enterprise Networking
- Integrated Services Digital Network
- Power Bill
- Facility Management Service

- **Public Multimedia Service:**

- Powerphone
- Infotainment-on-demand
- Service-on-demand

NWT's target markets include local service, international service, mobile service, and multimedia service. With a customer base of more than 200,000 and 5% of the IDD market, NWT aims to achieve a 9.5% share of the total market by the Year 2000.

NWT is also actively pursuing other business development opportunities in the region. NWT is investing in setting up paging stations in 10 Chinese cities and is bidding for one of the national PCS licences in Taiwan.

DEPARTMENT STORE OPERATION

To take advantage of the continuing consumerism growth in China, the Group has mapped out the strategy of developing a department store flagship in each of the major cities throughout China. Currently the Group operates and manages three department stores and expects to open three more within the next nine months:

Location	Gross Floor Area (sq.ft.)	Date of Commencement of Operation
Wuhan	93,000	December 1994
Shenyang	84,000	December 1995
Wuxi	139,000	January 1996
Harbin	105,000	End of 1996
Beijing	182,000	Mid 1997
Tianjin	108,000	July 1997

Business turnover of those stores in operation have shown promising and encouraging developments as a result of sound marketing strategies. These tend to focus on individual demand and customized segment and to win business through selling goods in a cost-effective and consumer friendly way. Moreover, as the tenancies have been well-planned to achieve a balanced mix of merchandise retailers, rental performance of these retail properties is enhanced. The Group is now actively studying the feasibility of developing and expanding more outlets into other major cities in China including Nanjing, Dalian, Qingdao, Guangzhou, Chengdu, Tianjin, Ningpo and Chongqing.



There is a mind behind the New World Department Store at Wuxi-impeccable services and sensitivity to the customers' needs; truly a pillar of strength in management.

EMPLOYEES

The Group truly recognises that our dedicated staff members are the most valuable asset in the rapid growth of New World. As employer of 45,000 people, we give high priorities to developing a good human resources policy to attract, retain and motivate staff members to maximize their potential and realize their career aspirations. Apart from rewarding them with competitive salaries and fringe benefits, we also provide ample training opportunities to continuously upgrade their knowledge, skills and expertise in preparations for advancement. Much emphasis has also been placed on building team spirit in work. This devotion of substantial efforts to meld people together in pursuit of common goals has matured into a distinct New World corporate culture, having the power of uplifting the synergistic potential of our staff members to stay competitive and innovative. And we are poised to march into the 21st century with a staunch commitment to reach beyond our shareholders' expectations of a relentless pursuit of excellence.

**LIQUIDITY AND
FINANCIAL
RESOURCES**

During the year, the Group has made the following investing activities:

	HK\$m
Purchase of fixed assets	2,006
Investments in the People's Republic of China	2,479
Investments in associated companies	1,877
Development properties	2,685
Acquisition of subsidiary companies	299
	<u>9,346</u>

The principal cash flow is derived from the following activities:

	HK\$m
Operating activities	2,949
Exercise of warrant subscription rights	1,103
External long term borrowings	5,507
	<u>9,559</u>

The Group has made or arranged the following equity issue and major financing activities during the year for further expansion of the Group's long term investments:

	US\$m	HK\$m
Flotation of Renaissance Hotel Group N.V.	172	1,330
Renaissance Hotel Group N.V. arranged Guaranteed Notes due 2005	120	928
Flotation of New World Infrastructure Limited		2,375
Placing of 43% equity interest in NW China Homeowner Development Limited to institutional investors	215	1,662
A syndicated loan was arranged for New World Telephone Limited for the development and operation of the Fixed Telecommunication Network Service		1,000
A syndicated loan was arranged for NW China Homeowner Development Limited	300	2,319
The 1996 warrant expired on 5 April 1996 with 99.8% of the warrant exercised		1,103
New World Infrastructure Limited issued convertible bonds for further expansion of its business	250	1,933
		<u>12,650</u>

At 30 June 1996, the Group's borrowings, net of cash, were HK\$19,238.8 million. The debt to equity ratio at the balance sheet date stood at an acceptable level of 37.5%. Approximately 13% of the Group's borrowings net of cash were repayable within one year, 62% were repayable within two to five years and 25% were repayable after five years.

In September 1996, 75,000,000 shares of the Company were placed to professional institutional investors for HK\$2,755 million to finance the Group's property development and to strengthen the equity base of the Group. In November 1996, US\$350 million (HK\$2,705 million) mandatorily convertible guaranteed bonds were issued by a subsidiary company of the Group. The bonds will mandatorily convert into shares of a new company to be held by the Group which would hold a portfolio of certain property projects of the Group in China on the occurrence of a complying initial public offering of shares. This cash flow, together with cash from operation and undrawn credit facilities available to the Group, will provide sufficient funding to the Group's operational requirements and current capital commitments.

It is the Group's policy to match its long term projects with long term debts and, if possible, to match the assets located in the countries with borrowings in the same currencies. Debt instruments used by the Group including syndicated loans, term loans, revolving credit facilities and equity-linked instruments. Interest rate swaps are utilised to hedge against the Group's interest rate exposures.

PROSPECTS

With China's economy beginning to settle on the path of stable growth and moderate inflation, there will emerge all positive prospects of spurring opportunities for increased trade and investment flows between the two synergetic economies of China and Hong Kong, adding new dynamism to the continuing economic integration. Business confidence is well placed in that China's economic reform and opening to the outside world are irreversible, heralding its march into the 21st century as what may be the world's largest economy. Hong Kong's image as 'Gateway to China' will also be further enhanced to the effect of entrenching its strategic role as a business, trading and financial centre in the entire Asia-Pacific region. This bodes well for Hong Kong's smooth transition to 1997 and beyond as the value of the territory to China rests largely on its economic prosperity. The Chinese leaders are also determined to ensure a success of Hong Kong's reversion to Chinese sovereignty under "One Country, Two Systems" for they see this explicitly as a template for China's efforts to maintain a strong Hong Kong economy and better relations with Taiwan. Economically, 1997 represents a new era for Hong Kong, when it can look forward positively to even greater achievements as any overhanging shadows or issues that might cloud Hong Kong's economic performance will gradually fade away before the handover. The Board of Directors are thus very optimistic about actively investing in Hong Kong as significant opportunities exist here in the context of its very intimate economic relationships with China. And I am all confident that the Hong Kong economy will advance from strength to strength in a synchronized upturn with China as it has always been and continues to be the case that China's success is Hong Kong's opportunity.

Dr. Cheng Kar-Shun, Henry
Managing Director

Hong Kong, 7 November 1996

PROPERTY DEVELOPMENT IN HONG KONG

Location	Site Area sq.ft.	Attributable Interest %	Total GFA sq.ft.	Group's Share of GFA			Stage of Completion
				Commercial sq.ft.	Residential sq.ft.	Industrial sq.ft.	
1. 7-9 High Street, Hong Kong	1,174	100 ⁽¹⁾	14,936	707	14,229		Superstructure
2. 41-55 Wo Tong Tsui Street, Kwai Chung	31,490	50	299,155			149,578	Superstructure
3. 51 Tsun Yip Street, Kwun Tong	4,694	100	51,634			51,634	Piling
4. Discovery Park, Tsuen Wan	538,000	100 ⁽¹⁾	2,732,847 ⁽²⁾		2,266,447		Superstructure
5. Telford Gardens Extension Redevelopment, Kowloon Bay	145,072	100 ⁽¹⁾	772,147 ⁽³⁾	436,187			Superstructure Completed
6. Nathan Road/Dundas Street, Kowloon	8,550	100 ⁽¹⁾	129,485	129,485			Superstructure
7. Wing Sing Street Redevelopment Project, Central	81,010	100 ⁽¹⁾	1,217,470	1,217,470			Superstructure
8. 85-99 Ham Tin Street, Tsuen Wan	8,400	100	85,559	13,673	71,686		Demolition
9. 28-42 Luen Yan Street, Tsuen Wan	8,400	100	84,189	14,267	69,922		Demolition
10. 15-19 Luk Hop Street, San Po Kong	23,788	100	285,456			285,456	Planning
11. 35-47 Tsing Yi Road, Tsing Yi Island	305,190	100 ⁽¹⁾	1,525,958			1,525,958	Foundation
12. Area 19, Luen Wo Hui, Fanling, New Territories	223,686	12	1,150,155	8,052	129,966		Foundation
13. YLTL 463 Fung Kam Street, Yuen Long, New Territories	63,389	7	316,934		22,185		Foundation
14. NKIL 4850RP, Tai Po Road, Kowloon	63,334	50	190,259		95,130		Site Formation
15. Queen Street Redevelopment Project, Sheung Wan	73,303	50 ⁽¹⁾	849,177	174,218	250,370		Demolition
16. 157 Prince Edward Road West, Kowloon	7,380	50	88,622	44,311			Planning
17. 171 Prince Edward Road West, Kowloon	7,540	50	90,480	45,240			Demolition
18. 444-450 Prince Edward Road West, Kowloon	6,761	100	57,186		37,186		Planning
19. Tung Chung Development, Lantau Island Site 1	907,405	11 ⁽¹⁾	1,828,572	3,552	197,591		Foundation
Site 2		11 ⁽¹⁾	861,113	26,049(Hotel) 17,760(Office) 50,913(Retail)			Foundation
Site 3		11 ⁽¹⁾	1,039,578	2,960	111,393		Site Investigation
20. 18, 20, 20A & 24 Tin Hau Temple Road	7,965	60	63,723		38,234		Demolition
21. Belcher's Gardens Redevelopment	322,894	10	2,661,641	21,528	244,636		Planning
22. Tai Tong Road, Yuen Long D.D. 116 & 120	380,332	56	1,140,996		638,958		Planning
23. Portion of KIL6059RP	65,316	50	326,581		163,291		Planning
Total:			17,843,653	2,206,372	4,351,224	2,012,626	

⁽¹⁾ Properties in which the Group has a development interest: other parties provide the land whilst the Group finances the construction costs and occasionally also the land costs, and is entitled to a share of the rental income/properties after completion or a share of the development profits in accordance with the terms and conditions of the respective joint development agreements.

⁽²⁾ A retail area of 466,400 sq.ft. will be held for rental purpose.

⁽³⁾ A retail area of 335,960 sq.ft. will be held for rental purpose.

PROPERTY INVESTMENT IN HONG KONG

Name of Property		Total GFA	Group Interest	Total sq.ft.	Group's Share of GFA			Lease Expiry
		sq.ft.	%		Commercial sq.ft.	Residential sq.ft.	Hotels sq.ft.	
Existing								
1.	Manning House, 48 Queen's Road Central	110,040	100	110,040	110,040	-	-	2843
2.	New World Tower, 18 Queen's Road Central	640,135	100	640,135	640,135	-	-	2863
3.	New World Centre	2,525,214	100	2,525,214	1,521,847	422,735	580,632	2052
4.	Asia Terminals Centre	6,150,873	30.5	1,876,016	1,876,016	-	-	2047
5.	Shun Tak Centre	1,213,436	45	546,047	363,339	182,708	-	2055
6.	Hong Kong Convention & Exhibition Centre	178,730	100	178,730	160,682	18,048	-	2060
7.	Grand Hyatt Hong Kong	524,928	100	524,928	-	-	524,928	2060
8.	New World Harbourview Hotel	544,518	100	544,518	-	-	544,518	2060
9.	Paterson Plaza, 24-30 Paterson Street, Causeway Bay	24,682	100	24,682	24,682	-	-	2868
10.	G/F., 1-5/F., Pearl City Mansion, Causeway Bay	53,691	40	21,474	21,474	-	-	2868
11.	Riviera Plaza Arcade, Tsuen Wan	242,685	100	242,685	242,685	-	-	2047
12.	2 MacDonnell Road	116,954	100*	116,954	-	116,954	-	2031
		12,325,886		7,351,423	4,960,900	740,445	1,650,078	
To be completed								
1.	Salisbury Garden, Tsimshatsui	141,439	100	141,439	141,439	-	-	2052
2.	Discovery Park, Tsuen Wan	466,400	100*	466,400	466,400	-	-	2047
3.	Telford Gardens Extension Redevelopment	335,960	100*	335,960	335,960	-	-	2047
4.	Methodist Church Redevelopment, Wanchai	40,813	99*	40,405	40,405	-	-	2084
		984,612		984,204	984,204	-	-	
Total		13,310,498		8,335,627	5,945,104	740,445	1,650,078	

Note:

* Properties in which the Group has a development interests: other parties provide the land whilst the Group finances the construction costs and occasionally also the land costs, and is entitled to a share of the rental income/properties after completion or a share of the development profits in accordance with the terms and conditions of the respective joint development agreements.

