

ANNUAL

REPORT

1997





# New World Development Company Limited

## 1997 Annual Report

*New World Development Company Limited is celebrating the 25<sup>th</sup> anniversary of its public listing in Hong Kong this year. The Company has grown with Hong Kong and China in the past twenty-five years and is now one of Hong Kong's leading companies, with core businesses in property, hotels, infrastructure, services and telecommunications.*

*New World is looking to the future - the next twenty-five years and beyond - by building on the solid foundation of its core businesses in Hong Kong and China. The Company continues to be dedicated to maximising long term value for its shareholders, serving the community of Hong Kong and helping to build tomorrow's China.*

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### FINANCIAL HIGHLIGHTS

	Year ended 30th June 1997	Year ended 30th June 1996	Change
Turnover (HK\$ million)	19,975.9	16,715.5	19.5%
Profit Attributable to Shareholders (HK\$ million)	5,312.0	4,157.7	27.8%
Total Assets (HK\$ million)	108,433.7	95,477.1	13.6%
Long Term Liabilities (HK\$ million)	15,905.6	16,759.7	-5.1%
Shareholders' Funds (HK\$ million)	64,309.9	51,260.2	25.5%
Earnings Per Share - Basic (HK\$)	2.86	2.44	17.2%
- Fully diluted (HK\$)	2.85	2.40	18.8%
Dividends Per Share (HK\$)	1.2	1.14	5.3%
Gearing Ratio (%)	29.5	37.5	-21.3%

*A detailed analysis of the Group's financial position and performance is set out in the Management Discussion and Analysis - Financial Review section on page 63.*



## YEAR IN REVIEW

JULY/AUGUST 1996

COMPREHENSIVE  
CO-OPERATION  
AGREEMENTS

In July, the Group signed two Comprehensive Co-operation Agreements ("CCAs") with the cities of Shijiazhuang and Chongqing. Two additional CCAs were signed with the cities of Gaoyao and Guangning in August.

SEPTEMBER 1996

The Group was awarded one of the six Personal Communications Service ("PCS") licences to provide digital mobile communication service in Hong Kong. The licence enabled New World Telephone to become a fully-integrated telecommunications provider with comprehensive services including fixed network, cellular phone, multimedia payphone and paging.

FINANCING  
ACTIVITIES

New World Development ("NWD") raised HK\$2.78 billion through a private placement of 75 million shares at HK\$37.10 per share.

JANUARY 1997

Ko Chun Court at High Street was completed.

New World Infrastructure ("NWI") increased its holdings in Sea-Land Orient Terminals from 13.84% to 30.34% for an aggregate consideration of HK\$1.59 billion.



OCTOBER 1996

Telford Garden Extension at Kowloon Bay was completed.

FINANCING  
ACTIVITIES

The Group issued a US\$350 million (approximately HK\$2.71 billion) mandatory bond convertible into shares of New World China Limited upon its listing.



DECEMBER 1996

Harbin New World Department Store celebrated its grand opening.



MARCH 1997

New World PCS arranged a syndicated loan of HK\$1.5 billion, making it the first PCS provider in Hong Kong to receive a syndicated facility.

FINANCING  
ACTIVITIES

## YEAR IN REVIEW

APRIL 1997

New World Development sold its interest in the Renaissance Hotel Group N.V. ("RHG") to Marriott International Inc. for approximately US\$491 million (approximately HK\$3.8 billion).

Phase One of Discovery Park at Tsuen Wan was completed.



MAY 1997

New World Infrastructure raised US\$650 million (approximately HK\$5.03 billion) through a 5-year revolving syndicated loan facility.

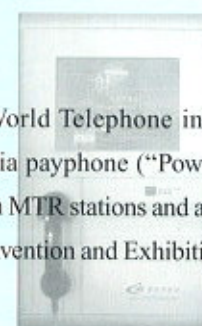
FINANCING  
ACTIVITIES

New World Infrastructure raised HK\$2.02 billion through a private placement of 84 million shares at HK\$24.01 per share.

FINANCING  
ACTIVITIES

JUNE 1997

New World Telephone installed its multimedia payphone ("PowerPhone") services in MTR stations and at the Hong Kong Convention and Exhibition Centre.

COMPREHENSIVE  
CO-OPERATION  
AGREEMENTS

The Group signed a CCA with Sichuan Province and Phase Two of the CCA with the Wuhan City Government.



A consortium in which the Group has a 50% interest was awarded a licence to operate duty free tobacco and liquor sales at the new Chek Lap Kok Airport.



New World Development sold all of its hotel holdings outside Hong Kong, China, and Southeast Asia.