CONVENTIONAL PROPERTY DEVELOPMENT PROJECTS IN CHINA

Project	Address	Usage ⁽¹⁾	Form of investment ⁽²⁾	Attributable interest ⁽³⁾	Site area sq.ft.	Actual/ planned gross building area sq.ft.
Completed hotels and multi-purpose complexes held for long-term investment						
1. Jing Guang Centre	Hujia Road Chaoyang District, Beijing	Hotel/ Commercial	EJV	5.4% - hotel 9.6% - others	290,600	Hotel: 954,000 Others: 522,500
2. China Hotel	Liuhua Road, Jiefang Road North Yuechi District, Guangzhou	Hotel/ Commercial	CJV	9.0%	210,700	1,766,500
3. Ramada Hotel Phase I	No. 9 Taibei Road, Jiangnan District, Wuhan	Hotel	CJV	50.0%*	104,100	110,300
4. Wuhan World Trade Centre Extension	No. 297 Xinhua Road, Jiangnan District, Wuhan	Commercial	EJV	70.0%	26,900	222,000
5. Harbin New World Beifang Hotel	No. 403 Huayuan Street, Nangang District, Harbin	Hotel/ Commercial	CJV	Year 1-40: 23.8%* Year 41-45: 15.8%*	340,000	563,200
6. New World Hotel, Shenyang	No. 2 Nanjing Nan Street, Heping District, Shenyang	Hotel/ Commercial	EJV	40.4%	84,500	370,700
7. Grand New World Hotel	No. 48 Lianhu Road, Xian	Hotel	CJV	22.4%	136,200	508,100
Completed or partly completed properties for sale and/or long-term investment						
8. Beijing New World Centre	Chongwenmen Wai Street, Chongwen District, Beijing	Hotel/ Commercial/ Residential	CJV	Phase I: 53.9%* Phase II: 60.0%*	Phase I: 210,300 Phase II: 168,000	Phase I: 2,094,600 Phase II: 1,582,200
9. Beijing Tianzhu Garden	Tianzhu Zhen, Shunyi County, Beijing	Residential	Development Agreement ⁽⁴⁾	40.0%*	1,769,100	740,300
10. Tianjin Fuhui Huayuan	New Port Road 2/Lingang Road, Tanggu District, Tianjin	Commercial/ Residential	WFE	80.0%	428,000	2,071,600
11. Euston Villas	Lot 2, Beisong Road, Minhang District, Shanghai	Residential	EJV	72.0%	1,883,000	1,236,500
12. Shanghai Zhongshan Square	No. 1011 Zhong Shan Road (West), Changning District, Shanghai	Commercial/ Residential	CJV	32.4%*	561,100	Phase I: 1,267,000 Phase III: 1,740,400
13. Shanghai New World Centre	Lot 6, Huaihai Road (Central), Luwan District, Shanghai	Hotel/ Commercial	CJV	63.7%*	107,100	1,436,600

Project	Address	Usage ⁽¹⁾	Form of investment ⁽²⁾	Attributable interest ⁽³⁾	Site area sq.ft.	Actual/ planned gross building area sq.ft.
14. Shanghai World Finance Tower	Lot 1-3-1, Lujiazui Road, Pudong, Shanghai	Commercial	EJV	45.0%	88,800	944,600
15. Jinbai Yuan	Lot 433, Yanan Road West, Jingan District, Shanghai	Commercial/ Residential	EJV	30.0%	59,200	335,500
16. Nanjing New World Huawei Plaza	Zhujiang Road/Beimenqiao Road/Hongwu Road North, Nanjing	Hotel/ Commercial/ Residential	EJV	48.0%	132,100	2,091,600
17. Golden World Centre	No. 21 Yuefei Street, Jiangnan District, Wuhan	Commercial/ Residential	EJV	8.9%	39,500	513,300
18. Spring Fountain Tower	Jianshe Avenue, Jiangnan District, Wuhan	Commercial	CJV	100%	27,200	378,200
19. New World Riverside Villa	Site 14 and Site 13, Er Sha Island, Guangzhou	Residential	CJV	60.0%*	Site 14: 556,600 Site 13: 203,800	Site 14: 205,700 Site 13: 208,800
20. Fortuna Garden	Lot Nos. 4-6 & 4-7 in Area 4, Shuijin Road, Guangzhou	Residential	CJV	61.4%*	75,600	415,000
21. Guangzhou Golden Lake Garden City	Guang-Cong Highway, Guangzhou	Residential	Development Agreement ⁽⁴⁾	Phase I: 40.0%* Phase II, III: 50.0%*	2,882,500	4,715,800
22. Foshan Golf & Country Club	Henggang, Dalizhen, Foshan	Commercial/ Residential	CJV	22.3%: golf course 23.6%: residential	31,360,700	121,600 (Clubhouse for Phase I)
23. Shunde Ramada Hotel	No. 47 Yixin Road, Daliangzhen, Shunde	Hotel	CJV	Year 1-10: 19.2% Year 11-20: 14.8%	53,800	420,200
24. Shunde New World Centre	No. 47 Yixin Road, Daliangzhen, Shunde	Commercial/ Residential	CJV	20.7%	134,100	1,793,000
25. Dongguan New World Garden	Eastern District, New Town, Dongguan	Residential	CJV	36.7%*	5,059,800	11,997,900
26. Dalian Bond Tak International Finance Centre	No. 80 Renmin Road, Zhongshan District, Dalian	Hotel/ Commercial/ Residential	WFE	30.0%	176,900	2,303,200
27. Dalian New World Plaza	Tianjing Street, Youhao Road, Yonghe Street, Zhongshan District, Dalian	Hotel/ Commercial/ Residential	EJV	35.0%	105,500	1,902,600

Project	Address	Usage ⁽¹⁾	Form of investment ⁽²⁾	Attributable interest ⁽³⁾	Site area sq.ft.	Actual/ planned gross building area sq.ft.
Properties held for future development						
28. Lai Loi Development	Tianzhuzhen, Shunyi County, Beijing	Residential	CJV	24.5%*	2,331,500	1,119,500
29. Chang Le Development	Tianzhuzhen, Shunyi County, Beijing	Residential	CJV	24.5%*	3,860,000	1,937,500
30. Bao Yuan Development	Tianzhuzhen, Shunyi County, Beijing	Residential	CJV	24.5%*	4,327,100	2,317,900
31. Fu Wah Development	Tianzhuzhen, Shunyi County, Beijing	Residential	CJV	24.5%*	3,157,100	1,593,100
32. Yee Lok Garden	Yunhe (West) Street, Liyuanzhen, Tong County, Beijing	Residential	CJV	65.0%	1,967,300	1,959,000
33. Tianjin World Trade Centre	Lot H, Tianjin Free Trade Zone, Tianjin	Commercial	WFE	100%	116,600	997,900
34. Shanghai Ramada Plaza	Dingxi Road, Yuyuan Road, Changning District, Shanghai	Hotel/ Commercial	CJV	76.0%	97,800	1,136,700
35. Cheng Yi Development	Zhongshan (South) Road/ Jianzaoju Road, Luwan District, Shanghai	Commercial/ Residential	WFE	80.0%	265,700	996,400
36. Ju Yi Development	Zhongshan (South) Road, Luwan District, Shanghai	Commercial/ Residential	EJV	68.0%	353,100	2,227,400
37. Wuhan Hotel Redevelopment	No. 332 Jiefang Avenue, Qiaokou District, Wuhan	Hotel/ Commercial	CJV	60.0%*	86,100	716,900
38. Tazi Lake Redevelopment	Tazi Lake, Houhuxiang, Jiangan District, Wuhan	Commercial/ Residential	CJV	50.0%*	8,148,800	1,113,200
39. Fangcun District Comprehensive Development	Fangcun District, Guangzhou	Hotel/ Residential/ Commercial	CJV	60.0%*	5,672,600	21,579,200
40. Guangzhou Metropolitan Garden	Guangshan Highway, Shahe, Guangzhou	Residential/ Commercial	CJV	100%	446,100	2,255,900
41. Guangzhou New World Centre	No. 55 Yudong (West) Road, Shahe, Guangzhou	Residential/ Commercial	CJV	100%	177,400	1,825,800

Project	Address	Usage ⁽¹⁾	Form of investment ⁽²⁾	Attributable interest ⁽³⁾ %	Site area sq.ft.	Actual/ planned gross building area sq.ft.
42. Tianhe District Fung Chou Yuen	Lots H-01, H-02, I-01, I-02, I-03, I-06, I-07 Tianhe Road North/Longkou Road West, Tianhe District, Guangzhou	Commercial/ Residential	CJV	20.0%	695,000	1,964,800
43. New World Plaza	No. 147 Yanjiang Road West, Guangzhou	Commercial	CJV	50.0%	28,300	466,100
44. Guangzhou Riviera Garden	Xianrenshi, Liuwuzi, Yonghe Town, Zengcheng Prefecture, Guangzhou	Commercial/ Residential	Development Agreement ⁽⁴⁾	50.0%*	7,799,600	3,899,800
45. Shunde Dailiang Property Development	Desheng District, Shunde	Hotel/ Residential/ Commercial	EJV	30.0%	5,743,700	25,846,500
46. Site on Yanjiang Avenue	Rongqi, Shunde	Residential/ Commercial	EJV	33.0%	995,700	7,755,300
47. Danshui Golf Club	Liaowucun, Tuwu District, Danshui	Commercial	EJV	12.4%	2,260,400	1,356,300
48. Shenyang Taiyuan Street	Taiyuan Street, Heping District, Shenyang	Residential/ Commercial	EJV	23.9%	77,400	1,049,200
49. Guangzhou Tianhe Shipai	No. 4A & B, Guangzhou Military Zone, Shipai in Tianhe District, Guangzhou	Residential	CJV	60.0%: Portion of selling price per sq.m. not exceeding RMB6,000 30.0%: Portion of selling price per sq.m. exceeding RMB6,000	802,800	2,911,000
50. Ramada Hotel Phase II	No. 9 Taibeiyi, Jiangan District, Wuhan	Commercial/ Residential	CJV	50.0%*	75,300	To be determined

Notes:

⁽¹⁾ Serviced apartments are included under commercial usage.⁽²⁾ CJV denotes cooperative joint venture, EJV denotes equity joint venture and WFE denotes wholly foreign owned enterprise.⁽³⁾ (a) in the case of EJV, percentage of equity interest; (b) in the case of CJV, profit sharing percentage. Projects marked with an "*" denote joint venture or contractual arrangements whereby the repayment of the principal of and interest on the Group's (and in some cases, the Group and other foreign joint venture partners') investments will have priority over the distribution of accumulated profits to the joint venture or participating partners.⁽⁴⁾ The Group is not a direct joint venture party but holds the development right in project through agreements entered into with one of the joint venture partners.

HOTEL INVESTMENT

Name & location	Number of rooms	Group's effective interest %
Hong Kong		
Regent Hotel	514	48.0
New World Hotel	543	64.0
New World Harbour View	862	64.0
Grand Hyatt	572	64.0
PRC		
Grand New World Hotel, Xian	480	22.4
China Hotel, Guangzhou	888	9.0
Ramada Hotel, Wuhan	138	50.0
Jing Guang Centre, Beijing	439	5.4
Harbin New World Beifang Hotel, Harbin	329	23.8
New World Hotel, Shenyang	252	40.4
Southeast Asia		
New World Hotel, Makati	600	29.9
New World Hotel, Ho Chi Minh City	503	21.6
New World Hotel, Kuala Lumpur	521	37.5
Renaissance Hotel, Kuala Lumpur	399	37.5
North America		
Renaissance Hotel, Vancouver	426	64.0
Edmonton Renaissance Hotel, Edmonton	294	64.0
O'Hare Ramada Hotel, Chicago	723	64.0
LAX Renaissance Hotel, Los Angeles	502	64.0
Renaissance Hotel, Long Beach	374	64.0
Ramada Vinoy Resort, St. Petersburg	359	58.2
Other Areas		
Jaragua Renaissance Hotel, Dominican Republic	293	64.0
Ramada Hotel Paramatta, Sydney, Australia	181	64.0
Renaissance Paris Hotel La Defense, France	334	61.1

RENAISSANCE HOTEL GROUP

The following table sets forth for each region and brand the number of hotels managed and franchised by the Group and the number of hotels under construction and under contract as of 30 June 1996.

	Total Hotels Opened	Managed Hotels	Franchised Hotels	Hotels Under Construction	Hotels Under Contract
		Hotels	Rooms	Hotels	Rooms
				(Managed & Franchised)	(Managed & Franchised)
AMERICAS:					
Renaissance Hotels	38	36	15,649	2	447
Ramada Hotels	5	1	723	4	527
Total	43	37	16,372	6	974
EUROPE					
Renaissance Hotels	20	19	5,497	1	635
Ramada Hotels	45	22	4,757	23	3,950
Total	65	41	10,254	24	4,585
ASIA PACIFIC					
Renaissance Hotels	13	8	2,475	5	1,505
New World Hotels	15	15	7,369	-	-
Ramada Hotels	10	7	1,583	3	573
Total	38	30	11,427	8	2,078
WORLDWIDE					
Renaissance Hotels	71	63	23,621	8	2,587
New World Hotels	15	15	7,369	-	-
Ramada Hotels	60	30	7,063	30	5,050
Total	146	108	38,053	38	7,637

INFRASTRUCTURE DEVELOPMENT & INVESTMENT

Project	Length/ Capacity	Group's Attributable Interest %	Actual/ Expected Operation Date	Expiry Date
ROAD AND TUNNEL PROJECTS				
Guangzhou City Northern Ring Road	22km	40.3 ⁽¹⁾	1/1994	2023
Shenzhen-Huizhou Expressway (Huizhou Section)	35km	22.6	6/1993	2021
Guangzhou-Zhuhai East-line Expressway - Phase I	24km	13.3	1998	2028
Roadway No. 324 (Gaoyao Section) in Zhaoqing	24km	26.6	2/1994	2015
Roadway No. 321 (Fengkai Section) in Zhaoqing	42km	29.9	3/1995	2019
Roadway No. 321 (Deqing Section) in Zhaoqing	79km	29.9	9/1995	2020
Roadway No. 1964 (Zhaojiang Section) in Zhaoqing	32km	46.6	12/1995	2019
Roadway No. 1960 (Guangning Section) in Zhaoqing	60km	36.6	7/1996	2020
Roadway No. 1960 (Sihui Section) in Zhaoqing	47km	33.3	6/1996	2021
Hui-Ao Highway				
Hui-Dan Section	46km	33.3	1/1996	2029
Hui-Ao Section	36km	33.3	10/1996	2029
Roadway No. 1962 (Guangning Section) in Zhaoqing*	19km	39.9	10/1997	2022
Roadway No. 1969 (Gaoyao Section) in Zhaoqing*	27km	46.6	10/1997	2024
Wuhan Airport Expressway	18km	26.6	4/1995	2025
Tate's Cairn Tunnel in Hong Kong	4km	18.3	6/1991	2018
BRIDGE PROJECTS				
Wuhan Bridge Development	4km	32.5	6/1995	-
Gaoming Bridge in Guangzhou*	1km	33.9	1996	2021
POWER PROJECTS				
Zhujiang Power Station - Phase I	600MW	33.3	1/1994	2017
Zhujiang Power Station - Phase II	600MW	16.6	1997	2021
CARGO HANDLING PROJECTS				
Asia Terminals in Hong Kong	5.9 million sq.ft.	30.5	2/1987	2047
Sea-Land Orient Terminals in Hong Kong	1.1 million TEUs/yr	9.2	1973	2047
CEMENT PROJECTS				
Shandong Cement Plants*	2,520,000 tonnes/yr	21.9	In operation	2024

Notes:

(1) On 7 November 1996, New World Infrastructure Limited finalised a contract to increase its attributable interest in the Guangzhou City Northern Ring Road from 40% to 60.64% (Group's attributable interest 40.3%).

* Projects contracted since 30 June 1996.

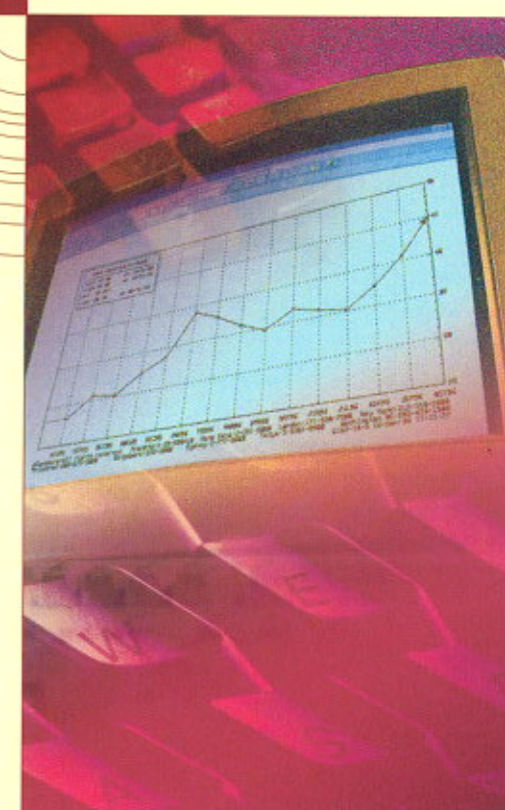
MW - Megawatt

TEU - Twenty-Foot Equivalent Unit



FINANCIAL

STATEMENTS



REPORT OF THE AUDITORS

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF NEW WORLD DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 47 to 87 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the Directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the accounts and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the accounts give a true and fair view, in all material respects, of the state of affairs of the Company and the Group as at 30 June 1996 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Price Waterhouse
Certified Public Accountants

Hong Kong, 7 November 1996

H. C. Watt & Company
Certified Public Accountants

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Year ended 30 June	
		1996 HK\$m	1995 HK\$m
Turnover	2	16,715.5	17,456.7
Operating profit	2 & 3	4,119.1	3,616.3
Exceptional gains	4	1,148.6	—
Profit from ordinary activities		5,267.7	3,616.3
Share of results of associated companies and joint ventures		359.6	393.8
Profit before taxation		5,627.3	4,010.1
Taxation	5	(827.3)	(373.9)
Profit after taxation		4,800.0	3,636.2
Minority interests		(642.3)	(225.3)
Profit attributable to shareholders	6	4,157.7	3,410.9
Dividends	7	(2,079.3)	(1,772.2)
Retained profit for the year	21(e)	2,078.4	1,638.7
Retained by:			
Company and subsidiary companies		1,889.1	1,458.9
Associated companies and joint ventures		189.3	179.8
		2,078.4	1,638.7
Earnings per share	8		
Basic		HK\$2.44	HK\$2.11
Fully diluted		HK\$2.40	HK\$2.05

CONSOLIDATED BALANCE SHEET

		As at 30 June	
	Note	1996 HK\$m	1995 HK\$m
Fixed assets	10	41,654.4	39,879.0
Associated companies	12	7,753.5	6,847.7
Joint ventures in the People's Republic of China	13	11,194.8	7,413.8
Other investments	14	1,447.8	1,527.6
Licence agreement	15	888.0	912.6
Long term receivables	16	215.0	227.1
Net current assets	17	12,495.1	8,234.1
		75,648.6	65,041.9
Intangible assets	18	337.0	833.8
Deferred expenditure	19	142.3	87.8
		76,127.9	65,963.5
Employment of funds			
Financed by:			
Share capital	20	1,761.0	1,674.3
Reserves	21	49,499.2	45,892.6
		51,260.2	47,566.9
Shareholders' funds		8,105.0	4,644.9
Minority interests		16,759.7	13,739.5
Long term liabilities	22	3.0	12.2
Deferred taxation	23		
		76,127.9	65,963.5
Funds employed			

Dr. Sin Wai-Kin, David
Director

Dr. Cheng Kar-Shun, Henry
Director

COMPANY BALANCE SHEET

		As at 30 June	
	Note	1996 HK\$m	1995 HK\$m
Fixed assets	10	41.3	38.4
Subsidiary companies	11	16,166.2	12,531.5
Associated companies	12	80.4	859.5
Joint ventures in the People's Republic of China	13	1,064.0	733.7
Other investments	14	262.8	93.7
Net current liabilities	17	(818.9)	(476.5)
		16,795.8	13,780.3
Employment of funds			
Financed by:			
Share capital	20	1,761.0	1,674.3
Reserves	21	15,034.8	12,106.0
		16,795.8	13,780.3
Funds employed			

Dr. Sin Wai-Kin, David
Director

Dr. Cheng Kar-Shun, Henry
Director

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 30 June	
		1996 HK\$m	1995 HK\$m
NET CASH INFLOW FROM OPERATING ACTIVITIES	28(a)	2,948.6	1,023.4
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		486.3	421.6
Interest paid		(1,508.2)	(1,306.9)
Dividends received from			
Associated companies		44.2	147.0
A joint venture in the People's Republic of China		69.5	-
Other investments		106.5	60.9
Dividends paid		(828.7)	(887.0)
Dividends paid to minority shareholders		(210.5)	(129.6)
Net cash outflow from returns on investments and servicing of finance		(1,840.9)	(1,694.0)
TAXATION			
Hong Kong profits tax paid		(590.1)	(400.4)
Overseas taxation paid		(9.6)	(11.2)
Net tax paid		(599.7)	(411.6)
INVESTING ACTIVITIES			
Purchase of fixed assets		(2,005.7)	(1,476.9)
(Increase)/decrease in investments in associated companies		(1,877.3)	173.6
Increase in investments in joint ventures in			
the People's Republic of China		(2,479.0)	(1,746.6)
Increase in other investments		(1.5)	(509.4)
Decrease in long term receivables		302.6	381.1
Increase in intangible assets and deferred expenditure		(73.2)	(119.0)
Acquisition of additional interests in subsidiary companies		(67.5)	-
Acquisition of subsidiary companies			
(net of cash and cash equivalents)	28(c)	(299.1)	(11.8)
Purchase of business	28(d)	(144.5)	-
Proceeds on disposal of			
Fixed assets, including investment properties		277.9	437.6
Associated companies		146.8	17.6
Other investments		17.4	-
Joint ventures in the People's Republic of China		-	185.3
Net cash outflow from investing activities		(6,203.1)	(2,668.5)
Net cash outflow before financing		(5,695.1)	(3,750.7)
FINANCING			
Exercise of warrant subscription rights		1,103.0	613.8
Share issue expenses		(9.8)	(8.3)
Increase in long term liabilities		5,507.2	3,108.5
(Decrease)/increase in short term bank and other loans		(1,728.4)	1,324.5
Contribution from minority shareholders		4,106.2	66.9
Net cash inflow from financing	28(e)	8,978.2	5,105.4
Increase in cash and cash equivalents		3,283.1	1,354.7
Cash and cash equivalents at beginning of year		29.6	(1,321.3)
Effect of foreign exchange rate changes		0.1	(3.8)
Cash and cash equivalents at end of year	28(f)	3,312.8	29.6

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 and joint ventures. 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 tangible assets acquired and is written off directly to reserves in the year of acquisition.

(c) Subsidiary companies

A company is a subsidiary company if more than 50% of the voting capital is held for the long term or if the composition of the board of directors is controlled by the Group.

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, and significant influence is exercised through representatives on the board of directors. The Group's investments in associated companies are stated at the Group's share of net assets. 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) Joint ventures in the People's Republic of China

(i) Equity joint ventures

Equity joint ventures are Sino-foreign joint ventures in respect of which the partners' capital contribution ratios are defined in the joint venture contracts and the partners' profit sharing ratios are in proportion to the capital contribution ratios. The Group's investments in equity joint ventures are accounted for as subsidiary companies (where the Group controls the composition of the board of directors) or on the same basis as associated companies (where the Group exercises significant influence through representations on the board of directors).

(ii) Co-operative joint ventures

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

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

(ii) Co-operative joint ventures (Continued)

The Group's investments in co-operative joint ventures are accounted for as subsidiary companies (where the Group controls the composition of the board of directors) or carried at cost plus its share of undistributed post-acquisition results of the joint ventures in accordance with the defined profit sharing ratios, less any amortisation of the cost of investment or provision for any permanent diminution in value (where the Group exercises significant influences through representations on the board of directors).

(iii) Domestic joint ventures

Domestic joint ventures are joint ventures where all the joint venture partners are legal entities established in the People's Republic of China. Domestic joint ventures are accounted for on the same basis as co-operative joint ventures.