## YEAR IN REVIEW



JUNE 1997

**C**OSCO Tower at Grand Millennium Plaza was completed.

**H**ip Hing Construction Company Limited ("Hip Hing") completed construction of the Hong Kong Convention and Exhibition Centre ("HKCEC") Extension.

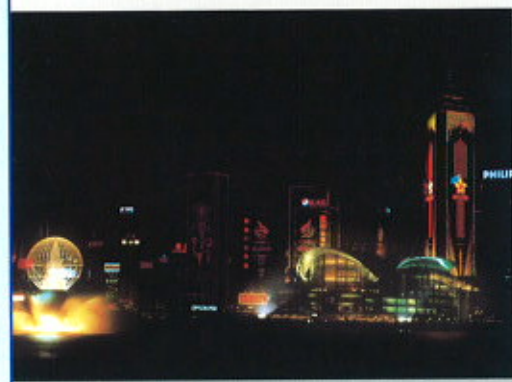


JULY 1997

**T**he handover ceremonies marking Hong Kong's return to Chinese sovereignty were held at the Hong Kong Convention and Exhibition Centre.



**N**ew World Development announced its intention to spin-off its service businesses which include facility management, construction, electrical and mechanical ("E&M") engineering, property management, security and guarding, and cleaning and landscaping.



AUGUST 1997

**N**ew World Telephone launched its PCS 009 mobile communications service.



**N**ew World Telephone was awarded by the Airport Authority the exclusive right to provide public payphone service in the Passenger Terminal Building in the new Chek Lap Kok Airport.

**T**he Group entered into a CCA with Jiangxi Province.

COMPREHENSIVE  
CO-OPERATION  
AGREEMENTS

## YEAR IN REVIEW

SEPTEMBER 1997

**N**ew World Development established an investment company called New World China Enterprises Limited ("NWCE") to explore China's vast industrial market. New World aims to establish a US\$1 billion programme (approximately HK\$7.74 billion) through NWCE and intends to invite foreign technology partners to co-invest in projects in which New World participates.

NEW WORLD  
CHINA  
ENTERPRISES

**T**he World Bank - IMF Meeting was held at the Hong Kong Convention and Exhibition Centre.

OCTOBER 1997

COMPREHENSIVE  
CO-OPERATION  
AGREEMENTS

**T**he Group signed a CCA with the city of Leshan.

## CORPORATE INFORMATION

## BOARD OF DIRECTORS

- \* Dato' Dr. Cheng Yu-Tung  
(Chairman)  
*D.P.M.S., LL.D., D.B.A., D.S.Sc. Hon.*
- \* Dr. Cheng Kar-Shun, Henry  
(Managing Director)  
*M.B.A., D.B.A., LL.D.*
- Dr. Quo-Wei Lee  
*G.B.M., J.P.*
- Lord Sandberg  
*C.B.E.*
- Dr. Ho Tim  
*J.P., D.S.Sc.*
- \* Dr. Sin Wai-Kin, David  
*D.S.Sc. (Hon.)*
- 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