(f) Turnover

Group turnover represents all revenues from rental, property sales, construction, piling and air-conditioning engineering, hotel and restaurant operations, toll road and bridge operations, telecommunication services, department store operations, insurance brokerage, financial services and letting agency.

(g) Revenue recognition

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

(i) Rental income

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

(ii) Property sales

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

(iii) Joint venture property development projects

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

(iv) Construction, piling and air-conditioning engineering

Revenue from construction, piling and air-conditioning engineering services contracts is recognised when the relevant contract is completed which is determined by the issuance of occupation permit or relevant completion certificate and in the case of multi-phase contracts, on completion of a distinct phase.

(g) Revenue recognition (Continued)

(v) Hotel and restaurant operations

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

(vi) Toll road and bridge operations

Toll revenue from road and bridge operations is recognised when services are rendered.

(vii) Telecommunication services

Subscription fee income from telecommunication and paging services is recognised when service is rendered. Revenue from sale of telecommunication equipment and accessories is recognised when goods are delivered. Commission income and bonus relating to subscriber connections is recognised on a straight line accrual basis in accordance with the terms of the relevant dealership agreements.

(viii) Service fee income and brokerage commission

Property management service fee, property letting agency fee, security service fee and insurance brokerage commission are recognised when services are rendered.

(ix) Sales of goods

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

(x) Interest income

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

(h) Assets under leases

(i) Finance leases

Leases that substantially transfer all the benefits and risks of ownership of assets to the Group, other than legal title, 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. Assets held under finance leases are depreciated on the basis described in Note 1 (i) (iv).

(ii) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases and rentals payable are accounted for on the straight line basis over the periods of the leases.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) 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 on a portfolio basis and thereafter charged to the profit and loss account. Upon sale of an investment property, the revaluation surplus is transferred to operating profit. 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 repairs and to make improvements thereto from time to time and accordingly, the Directors consider that given the estimated lives of the hotel properties, any depreciation would be insignificant due to their high residual value. Such expenditure on repairs and improvements is dealt with through the planned maintenance provision account which has been included in creditors and accrued charges.

(iii) Capitalisation of fixed assets

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

(iv) Depreciation

No depreciation is provided on assets under construction.

Depreciation of toll roads and toll bridges is provided for on the basis of a sinking fund calculation whereby annual depreciation amounts compounded at rates ranging from 1.5% to 8% per annum will equal the costs of the relevant toll roads and toll bridges at the expiry of 75 years or the relevant joint venture periods if these are shorter.

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

Land held on long lease	Unexpired period of the lease
Buildings held on long lease land	40 years
Land and buildings held on medium-term lease	Unexpired period of the lease
Other assets	3 to 10 years

The provision of Statement of Standard Accounting Practice No.17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants has been adopted in respect of the amortisation of land held on long lease. Accordingly, the Group has commenced to amortise its land held on long lease over the remaining term of the lease as from 1 July 1995.

(j) 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.

(k) Other investments

Other investments are long term investments other than subsidiary companies, associated companies and joint ventures in the People's Republic of China. Other investments are carried at cost less provision for any permanent diminution in value.

(l) Licence agreement

The licence agreement represents the right granted to the licensee to operate a hotel franchise system in the United States of America. The licence agreement is carried at the estimated value of the licence agreement at the date of acquisition less accumulated amortisation which is computed using the straight line method over twenty years. In previous years, the amortisation was computed based on 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. The Directors consider that the computation of amortisation using the straight line method is more appropriate having regard to the circumstances of the business. The effect arising from this change with effect from 1 July 1995 is considered not material to the results for the year.

(m) 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.

(n) 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.

(o) Deferred expenditure

Pre-operating expenses are amortised over 5 years by equal annual instalments commencing from the first year of operation.

(p) 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.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) 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 during the relevant period of construction and development respectively.

(r) Pensions and retirement benefits

The Group operates a number of defined benefit and defined contribution pension and retirement benefit schemes throughout Hong Kong, North America and Europe.

(i) Defined contribution schemes

The Group's contributions to these schemes are expensed as incurred.

(ii) Defined benefit schemes

Retirement benefit expenses are charged to the profit and loss account in the current year and are determined based on the value of the retirement scheme assets and the actuarial valuation of accrued pension obligations. The Group has an obligation to ensure that there are sufficient funds in these plans to pay the benefits earned. The annual contributions are determined by a qualified actuary using the projected unit credit method.

(s) Foreign currencies

Foreign currency transactions during the year are converted at exchange rates ruling at the transaction dates. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies and the accounts of overseas subsidiary companies, associated companies and joint ventures 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, associated companies and joint ventures are dealt with through reserves. All other exchange differences are included in the determination of operating profit, other than those dealt with in Note 1 (i)(iii).

2. TURNOVER AND CONTRIBUTION TO OPERATING PROFIT

An analysis of the Group's turnover and contribution to operating profit by principal activities and geography are as follows:

	1996 HK\$m	1995 HK\$m
(a) Analysis by principal activities		
(i) Turnover		
Rental income	1,843.1	1,665.3
Property sales	3,556.7	3,183.8
Construction and piling	4,268.4	6,129.2
Hotel and restaurant operations	7,018.4	6,485.9
Toll road and bridge operations	264.5	165.0
Telecommunication services	432.0	147.3
Others	705.2	468.8
	<u>18,088.3</u>	<u>18,245.3</u>
Intra-group transactions		
Rental income	(128.2)	(101.1)
Construction and piling	(1,046.6)	(520.8)
Telecommunication services	(16.2)	-
Others	(181.8)	(166.7)
	<u>16,715.5</u>	<u>17,456.7</u>
(ii) Contribution to operating profit		
Rental income	1,336.5	1,183.5
Property sales	2,425.6	2,018.1
Construction and piling	236.5	132.7
Hotel and restaurant operations	814.0	804.4
Toll road and bridge operations	169.7	55.8
Telecommunication services	(163.3)	9.5
Others	47.3	56.7
	<u>4,866.3</u>	<u>4,260.7</u>
Net interest paid	(747.2)	(644.4)
	<u>4,119.1</u>	<u>3,616.3</u>
(b) Analysis by geography		
(i) Turnover		
Hong Kong	13,070.2	14,037.3
North America	1,593.2	1,544.1
Europe	2,052.1	1,875.3
	<u>16,715.5</u>	<u>17,456.7</u>
(ii) Contribution to operating profit before interest		
Hong Kong	4,811.1	4,191.9
North America	147.6	94.8
Europe	(92.4)	(26.0)
	<u>4,866.3</u>	<u>4,260.7</u>

The turnover and contribution to operating profit before interest relating to the Group's activities in the People's Republic of China have been included under Hong Kong as they comprised less than 10% of the Group's turnover and contribution to operating profit.

3. OPERATING PROFIT

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

	1996 HK\$m	1995 HK\$m
Crediting:		
Gross rental income from investment properties	1,621.8	1,477.5
Outgoings	(214.3)	(197.4)
	1,407.5	1,280.1
Dividend income		
Listed investments	23.5	31.8
Unlisted investments	83.0	29.1
Gain on sales of investment properties	161.6	281.1
Gain on disposal of associated companies	-	10.7
Royalty income from licence agreement	164.9	129.9
	1,193.1	1,093.6
Charging:		
Interest on bank loans and overdrafts	53.3	55.7
Interest on other loans wholly payable within five years	61.8	2.6
Interest on other loans not wholly payable within five years	17.4	37.1
Interest on finance leases	112.2	101.5
Interest on convertible bonds	70.4	16.4
Interest on loans from minority shareholders	53.5	116.2
Amortisation of discount on zero coupon bonds		
Interest capitalised as cost of		
Fixed assets	(30.8)	(5.9)
Properties under development	(243.9)	(250.8)
	1,287.0	1,166.4
Auditors' remuneration	26.9	16.9
Depreciation		
Leased fixed assets	53.3	93.4
Owned fixed assets	356.6	209.1
Operating lease rentals for land and buildings	757.9	612.6
Loss on disposal of associated companies	33.3	-
Amortisation of intangible assets	44.1	70.3
Amortisation of deferred expenditure	33.6	65.3

4. EXCEPTIONAL GAIN

	1996 HK\$m	1995 HK\$m
Profit on partial disposal of investment in a subsidiary company (Note a)	563.4	-
Profit on dilution of interest in subsidiary companies (Note b)	585.2	-
	1,148.6	-

- (a) During the year, the Group underwent a restructuring and Renaissance Hotel Group N.V. ("RHG"), a subsidiary company of the Group incorporated in the Netherlands, succeeded the hotel management and franchise business of the Group. RHG was listed on the New York Stock Exchange in September 1995 by a public offering of 10,120,000 of its shares representing approximately 33.6% of the total issued share capital of RHG (the "offering"). The exceptional gain represents profit on the disposal of shares in RHG by the Group as a result of the offering. Subsequent to the offering, the Group holds approximately 54.4% equity interest in RHG.
- (b) During the year, another re-organisation took place whereby various interests in infrastructure projects of the Group were consolidated under New World Infrastructure Limited ("NWIL"), a company incorporated in Cayman Islands. NWIL was listed on the Stock Exchange of Hong Kong Limited in October 1995 by placing and new issue of 186,300,000 shares representing approximately 24.8% of the enlarged issued share capital. The exceptional gain represents profit on dilution of investment in NWIL by the Group as a result of the placing and new issue. Subsequent to the placing and new issue, the Group holds approximately 66.5% equity interest in NWIL.

5. TAXATION

	1996 HK\$m	1995 HK\$m
Company and subsidiary companies		
Hong Kong profits tax	660.9	300.6
Overseas taxation	119.9	18.7
Deferred taxation (Note 23)	(9.2)	(3.1)
	771.6	316.2
Associated companies and joint ventures		
Hong Kong profits tax	32.9	48.2
Overseas taxation	22.8	9.5
	827.3	373.9

Hong Kong profits tax is provided at the rate of 16.5% (1995: 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.

6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$2,979.7 million (1995: HK\$2,097.4 million).

7. DIVIDENDS

	1996 HK\$m	1995 HK\$m
Interim dividend paid of 30 cents (1995: 28 cents) per share	537.1	461.7
Proposed final dividend of 84 cents (1995: 78 cents) per share	1,542.2	1,310.5
	<u>2,079.3</u>	<u>1,772.2</u>

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

Interim dividend	288.3	256.3
Final dividend	*	730.6

* Full provision has been made for the 1996 final dividend on the basis that all shareholders will elect to receive cash, being the alternative to their entitlements to the scrip dividend.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit of HK\$4,157.7 million (1995: HK\$3,410.9 million) and the weighted average of 1,706.2 million shares (1995: 1,615.1 million shares) in issue during the year.

The fully diluted earnings per share is based on adjusted profit of HK\$4,258.9 million (1995: HK\$3,570.2 million) on the assumption that all outstanding convertible bonds had been converted at the beginning of the year and had saved interest payable thereon, and the weighted average of 1,772.1 million shares (1995: 1,737.8 million shares) issued and issuable.

9. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

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

	1996 HK\$m	1995 HK\$m
Fees	0.9	1.5
Salaries and other emoluments	15.3	11.2
Contributions to retirement benefits	0.6	0.5
	<u>16.8</u>	<u>13.2</u>

The emoluments of the Directors fall within the following bands:

Emolument band (HK\$)	Number of individuals	
	1996	1995
0 - 1,000,000	10	10
1,000,001 - 1,500,000	-	1
1,500,001 - 2,000,000	1	-
2,000,001 - 2,500,000	1	1
2,500,001 - 3,000,000	2	2
3,000,001 - 4,000,000	-	1
4,000,001 - 6,500,000	1	-
	<u>15</u>	<u>15</u>

Remuneration paid to non-executive directors includes fees and other emoluments amounting to HK\$0.6 million (1995: HK\$0.7 million) and HK\$9.8 million (1995: HK\$7.1 million), respectively. None of the directors has waived the right to receive their emoluments.

Details of the emoluments paid to the five individuals, including one director (1995: two directors), whose emoluments were the highest in the Group are as follows:

	1996 HK\$m	1995 HK\$m
Salaries and other emoluments	22.5	15.3
Contributions to retirement benefits	0.2	0.4
	<u>22.7</u>	<u>15.7</u>

The emoluments of the five individuals fall within the following bands:

Emolument band (HK\$)	Number of individuals	
	1996	1995
2,500,001 - 3,000,000	-	3
3,000,001 - 3,500,000	1	-
3,500,001 - 4,000,000	1	2
4,000,001 - 4,500,000	1	-
4,500,001 - 5,000,000	1	-
5,000,001 - 6,000,000	1	-
6,000,001 - 6,500,000	1	-
	<u>5</u>	<u>5</u>

10. FIXED ASSETS

	GROUP						Total HK\$m
	Investment properties HK\$m	Hotel properties HK\$m	Land and buildings HK\$m	Toll roads and bridges HK\$m	Other assets HK\$m	Assets under construction HK\$m	
Cost or valuation							
At 1.7.1995	24,029.4	11,048.4	1,042.8	1,884.3	2,495.9	912.9	41,413.7
Translation difference	-	4.9	(5.8)	(16.9)	(80.9)	(4.0)	(102.7)
Acquisition of subsidiary companies	-	449.0	-	-	-	40.4	489.4
Purchase of business	-	-	-	-	0.8	-	0.8
Reclassification	-	-	-	1,139.0	47.5	(1,186.5)	-
Additions	15.8	359.7	20.0	2.9	691.5	976.0	2,065.9
Disposals	(180.3)	-	(0.1)	-	(191.6)	-	(372.0)
Revaluation (deficit)/surplus	(690.7)	668.5	-	-	-	-	(22.2)
At 30.6.1996	<u>23,174.2</u>	<u>12,530.5</u>	<u>1,056.9</u>	<u>3,009.3</u>	<u>2,963.2</u>	<u>738.8</u>	<u>43,472.9</u>
Accumulated depreciation							
At 1.7.1995	-	-	118.7	65.7	1,350.3	-	1,534.7
Translation difference	-	-	(0.1)	(0.6)	(35.0)	-	(35.7)
Charge for the year	-	-	18.6	35.9	355.4	-	409.9
Written back on disposals	-	-	(0.1)	-	(90.3)	-	(90.4)
At 30.6.1996	<u>-</u>	<u>-</u>	<u>137.1</u>	<u>101.0</u>	<u>1,580.4</u>	<u>-</u>	<u>1,818.5</u>
Net book value							
At 30.6.1996	<u>23,174.2</u>	<u>12,530.5</u>	<u>919.8</u>	<u>2,908.3</u>	<u>1,382.8</u>	<u>738.8</u>	<u>41,654.4</u>
At 30.6.1995	<u>24,029.4</u>	<u>11,048.4</u>	<u>924.1</u>	<u>1,818.6</u>	<u>1,145.6</u>	<u>912.9</u>	<u>39,879.0</u>

	COMPANY		
	Investment properties HK\$m	Land and buildings HK\$m	Total HK\$m
Cost or valuation			
At 1.7.1995	34.5	4.7	39.2
Revaluation surplus	3.0	-	3.0
Disposal	-	(0.1)	(0.1)
At 30.6.1996	<u>37.5</u>	<u>4.6</u>	<u>42.1</u>
Accumulated depreciation			
At 1.7.1995	-	0.8	0.8
Charge for the year	-	0.1	0.1
Written back on disposals	-	(0.1)	(0.1)
At 30.6.1996	<u>-</u>	<u>0.8</u>	<u>0.8</u>
Net book value			
At 30.6.1996	<u>37.5</u>	<u>3.8</u>	<u>41.3</u>
At 30.6.1995	<u>34.5</u>	<u>3.9</u>	<u>38.4</u>

Cost or valuation of properties at 30 June 1996 was made up as follows:

	Investment properties	Hotel properties		Land and buildings			Total HK\$m
	Hong Kong long lease HK\$m	Hong Kong long lease HK\$m	Overseas freehold HK\$m	Hong Kong long lease HK\$m	Overseas long lease HK\$m	Overseas medium-term lease HK\$m	
Group							
At cost	-	-	-	279.9	23.6	753.4	1,056.9
At 1996 professional valuation	23,174.2	10,998.0	1,532.5	-	-	-	35,704.7
	<u>23,174.2</u>	<u>10,998.0</u>	<u>1,532.5</u>	<u>279.9</u>	<u>23.6</u>	<u>753.4</u>	<u>36,761.6</u>
Company							
At cost	-	-	-	4.6	-	-	4.6
At 1996 professional valuation	37.5	-	-	-	-	-	37.5
	<u>37.5</u>	<u>-</u>	<u>-</u>	<u>4.6</u>	<u>-</u>	<u>-</u>	<u>42.1</u>

The investment properties and hotel properties were revalued on 30 June 1996 on an open market value basis by Chesterton Petty Limited, Arthur Andersen LLP and Colliers Macaulay Nicolls Inc.

Toll roads and bridges, assets under construction and other assets comprising plant, machinery, equipment, furniture, fixtures and motor vehicles are stated at cost.

The aggregate net book value of assets pledged as securities for loans amounts to HK\$15,380.1 million (1995: HK\$15,843.2 million).

The net book value of fixed assets includes assets held under finance leases amounting to HK\$123.3 million (1995: HK\$265.8 million).

11. SUBSIDIARY COMPANIES

	1996 HK\$m	1995 HK\$m
Unlisted shares		
At cost	2,474.4	2,474.4
Provision for permanent diminution in value	(432.1)	(394.1)
	<u>2,042.3</u>	<u>2,080.3</u>
At Directors' valuation in 1972	72.0	72.0
	<u>2,114.3</u>	<u>2,152.3</u>
Amounts due by subsidiary companies less provision	29,265.6	26,609.6
	<u>31,379.9</u>	<u>28,761.9</u>
Amounts due to subsidiary companies	(15,213.7)	(16,230.4)
	<u>16,166.2</u>	<u>12,531.5</u>

Details of principal subsidiary companies are given in Note 31.

12. ASSOCIATED COMPANIES

	GROUP		COMPANY	
	1996 HK\$m	1995 HK\$m	1996 HK\$m	1995 HK\$m
Listed shares, at cost	—	633.2	—	—
Unlisted shares, at cost less provision (Note a)	1,267.3	1,364.8	53.5	466.0
Share of undistributed post-acquisition reserves	1,694.6	1,605.6	—	—
	<u>2,961.9</u>	<u>3,603.6</u>	<u>53.5</u>	<u>466.0</u>
Group's share of net assets				
Amounts due by associated companies				
Current accounts less provision	5,534.4	4,334.3	124.5	232.9
Subordinated loans (Note a)	196.9	396.9	—	196.9
	<u>5,731.3</u>	<u>4,731.2</u>	<u>124.5</u>	<u>429.8</u>
Amounts due to associated companies	(939.7)	(1,487.1)	(97.6)	(36.3)
	<u>4,791.6</u>	<u>3,244.1</u>	<u>26.9</u>	<u>393.5</u>
	<u>7,753.5</u>	<u>6,847.7</u>	<u>80.4</u>	<u>859.5</u>
Market value of listed shares	—	819.6	—	—

- (a) Shares and advances in the form of subordinated loans, totalling HK\$443.7 million (1995: HK\$650.4 million) have been pledged as part of the security for credit facilities of HK\$3,070.0 million (1995: HK\$3,372.6 million) granted to an associated company of which HK\$2,054.1 million (1995: HK\$2,449.8 million) had been utilised as at the balance sheet date.
- (b) Dividends received and receivable by the Group from associated companies were HK\$42.6 million (1995: HK\$147.0 million).
- (c) Details of principal associated companies are given in Note 32.

13. JOINT VENTURES IN THE PEOPLE'S REPUBLIC OF CHINA

	GROUP		COMPANY	
	1996 HK\$m	1995 HK\$m	1996 HK\$m	1995 HK\$m
Equity joint ventures				
Group's share of net assets (Note a)	963.5	744.7	219.5	219.5
Amounts due by joint ventures less provision	1,002.8	539.7	157.2	83.1
	<u>1,966.3</u>	<u>1,284.4</u>	<u>376.7</u>	<u>302.6</u>
Co-operative joint ventures				
Cost of investment less provision (Note b)	2,988.8	2,043.6	337.8	279.5
Share of undistributed post-acquisition results	133.9	81.5	—	—
	<u>3,122.7</u>	<u>2,125.1</u>	<u>337.8</u>	<u>279.5</u>
Amounts due by joint ventures less provision	5,065.4	3,228.2	349.5	151.6
	<u>8,188.1</u>	<u>5,353.3</u>	<u>687.3</u>	<u>431.1</u>
Deposits paid for joint ventures (Note c)	1,040.4	776.1	—	—
	<u>11,194.8</u>	<u>7,413.8</u>	<u>1,064.0</u>	<u>733.7</u>

- (a) The Group's interest in a joint venture has been pledged as part of the security to secure a syndicated loan facility of HK\$309.2 million (1995: nil) granted to the joint venture company.
- (b) The Group's interest in various joint ventures have been pledged as part of the security to secure syndicated loan facilities of HK\$1,062.9 million (1995: HK\$638.8 million) granted to subsidiary companies.
- (c) The balances represent advances paid in respect of proposed joint ventures although the joint venture companies have not yet been established and only preliminary agreements have been signed. Upon the completion of the relevant joint venture contracts and the establishment of the respective joint venture companies, the relevant amounts will be reclassified to joint venture balances.
- (d) Particulars of principal joint venture companies are given in Note 33.

14. OTHER INVESTMENTS

	GROUP		COMPANY	
	1996 HK\$m	1995 HK\$m	1996 HK\$m	1995 HK\$m
Unlisted shares, at cost less provision	182.3	264.4	44.0	44.0
Listed shares, at cost less provision				
Hong Kong	408.7	418.4	-	-
Overseas	208.5	216.9	-	-
	617.2	635.3	-	-
Investments in joint ventures				
At cost less provision	234.0	314.0	15.0	15.0
Advances to joint ventures	414.3	363.9	203.8	34.7
Advances from joint ventures	-	(50.0)	-	-
	648.3	627.9	218.8	49.7
	1,447.8	1,527.6	262.8	93.7
Market value of listed shares	802.2	679.2	-	-

15. 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 United States of America 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.

16. LONG TERM RECEIVABLES

	GROUP		COMPANY	
	1996 HK\$m	1995 HK\$m	1996 HK\$m	1995 HK\$m
Accounts receivable	-	148.5	-	-
Notes receivable	59.0	122.6	-	-
Mortgage loans	179.6	270.1	-	-
	238.6	541.2	-	-
Amounts receivable within one year included in current assets (Note 17)	(23.6)	(314.1)	-	-
	215.0	227.1	-	-

17. NET CURRENT ASSETS/(LIABILITIES)

	GROUP		COMPANY	
	1996 HK\$m	1995 HK\$m	1996 HK\$m	1995 HK\$m
Current assets				
Construction in progress (Note a)	176.8	(17.4)	-	-
Properties held for sale (Note b)	18,970.5	16,041.9	519.2	874.2
Stocks	304.1	235.7	-	-
Current portion of long term receivables (Note 16)	23.6	314.1	-	-
Other loans receivable	257.6	32.0	3.0	8.1
Debtors and prepayments	6,785.2	4,614.8	1,013.6	684.2
Cash and bank balances				
Restricted (Note c)	188.5	-	-	-
Unrestricted	5,617.3	1,148.7	84.6	17.5
	32,323.6	22,369.8	1,620.4	1,584.0
Current liabilities				
Creditors and accrued charges	7,644.7	6,202.1	741.5	491.0
Deposits received on sale of properties	1,308.2	-	-	-
Bills payable	11.6	14.8	-	-
Bank loans and overdrafts				
Secured	31.4	24.1	-	-
Unsecured	2,651.5	2,456.0	100.0	100.0
Other unsecured loans	105.7	659.8	55.0	35.3
Current portion of long term liabilities (Note 22)	5,496.3	2,612.6	-	-
Taxation	1,036.9	855.8	0.6	123.7
Proposed dividend	1,542.2	1,310.5	1,542.2	1,310.5
	19,828.5	14,135.7	2,439.3	2,060.5
	12,495.1	8,234.1	(818.9)	(476.5)

17. NET CURRENT ASSETS/(LIABILITIES) (Continued)

	GROUP		COMPANY	
	1996 HK\$m	1995 HK\$m	1996 HK\$m	1995 HK\$m
(a) Construction in progress				
At cost	3,031.9	1,929.8	-	-
Provision for anticipated losses	(3.0)	(16.6)	-	-
Progress payments received and receivable	(2,852.1)	(1,930.6)	-	-
	<u>176.8</u>	<u>(17.4)</u>	<u>-</u>	<u>-</u>
(b) Properties held for sale				
Properties under development, at cost	18,408.8	15,330.3	335.6	650.4
Completed properties, at cost less provision	256.6	345.6	183.6	223.8
	<u>18,665.4</u>	<u>15,675.9</u>	<u>519.2</u>	<u>874.2</u>
Overseas properties, at cost less provision	305.1	366.0	-	-
	<u>18,970.5</u>	<u>16,041.9</u>	<u>519.2</u>	<u>874.2</u>
(c) Restricted bank balances				

Restricted bank balances are funds which are pledged or required to be utilised for specific purposes.