## 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

## 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

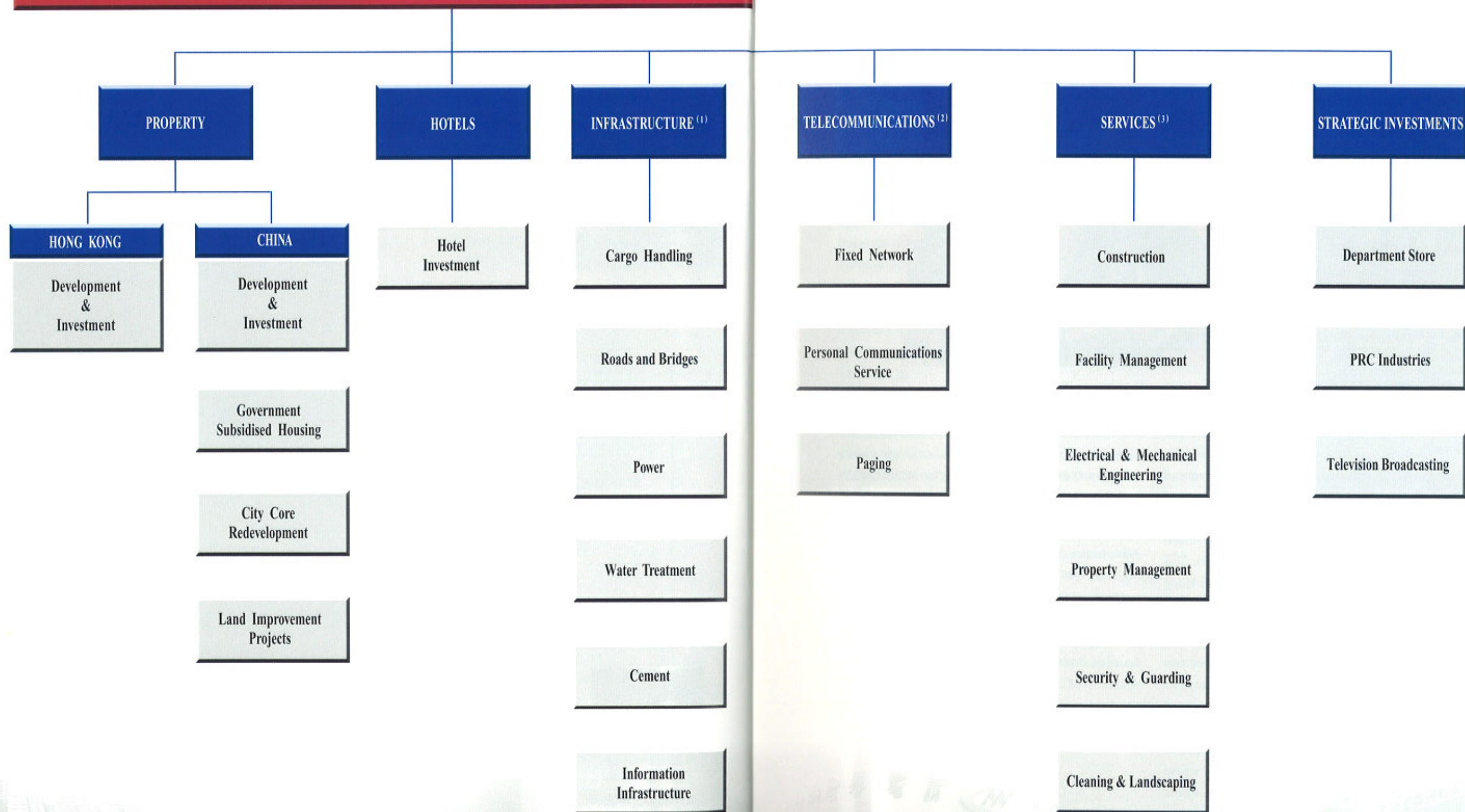
30th Floor, New World Tower,  
18 Queen's Road Central,  
Hong Kong.  
Tel: 2523 1056  
Fax: 2810 4673  
Internet address:  
<http://www.nwd.com.hk>

## STOCK CODE

Hong Kong Stock Exchange 0017  
Reuters 0017HK  
Bloomberg 17HK



# NEW WORLD DEVELOPMENT COMPANY LIMITED



Notes : (1) Infrastructure: New World Infrastructure Limited is listed on the Stock Exchange of Hong Kong under the code of 0301.  
 (2) Telecommunications: New World Telephone Holdings Limited and its subsidiaries are responsible for the telecommunications businesses of New World Development.  
 (3) Services: New World Services Limited is responsible for the service-related businesses of New World Development.



## CHAIRMAN'S STATEMENT

Past, Present  
and FUTURE

New World presents a new image for a new era. The return of Hong Kong to Chinese sovereignty has made 1997 a historic year for everyone in Hong Kong. For New World Development, this year has been an especially significant milestone. As the manager and major contractor for the handover venue, the spectacular extension to the Hong Kong Convention and Exhibition Centre, the Group's visibility has never been higher. This is the 25th anniversary of our public listing in Hong Kong, but, as you will see from this annual report, 1997 means much more than our Silver Anniversary.

The Company was founded in 1970 and listed two years later. Since the beginning, the Company has been steadily evolving. With such a substantial measure of time and experience already behind us, our quarter century is a natural point at which to take stock of where we have come from and where we are today, and to take a long, clear look at where we are going.

This annual report breaks new ground in its content. It is all part of a general increase in transparency and a sharpening of focus as we make every effort to convey in more detail our achievements, our business strategies and our prospects.

All divisions of the Group have achieved exceptional performance during fiscal year 1997. For the year ended 30th June 1997, the Company recorded a consolidated net profit of HK\$5,312 million and earnings per share of HK\$2.86, an increase of 27.8% and 17.2% respectively. In light of our encouraging results, the board of directors have resolved to recommend a final dividend of HK\$0.88. Together with the interim dividend of HK\$0.32 paid in June 1997, this brings total distribution for FY1997 to HK\$1.20 per share.

## CHAIRMAN'S STATEMENT

## PROPERTY

Hong Kong property continues to be New World's core business and we remain positive regarding the long term development of the Hong Kong property market. During the year under review we have continued to add new investment properties to our portfolio while steadily expanding our land reserves. The result of this policy of systematic acquisition is our largest development land bank for the past five years - approximately 9 million sq. ft., a 197% increase compared to 1993. In some of his first policy statements as Hong Kong's Chief Executive, Mr. Tung Chee-hwa promised to increase land supply, thereby giving Hong Kong residents more opportunities to purchase their own homes. This could provide a favourable opportunity for New World in view of our substantial agricultural land bank. Already we have successfully converted six sites with an attributable gross floor area of over 2 million sq. ft. in the last two years. Meanwhile, we aim to increase our future annual output of development properties still further, a strategy made possible by our growing land reserve.