18. INTANGIBLE ASSETS

	GROUP	
	1996 HK\$m	1995 HK\$m
Hotel management and franchise agreements	480.5	926.7
Franchise rights and trademarks	289.8	296.3
	<u>770.3</u>	<u>1,223.0</u>
Accumulated amortisation	(433.3)	(389.2)
	<u>337.0</u>	<u>833.8</u>

19. DEFERRED EXPENDITURE

	GROUP	
	1996 HK\$m	1995 HK\$m
Pre-operating expenses at cost less amounts amortised:		
Hotels	81.2	44.4
Telecommunication services	61.1	43.4
	<u>142.3</u>	<u>87.8</u>

20. SHARE CAPITAL

	1996 HK\$m	1995 HK\$m
Authorised:		
Shares of HK\$1 each	<u>2,100.0</u>	<u>2,100.0</u>
Issued and fully paid:		
Shares of HK\$1 each		
Balance at 1 July	1,674.3	1,593.3
Exercise of warrant subscription rights (Note a)	56.6	41.8
Issued as scrip dividends (Note b)	30.1	39.2
	<u>1,761.0</u>	<u>1,674.3</u>
Balance at 30 June		

(a) Exercise of warrant subscription rights

During the year, 56,562,000 new shares were issued upon the exercise of the 1996 warrant subscription right at subscription price of HK\$19.5 per share.

(b) Issued as scrip dividends

During the year, 21,896,320 and 8,234,473 new shares were issued at HK\$33.368 and HK\$35.017 per share for the settlement of 1995 final scrip dividend and 1996 interim scrip dividend respectively.

21. RESERVES

	GROUP		COMPANY	
	1996 HK\$m	1995 HK\$m	1996 HK\$m	1995 HK\$m
Share premium (<i>Note a</i>)	9,093.9	7,068.5	9,093.9	7,068.5
Assets revaluation reserve (<i>Note b</i>)	27,086.2	27,362.4	36.0	33.0
Capital reserve (<i>Note c</i>)	-	-	-	-
General reserve (<i>Note d</i>)	94.4	94.4	-	-
Retained profits (<i>Note e</i>)	13,224.7	11,367.3	5,904.9	5,004.5
	<u>49,499.2</u>	<u>45,892.6</u>	<u>15,034.8</u>	<u>12,106.0</u>

Distributable reserves of the Company at 30 June 1996 amounted to HK\$5,904.9 million (1995: HK\$5,004.5 million).

	GROUP		COMPANY	
	1996 HK\$m	1995 HK\$m	1996 HK\$m	1995 HK\$m
(a) Share premium				
Balance at 1 July	7,068.5	5,726.5	7,068.5	5,726.5
Exercise of warrant subscription rights	1,046.4	572.0	1,046.4	572.0
Scrip dividends	988.8	778.3	988.8	778.3
Share issue expenses	(9.8)	(8.3)	(9.8)	(8.3)
Balance at 30 June	<u>9,093.9</u>	<u>7,068.5</u>	<u>9,093.9</u>	<u>7,068.5</u>
(b) Assets revaluation reserve				
Investment and hotel properties				
Balance at 1 July	27,362.4	30,516.1	33.0	41.2
(Deficit)/surplus for the year	(163.8)	(2,481.7)	3.0	(8.2)
Share of surplus/(deficit) of associated companies	39.8	(389.5)	-	-
Realised on disposals	(152.2)	(282.5)	-	-
Balance at 30 June	<u>27,086.2</u>	<u>27,362.4</u>	<u>36.0</u>	<u>33.0</u>
Land and buildings				
Balance at 1 July	-	11.5	-	-
Deficit for the year	-	(11.5)	-	-
Balance at 30 June	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>27,086.2</u>	<u>27,362.4</u>	<u>36.0</u>	<u>33.0</u>
Dealt with by:				
Company and subsidiary companies	26,394.8	26,710.8	36.0	33.0
Associated companies	691.4	651.6	-	-
	<u>27,086.2</u>	<u>27,362.4</u>	<u>36.0</u>	<u>33.0</u>

	GROUP		COMPANY	
	1996 HK\$m	1995 HK\$m	1996 HK\$m	1995 HK\$m
(c) Capital reserve				
Balance at 1 July	-	4.1	-	-
Goodwill on consolidation	(56.2)	(71.6)	-	-
Goodwill on purchase of business	(110.2)	-	-	-
Share of goodwill of associated companies	(2.3)	(29.1)	-	-
Transfer to retained profits	168.7	96.6	-	-
Balance at 30 June	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(d) General reserve				
Balance at 1 July	94.4	70.8	-	-
Transfer from retained profits	-	23.6	-	-
Balance at 30 June	<u>94.4</u>	<u>94.4</u>	<u>-</u>	<u>-</u>
Dealt with by:				
Company and subsidiary companies	94.4	94.4	-	-
(e) Retained profits:				
Balance at 1 July	11,367.3	9,810.7	5,004.5	4,679.3
Retained profit for the year	2,078.4	1,638.7	900.4	325.2
Transfer from capital reserve	(168.7)	(96.6)	-	-
Transfer to general reserve	-	(23.6)	-	-
Foreign exchange adjustment	(52.3)	38.1	-	-
Balance at 30 June	<u>13,224.7</u>	<u>11,367.3</u>	<u>5,904.9</u>	<u>5,004.5</u>
Retained by:				
Company and subsidiary companies	12,813.2	11,145.1	5,904.9	5,004.5
Associated companies and joint ventures	411.5	222.2	-	-
	<u>13,224.7</u>	<u>11,367.3</u>	<u>5,904.9</u>	<u>5,004.5</u>

22. LONG TERM LIABILITIES

	GROUP		COMPANY	
	1996 HK\$m	1995 HK\$m	1996 HK\$m	1995 HK\$m
Bank loans				
Secured	9,658.9	8,836.9	-	-
Unsecured	4,958.8	1,884.0	-	-
Other secured loans wholly payable within five years	482.8	447.2	-	-
Other unsecured loans (Note a)				
Wholly payable within five years	175.3	248.0	-	-
Not wholly payable within five years	927.9	39.1	-	-
Obligations under finance leases				
Wholly payable within five years	0.9	0.6	-	-
Not wholly payable within five years	150.0	298.7	-	-
Zero coupon bonds (Note b)	-	1,116.5	-	-
	16,354.6	12,871.0	-	-
Convertible bonds (Note c)	4,272.5	2,340.0	-	-
Debentures (Note d)	303.2	287.7	-	-
Loans from minority shareholders (Note e)	1,325.7	850.2	-	-
Rental received in advance	-	3.2	-	-
	22,256.0	16,352.1	-	-
Amounts repayable within one year included in current liabilities (Note 17)	(5,496.3)	(2,612.6)	-	-
	16,759.7	13,739.5	-	-

	GROUP					
	Secured bank loans HK\$m	Unsecured bank loans HK\$m	Other secured loans HK\$m	Other unsecured loans HK\$m	Obligations under finance leases HK\$m	Total HK\$m
The maturity of long term borrowings is as follows:						
Of less than one year	1,823.5	3,320.3	250.0	37.4	65.1	5,496.3
Of more than one year, but not exceeding two years	2,002.1	1,010.0	-	19.8	52.7	3,084.6
Of more than two years, but not exceeding five years	5,575.1	623.2	232.8	118.1	15.9	6,565.1
Of more than five years	258.2	5.3	-	927.9	17.2	1,208.6
	9,658.9	4,958.8	482.8	1,103.2	150.9	16,354.6

(a) Other unsecured loans

Other unsecured loans include loans of HK\$927.9 million representing US\$120 million 8.875% Guaranteed Notes due 2005 ("Notes") issued by a subsidiary company during the year. The Notes are guaranteed by Renaissance Hotel Group N.V. and listed on the New York Stock Exchange.

	GROUP	
	1996 HK\$m	1995 HK\$m
(b) Zero coupon bonds		
Face value – due 1996	-	1,170.0
Unamortised discount	-	(53.5)
	-	1,116.5
(c) Convertible bonds		
Bonds to be converted into shares of:		
The Company (Note (i))	2,340.0	2,340.0
A subsidiary company (Note (ii))	1,932.5	-
	4,272.5	2,340.0

22. LONG TERM LIABILITIES (Continued)

(c) Convertible bonds (Continued)

- (i) A subsidiary company has issued US\$300 million convertible bonds which carry interest at 4.375% per annum payable in arrears and are repayable on 11 December 2000. The bonds are guaranteed by the Company and listed on the Luxembourg Stock Exchange. Each holder of the bond has the option to convert the bond into shares of HK\$1 each of the Company at the current conversion price of HK\$35.15 per share, at any time until 4 December 2000.
- (ii) A subsidiary company, New World Infrastructure Limited ("NWIL"), has issued US\$250 million convertible bonds which carry interest at 5% per annum payable in arrears and are repayable on 15 July 2001. The bonds are listed on the Luxembourg Stock Exchange. Each holder of the bond has the option to convert the bond into shares of HK\$1 each of NWIL at the current conversion price of HK\$19.61 per share, at any time until 2 July 2001.

(d) Debentures

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.

(e) Loans from minority shareholders

The loans from minority shareholders include loans of HK\$345.6 million (1995: HK\$129.2 million) to certain joint ventures in the People's Republic of China for the development of the relevant infrastructural projects, which are unsecured, carry interest at 10% per annum and have repayment terms specified in the relevant joint venture agreements. The balance is unsecured, interest free and has no specific repayment terms.

23. DEFERRED TAXATION

	GROUP	
	1996 HK\$m	1995 HK\$m
Balance at 1 July	12.2	15.3
Transfer to profit and loss account (Note 5)	(9.2)	(3.1)
Balance at 30 June	3.0	12.2
The amount provided is in respect of:		
Accelerated depreciation allowances	6.1	10.7
Other timing differences	(3.1)	1.5
	3.0	12.2

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

24. PENSIONS AND RETIREMENT BENEFITS

The Group operates a number of pension and retirement schemes throughout Hong Kong, North America and Europe.

The majority of the schemes are defined contribution schemes which are mainly operated in Hong Kong and cover approximately 83% of the Group's employees who are entitled to join such schemes. The remaining are a few defined benefit schemes operated in Europe and North America. The total amount charged to the profit and loss account in respect of all the Group's pension and retirement schemes was HK\$70.5 million (1995: HK\$70.1 million).

Contributions to the defined contribution schemes either by the Group or by the employees are based on a percentage of employees' salaries ranging from 5% to 21%, depending upon the length of service of the employees. The amount charged to the profit and loss account in respect of these schemes was HK\$56.3 million (1995: HK\$50.5 million) after netting off forfeited contribution of HK\$10.8 million (1995: HK\$6.2 million).

The Group's defined benefit schemes are mainly operated in North America and cover mainly the Group's senior executives in the subsidiary companies operating there. These schemes are not managed by third parties and the benefits are supported by corporate assets. The amount charged to the profit and loss account for the year was HK\$7.1 million (1995: HK\$8.4 million). Based on an independent actuarial valuation made by Watson Wyatt Worldwide, the total accumulated benefit obligations as at 30 June 1996 was HK\$12.5 million (1995: HK\$13.6 million). The valuation method used is projected unit credit method and the main actuarial assumptions were discount rate 7.75% (1995: 7.25% to 7.5%), rate of salary increase of 5.5% (1995: 5.5%) and rate of social security increase of 5% (1995: 5%).

25. COMMITMENTS

	GROUP		COMPANY	
	1996 HK\$m	1995 HK\$m	1996 HK\$m	1995 HK\$m
(a) Capital Commitments				
(i) Contracted but not provided for				
Fixed assets	379.9	423.2	-	-
Investments in joint ventures	5,021.4	5,775.6	1,552.8	1,710.0
	5,401.3	6,198.8	1,552.8	1,710.0
(ii) Authorised but not contracted for				
Fixed assets	19.6	66.1	-	-
Investments in joint ventures	1,815.1	2,325.6	-	-
	1,834.7	2,391.7	-	-

25. COMMITMENTS (Continued)

	GROUP	
	1996 HK\$m	1995 HK\$m
(b) Commitments under operating leases payable in 1996/97 expiring:		
(i) Land and buildings		
In the first year	43.1	17.4
In the second to fifth years inclusive	208.3	154.3
After the fifth year	500.9	532.2
	<u>752.3</u>	<u>703.9</u>
(ii) Other assets		
In the first year	22.1	6.8
In the second to fifth years inclusive	29.0	14.5
After the fifth year	0.4	7.1
	<u>51.5</u>	<u>28.4</u>
	<u>803.8</u>	<u>732.3</u>

26. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	1996 HK\$m	1995 HK\$m	1996 HK\$m	1995 HK\$m
Guarantees for the performance and completion of construction contracts	775.7	661.1	131.9	110.6
Guarantees for credit facilities granted to:				
Subsidiary companies	-	-	23,015.7	18,357.8
Associated companies	2,260.6	764.2	1,899.9	593.2
Investee companies included under other investments	95.4	105.8	5.5	5.5
Joint ventures in the People's Republic of China	1,671.9	1,546.9	1,531.3	1,531.3
	<u>4,803.6</u>	<u>3,078.0</u>	<u>26,584.3</u>	<u>20,598.4</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.

27. SUBSEQUENT EVENTS

- (a) On 16 September 1996, 75,000,000 shares of HK\$1.00 each of the Company had been issued and allotted at HK\$37.10 per share to finance property development and telecommunications activities and for general working capital purposes of the Group.
- (b) On 6 November 1996, New World China Finance Limited, a subsidiary company of the Group had proposed to issue a mandatorily convertible guaranteed bonds ("Bonds") in the amount of US\$350,000,000. The Bonds will be mandatorily converted into shares of a new subsidiary company of the Group which will hold a portfolio of certain properties of the Group in the People's Republic of China ("China") on the occurrence of a complying initial public offering of shares. The Bonds will be guaranteed by the Company and carry interest at 4% per annum payable in arrears and will be due on 31 December 1999. The issue of the Bonds are intended to be used by the Group to finance its property development and investment activities in the China and for general working capital purposes of the Group.

28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

- (a) Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 30 June	
	1996 HK\$m	1995 HK\$m
Operating profit	4,119.1	3,616.3
Depreciation	409.9	302.5
(Profit)/loss on disposal of		
Fixed assets, including investment properties	(148.5)	(277.2)
Associated companies	(33.3)	(10.7)
Joint ventures in the People's Republic of China	-	(18.2)
Other investments	18.3	-
Release of deferred income	-	(208.9)
Provision against other investments	45.6	0.5
Amortisation of		
Intangible assets	44.1	70.3
Deferred expenditure	33.6	65.3
Discount on zero coupon bonds	53.5	116.2
Licence agreement	24.6	24.9
Write off issuing expenses of bonds	62.8	-
Exchange gain	(4.5)	(1.7)
Increase in stocks	(65.4)	(59.2)
Increase in construction in progress	(194.2)	(9.2)
Increase in properties held for sale	(2,684.7)	(1,397.4)
Increase in debtors and prepayments	(1,674.8)	(823.3)
(Increase)/decrease in other loans receivable	(225.6)	7.6
Increase/(decrease) in creditors and accrued charges	1,219.2	(515.1)
Increase/(decrease) in deposits received on sale of properties	1,308.2	(295.8)
Net interest expenses and dividend income	640.7	436.5
	<u>2,948.6</u>	<u>1,023.4</u>
Net cash inflow from operating activities		

28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

	1996 HK\$m
(b) Acquisition of subsidiary companies	
Net assets acquired	
Fixed assets	489.4
Investments in joint ventures in the People's Republic of China	462.1
Deferred expenditure	21.0
Debtors and prepayments	492.4
Cash and bank balances	54.7
Creditors and accrued charges	(223.1)
Long term liabilities	(251.0)
Minority interests	0.5
Goodwill on consolidation	(20.5)
	<u>1,025.5</u>
Interest in subsidiary companies acquired originally held by Group	(671.7)
Cash consideration	<u>353.8</u>
The subsidiary companies acquired during the year contributed HK\$0.6 million to the Group's net cash flows from operating activities and utilised HK\$2.0 million for investing activities.	
(c) Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiary companies	
Cash consideration	353.8
Cash and bank balances acquired	(54.7)
	<u>299.1</u>
(d) Purchase of business	
Net assets acquired	
Fixed assets	0.8
Stocks	3.0
Debtors and prepayments	3.2
Creditors and accrued charges	(0.3)
Purchased goodwill	137.8
	<u>144.5</u>
Cash consideration	

(e) Analysis of changes in financing during the year

	Share capital (including share premium) HK\$m	Long term liabilities HK\$m	Short term bank and other loans HK\$m	Minority interests HK\$m	Total HK\$m
Balance at 1.7.1995	8,742.8	16,352.1	2,035.6	4,644.9	31,775.4
Net cash inflow/(outflow) from financing	1,093.2	5,507.2	(1,728.4)	4,106.2	8,978.2
Scrip dividends issued	1,018.9	—	—	—	1,018.9
Issuing expenses on convertible bonds	—	62.8	—	—	62.8
Discount on zero coupon bonds	—	53.5	—	—	53.5
Inception of finance lease contracts	—	29.4	—	—	29.4
Acquisition of subsidiary companies	—	251.0	—	(0.5)	250.5
Acquisition of additional interests in subsidiary companies	—	—	—	(9.7)	(9.7)
Purchase of business	—	—	—	(27.6)	(27.6)
Partial disposal of and dilution of investment in subsidiary companies	—	—	—	(1,216.9)	(1,216.9)
Minority interests' share of profit and reserves	—	—	—	813.6	813.6
Dividends paid to minority shareholders	—	—	—	(210.5)	(210.5)
Effect of foreign exchange rate changes	—	—	—	5.5	5.5
	<u>10,854.9</u>	<u>22,256.0</u>	<u>307.2</u>	<u>8,105.0</u>	<u>41,523.1</u>
Balance at 30.6.1996					

(f) Analysis of cash and cash equivalents

	1996 HK\$m	1995 HK\$m
Cash and bank balances	5,805.8	1,148.7
Bank loans and overdrafts	(2,481.4)	(1,104.3)
Bills payable	(11.6)	(14.8)
	<u>3,312.8</u>	<u>29.6</u>

29. COMPARATIVE FIGURES

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

30. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 7 November 1996.

31. PRINCIPAL SUBSIDIARY COMPANIES

As at 30 June 1996

	Ordinary share capital issued		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
Incorporated and operated in Hong Kong					
Arlaken Development Limited	40	100	100	100	Investment Holding
Atlantic Land Properties Limited	2	1	100	100	Investment Holding
Billionable Investment Limited	2	1	–	66	Investment Holding
Billion Huge (International) Limited	1,000,000	1	–	58	Investment Holding
Billion Town Company Limited	200	10	100	100	Property Trading
Birkenshaw Limited	10,000	1	–	100	Property Investment
Blanca Limited	10,000	1	–	100	Investment Holding
Bright Moon Company Limited	200	10	75	75	Property Trading
Broadway-Nassau Investments Limited	3,000	10,000	75	75	Property Investment
Calpella Limited	2	10	–	100	Property Investment
Cheer Best Enterprises Limited	2	1	100	100	Property Investment
China Joy International Limited	2	1	–	100	Investment Holding
Convention Plaza Apartments Limited	2	10	–	100	Apartment Services
Crystal Centre Properties (International) Limited	1,000	1	–	58	Investment Holding
Eurasia Hotel Limited	80,000,000	1	–	48	Hotel Operation
Fook Hong Enterprises Company Limited	10,000	100	100	100	Property Investment
Fuji (China) Decoration & Engineering Company Limited	3,000,000	1	–	59	Interior Decoration
General Security (HK) Limited	20,000	100	22	77	Security Services
Gold Queen Limited	5,000	1	100	100	Property Trading
Grand Hyatt Hong Kong Company Limited	1,000	1	–	64	Hotel Operation
Hang Bong Company Limited	225,000	1	100	100	Property Trading
Happy Champion Limited	2	1	100	100	Investment Holding
Head Step Limited	2	1	100	100	Property Investment
Hip Hing Construction Company Limited	600,000	100	59	59	Construction & Civil Engineering
Hong Bridge Trading Company Limited	50,000	10	–	73	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

	Ordinary share capital issued		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
Incorporated and operated in Hong Kong (Continued)					
Hong Kong Island Landscape Company Limited	60,000	10	–	86	Landscape Services
Honour Shares Limited	100	1	–	100	Investment Holding
International Property Management Limited	100,000	10	55	55	Property Management
Island Sauna Company Limited	10,000	1	–	100	Sauna & Fitness Centre
Joint Profit Limited	2	1	100	100	Property Investment
Kin Kiu Enterprises Limited	10,000	1,000	100	100	Investment Holding
King Lee Investment Company Limited	300	1,000	100	100	Investment Holding
Kiu Lok Service Management Company Limited	1,000	100	–	33	Property Management
Lord City Development Limited	10,000	1	–	88	Property Trading
Loyalton Limited	2	10	–	100	Property Investment
Mark Chain Limited	2	1	100	100	Investment Holding
Mega Fountain Limited	2	1	100	100	Property Trading
Mill Plan Limited	2	1	–	100	Property Trading
New World Department Stores Limited	2	1	–	100	Management Services to Department Stores
New World Development (China) Limited	2	1	100	100	Investment Holding
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	–	35	Hotel Management
New World Insurance Services Limited	100,000	1	100	100	Insurance Broker
New World Nominee Limited	2	100	100	100	Nominee Services
New World Paging Limited	15,000,000	1	–	80	Paging Services
New World Suncity (Shanghai) Company Limited	2	1	–	100	Investment Holding
New World Tacko (Xian) Limited	10,000	1	–	45	Investment Holding

31. PRINCIPAL SUBSIDIARY COMPANIES (Continued)

As at 30 June 1996

	Ordinary share capital issued		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
Incorporated and operated in Hong Kong (Continued)					
New World Telephone Holdings Limited	200	1	80	80	Investment Holding
New World Telephone Limited	2	1	—	80	Telecommunication Services
New World Tower Company Limited	2	10	—	100	Property Investment
Paterson Plaza Properties Limited	10,000	1	—	100	Property Investment
Peterson Investment Company Limited	10,000	1	100	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
Ramada China Hotels limited	1,000,000	1	—	35	Hotel Management
Saint Galerie Tiles Limited	13,750	1,000	—	100	Manufacturing of Ceramic Tiles
Tao Yun Company Limited	2	10	—	100	Property Trading Proprietary
The Dynasty Club Limited	2	1	100	100	Club Operation
Thyme Company Limited	500	10	70	89	Property Investment
True Hope Investment Limited	2	1	—	66	Investment Holding
Tridant Engineering Company Limited	30,000,000	1	—	73	Electrical Engineering
Try Force Limited	2	1	—	66	Investment Holding
Tsuen Wan Property Limited	200	100	—	100	Property Investment
Urban Property Management Limited	15,000	1	—	52	Property Management
Vibro (HK) Limited	799,479	3	—	59	Piling and Caisson
World Empire Property Limited	2	1	100	100	Property Investment
Yargoan Company Limited	150,000	100	62	79	Stone Quarrying
Young's Engineering Company Limited	2,000,000	10	—	55	Air-Conditioning Engineering

	Ordinary share capital issued		Percentage of equity shares held		Principal activities
	Number	Par value per share	By the Company	By the Group	
Incorporated and operated in Jersey					
Bianchi Holdings Limited	1,000	US\$1	100	100	Investment Holding
Incorporated and operated in Canada					
Guildford Park Enterprises Limited	100	C\$1	—	58	Property Trading
Incorporated in Cayman Island and operated in Hong Kong					
NW China Homeowner Development Limited	5,000,000	US\$0.01	—	57	Construction of Subsidised Housing in China
New World Infrastructure Limited	752,127,340	HK\$1	—	66	Operation and Investment of Infrastructure Projects
	Registered capital/ issued share capital		Attributable interest (Note)		Principal activities
	Number/ Amount	Par value per share	By the Company	By the Group	
Incorporated and operated in the People's Republic of China					
New World (Tianjin) Development Co., Limited	US\$4,960,918	—	100	100	Property Investment
Wuhan Bridge Construction Co., Limited	502,857,143	RMB3.5	—	33	Operation of Toll Bridges
Guangdong Xinzhaogao Highways Co., Limited	RMB63,120,000	—	—	47	Operation of Toll Road
Zhaoqing Xinde Highways Co., Limited	RMB165,867,000	—	—	30	Operation of Toll Road
Zhaoqing Xinfeng Highways Co., Limited	RMB94,000,000	—	—	30	Operation of Toll Road
Zhaoqing Xingao Highways Co., Limited	RMB54,000,000	—	—	27	Operation of Toll Road
Zhaoqing Xinning Highways Co., Limited	RMB90,000,000	—	—	37	Operation of Toll Road
Zhaoqing Xinhui Highways Co., Limited	RMB103,500,000	—	—	33	Operation of Toll Road
Shenyang New World Lumingchun Building Co., Limited	RMB68,000,000	—	—	40	Hotel Operation

31. PRINCIPAL SUBSIDIARY COMPANIES (Continued)

As at 30 June 1996

	Registered capital/ issued share capital		Attributable interest <i>(Note)</i>		Principal activities
	Amount	Par value per share	By the Company	By the Group	
Incorporated and operated in the People's Republic of China <i>(Continued)</i>					
Shenyang New World Department Store Limited	RMB30,000,000	—	—	90	Department Store Operation
Wuxi New World Department Store Limited	US\$5,000,000	—	—	100	Department Store Operation

Note:

(a) percentage of equity interest, in the case of equity joint ventures or joint stock limited company or

(b) profit sharing percentage, in the case of co-operative joint ventures

	Ordinary share capital issued		Percentage of equity shares held		Principal activities
	Number/ Amount	Par value per share	By the Company	By the Group	
Incorporated and operated in the Netherlands					
Renaissance Hotel Group N.V.	30,100,000	NLG0.01	—	35	Hotel Operation
Incorporated in the British Virgin Islands					
Crowley Investments Limited	1	US\$1	—	64	Hotel Operation
Hotel Property Investments (BVI) Limited	100	US\$1	—	64	Investment Holding
Lotsfund Limited	100	US\$1	—	66	Investment Holding
Master Services Limited	1,000,000	US\$0.01	—	33	Investment Holding
Mombassa Limited	100	US\$1	—	100	Investment Holding
NWD Finance (BVI) Limited	1	US\$1	100	100	Financial Services
New World Development (BVI) Limited	1	US\$1	100	100	Financial Services
New World Hotels (Corporation) Limited	1	US\$1	—	64	Investment Holding
New World Hotels International Corporation Limited	10,000	US\$1	—	35	Hotel Management
The New Era Property Trust	C\$17	—	—	64	Hotel Operation
Young's Engineering Holdings Limited	1,000,000	US\$1	55	55	Investment Holding

32. PRINCIPAL ASSOCIATED COMPANIES

As at 30 June 1996

	Ordinary share capital issued		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
Incorporated and operated in Hong Kong					
Asia Television Limited	120	0.25	—	27	Television Broadcasting Operation of Container Terminal
Asia Terminals Limited	100,000	1	—	31	
Birkenhead Property & Investment Limited	1,200,000	1	—	50	Property Investment
Direct Profit Development Limited	200,000	0.05	—	12	Property Investment
Ever Light Limited	1,000	1	40	40	Property Investment
Ever Sure Investments Limited	2	1	—	50	Property Investment
Fook Hang Trading Company Limited	100	100	50	50	Property Trading
Global Perfect Development Limited	2	1	—	29	Investment Holding
Global Winner Limited	2	1	—	50	Property Investment
Gloryland Limited	900	1	—	33	Property Trading
Newfoundworld Limited	100	10	—	20	Property Trading
Ocean Champion Development Limited	10,000	1	—	50	Property Investment
Pure Jade Limited	1,000	1	—	20	Property Investment
Ranex Investments Limited	10,000	1	—	10	Property Trading
Renford Development Limited	1,000	1	—	12	Property Investment
Sea-Land Orient Terminals Limited	55,000 'A' 5,000 'B'	1 1	— —	— 9	Terminal Operation
Sheenit Enterprises Limited	10,000	1	—	50	Property Investment
Shun Tak Centre Limited	1,000	100	—	29	Property Investment
Siu Ming Development Company Limited	600	100	20	20	Property Trading
Super Lion Enterprises Limited	2	1	50	50	Property Investment
Tai Yieh Construction & Engineering Company Limited	7,000	1,000	49	49	Construction & Civil Engineering Operation of Toll Tunnel
Tate's Cairn Tunnel Company Limited	600,000,000	1	—	18	Tunnel
Waking Builders Limited	5,000	1,000	—	49	Construction
Incorporated and operated in Thailand					
Century Country Club Company Limited	30,000,000	Baht10	—	29	Golf Club Investment
Ploenchit Company Limited	20,000	Baht10,000	—	13	Hotel Investment
Thai-World Development Company Limited	10,000,000	Baht100	—	17	Hotel Investment
Incorporated and operated in Malaysia					
Great Union Properties Sdn. Bhd.	100,000,000	M\$1	—	37	Property Investment
T & T Properties Sdn. Bhd.	9,500,000	M\$1	—	33	Property Investment

33. PRINCIPAL JOINT VENTURE COMPANIES

As at 30 June 1996

	Registered capital	Attributable Interest (Note)		Principal activities
	Amount	To the Company	To the Group	
Incorporated and operated in the People's Republic of China				
Equity Joint Ventures				
Beijing Niceline Real Estates Development Co., Limited	US\$8,000,000	–	30	Property Investment
Dalian New World Square International Co., Limited	RMB58,000,000	–	35	Property Investment
Guangzhou Oriental Power Co., Limited	RMB990,000,000	–	17	Generation and Supply of Electricity
Guangzhou Pearl River Power Co., Limited	RMB420,000,000	–	33	Generation and Supply of Electricity
Huizhou City Hui-Ao Roadway Co., Limited	RMB75,000,000	–	33	Operation of Toll Road
Huizhou City Huixin Expressway Co., Limited	RMB21,500,000	–	33	Investment holding
Shanghai New World Construction Development Co., Limited	US\$30,000,000	–	45	Property Investment
Wuhan New Eagle Development Co., Limited	US\$10,000,000	–	70	Property Investment
Wuhan-New World Refrigeration Industrial Corporation Limited	RMB60,000,000	–	40	Refrigeration Equipment Manufacturing
Co-operative Joint Ventures				
Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) Co., Limited (formerly Guangdong Guangzhou-Zhuhai East-line Expressway Co., Limited)	RMB580,000,000	–	13	Operation of Toll Road
Beijing Chong Wen-New World Properties Development Limited	US\$50,000,000	–	56	Property Investment
Beijing New World Real Estate Development Co., Limited	US\$25,460,000	65	65	Property Investment
China New World Electronics Limited	US\$20,000,000	–	50	Property Investment
Dongguan New World Garden Trade Construction Co., Limited	US\$12,000,000	–	37	Property Investment
Dongguan New World Square Trade Construction Co., Limited	US\$12,000,000	–	37	Property Investment

	Registered capital	Attributable Interest (Note)		Principal activities
	Amount	To the Company	To the Group	
Incorporated and operated in the People's Republic of China				
Foshan Country Club Co., Limited	US\$52,923,600	—	22	Golf Club Investment
Guangzhou Cosmart Estate Development Limited	HK\$48,000,000	—	61	Property Investment
Guangzhou Dongxin Enterprises Co., Limited	RMB80,000,000	—	60	Property Investment
Guangzhou Fong Chuen-New World Property Development Limited	RMB 200,000,000 (Phase 1)	—	60	Property Investment
Guangzhou Fucheng Property Development Co., Limited	HK\$80,000,000	—	60	Property Investment
Guangzhou Northring Freeway Co., Limited	US\$19,255,000	—	40	Operation of Toll Road
Guangzhou Xinsui Tourism Centre Limited	HK\$100,000,000	—	50	Property Investment
Huizhou New World Development Enterprise Limited	RMB80,000,000	—	62	Property Investment
Huizhou New World Housing Development Limited	RMB80,000,000	—	35	Property Investment
Jing Xin Development Co., Limited	RMB60,000,000	—	60	Property Investment
Qingyuan Qiaoyuan Power Plant Co., Limited	US\$37,500,000	—	16	Generation and Supply of Electricity
Shenyang New World Housing Development Limited	RMB96,000,000	—	34	Property Development
Wuhan Airport Road Development Limited	RMB60,000,000	—	27	Operation of Toll Road
Wuhan New World Housing Development Limited	RMB96,000,000	—	34	Property Investment
Wuhan Wu Xin Property Co., Limited	RMB15,000,000	—	45	Property Investment
Wuhan Xinhan Development Co., Limited	RMB30,000,000	—	50	Property Investment

Domestic joint venture

Huishen (Yantian) Expressway Huizhou Co., Limited	RMB2,400,000	—	23	Operation of Toll Road
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Note:

- (a) percentage of equity interest, in the case of equity joint ventures or
- (b) profit sharing percentage, in the case of co-operative and domestic joint ventures.

FIVE-YEAR FINANCIAL SUMMARY

	1996 HK\$m	1995 HK\$m	1994 HK\$m	1993 HK\$m	1992 HK\$m
Consolidated balance sheet					
Fixed assets	41,654.4	39,879.0	39,676.3	31,735.0	28,786.3
Associated companies	7,753.5	6,847.7	7,881.6	4,652.2	4,792.9
Joint ventures in the People's Republic of China	11,194.8	7,413.8	5,612.2	3,189.9	1,100.1
Other investments	1,447.8	1,527.6	1,018.7	938.0	527.3
Licence agreement	888.0	912.6	937.5	943.3	941.0
Long term receivables	215.0	227.1	542.4	1,050.5	488.3
Current assets	32,323.6	22,369.8	19,798.5	10,287.3	8,349.6
	<u>95,477.1</u>	<u>79,177.6</u>	<u>75,467.2</u>	<u>52,796.2</u>	<u>44,985.5</u>
Less: Current liabilities	19,828.5	14,135.7	13,811.1	8,384.7	7,785.0
	<u>75,648.6</u>	<u>65,041.9</u>	<u>61,656.1</u>	<u>44,411.5</u>	<u>37,200.5</u>
Intangible assets	337.0	833.8	925.4	897.1	961.3
Deferred expenditure	142.3	87.8	16.6	57.0	86.0
	<u>76,127.9</u>	<u>65,963.5</u>	<u>62,598.1</u>	<u>45,365.6</u>	<u>38,247.8</u>
Share capital	1,761.0	1,674.3	1,593.3	1,575.3	1,538.3
Reserves	49,499.2	45,892.6	46,139.7	34,740.6	28,817.8
Shareholders' funds	51,260.2	47,566.9	47,733.0	36,315.9	30,356.1
Minority interests	8,105.0	4,644.9	3,705.5	3,037.0	2,641.9
Long term liabilities	16,759.7	13,739.5	11,144.3	6,000.7	5,243.9
Deferred taxation	3.0	12.2	15.3	12.0	5.9
	<u>76,127.9</u>	<u>65,963.5</u>	<u>62,598.1</u>	<u>45,365.6</u>	<u>38,247.8</u>
Consolidated profit and loss account					
Turnover	16,715.5	17,456.7	18,590.6	13,320.1	12,459.2
Operating profit	4,119.1	3,616.3	4,968.0	4,141.6	2,858.0
Exceptional gains	1,148.6	—	—	—	—
Profit from ordinary activities	5,267.7	3,616.3	4,968.0	4,141.6	2,858.0
Share of results of associated companies and joint ventures	359.6	393.8	343.1	204.0	27.6
Profit before taxation	5,627.3	4,010.1	5,311.1	4,345.6	2,885.6
Taxation	(827.3)	(373.9)	(775.6)	(593.7)	(352.3)
Profit after taxation	4,800.0	3,636.2	4,535.5	3,751.9	2,533.3
Minority interests	(642.3)	(225.3)	(239.2)	(290.2)	(170.3)
Profit attributable to shareholders	4,157.7	3,410.9	4,296.3	3,461.7	2,363.0
Dividend per share (cents)					
– interim	30	28	28	25	21
– final	84	78	78	62	47
	<u>114</u>	<u>106</u>	<u>106</u>	<u>87</u>	<u>68</u>