## HOTELS

The sale of Renaissance Hotel Group N.V. and overseas hotel holdings demonstrates New World's strong commitment to Hong Kong and China. Net proceeds from both transactions have contributed more than HK\$4.4 billion of cash to the Group. The Group will continue to maintain quality hotels in Hong Kong, China and Southeast Asia and expand our portfolio within this region. We confidently look forward to stronger growth in our hotel division in the years ahead.



COSCO Tower, Grand Millennium Plaza

MORE INFORMATION CAN BE FOUND ON PAGE 24



Grand Hyatt, Hong Kong

MORE INFORMATION CAN BE FOUND ON PAGE 32



## CHAIRMAN'S STATEMENT



Beijing New World Centre Phase One

MORE INFORMATION CAN BE FOUND ON PAGE 36

## CHINA INVESTMENTS - PROPERTY, INFRASTRUCTURE &amp; OTHERS

Following the Hong Kong handover, New World's existing broad base in China is set to strengthen, as Hong Kong reinforces its long-standing role as the major gateway to the rest of China. Our investment in more than 100 projects in China's property, infrastructure and other sectors makes us one of the country's largest investors. Our involvement in China dates back to the early years of the Open Door Policy, to 1980 when we embarked on the China Hotel in Guangzhou. In the intervening years we have developed all-important, strong relationships and business networks and gained invaluable experience in understanding the China market. We have sustained and actually increased our commitment, even when many investors were inclined to withdraw from China, as happened for example, after 4th June 1989, and more recently following the death of paramount leader Deng Xiaoping.

We are now beginning to reap the benefits of our long-term and comprehensive investment strategy in China. Last year's New World Infrastructure earnings increased to HK\$612.4 million, a 34.8% increase compared to the year before. On the property front, contributions from conventional properties and Government Subsidised Housing projects have also increased satisfactorily in the year under review.

Thanks to our diverse China project base, we now have in place a management team with direct, hands-on experience and know-how. At the same time we have earned the trust and respect of the provincial and municipal governments wherever we have worked. We are equally ready to support the new policies and directions outlined at the 15th Party Congress of the Communist Party of China which would have considerable implications for the Group's business interests in China. In September 1997, we initiated the establishment of an investment company called New World China Enterprises Limited to explore China's vast industrial market. We intend to raise as much as US\$1 billion (approximately HK\$7.74 billion) to capture any opportunities that may arise from the reforms of enterprises in the state sector following the Party Congress.

Our proven track record coupled with our comprehensive and integrated approach in each sector and region that we invest means further strengthening of our position and portfolio size in future.



Wuhan Yangtze Bridge Two

MORE INFORMATION CAN BE FOUND ON PAGE 47

## CHAIRMAN'S STATEMENT

## SERVICE BUSINESSES

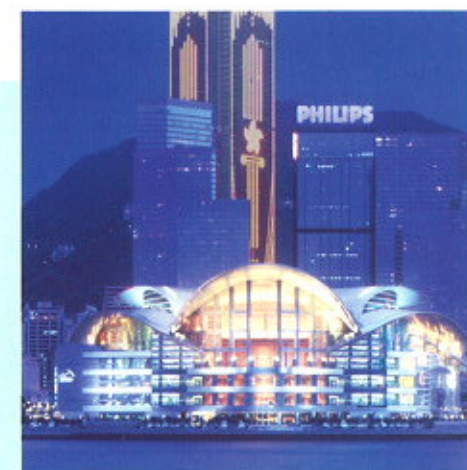
Hong Kong's appointment with history in June 1997 brought New World the highest possible international profile, thanks to our dual role as the main contractor and manager for the Hong Kong Convention and Exhibition Centre and its dramatically beautiful Phase Two extension. Its soaring wing-shaped roof symbolised the SAR's confident take-off into an even greater future. Our excellent track record speaks for itself, not just in the area of construction through Hip Hing Construction Company Limited, but also in the Group's service divisions such as property management, electrical and mechanical engineering, and security. In April 1997, we consolidated our service businesses under one company - New World Services Limited with the aim of pursuing even more opportunities in all these specialised areas.

## TELECOMMUNICATIONS

New World Telephone's market share is expected to grow significantly given its solid financial commitment combined with technological and marketing excellence. In the early 1990s the Group entered the telecommunications business by pioneering the first secretarial paging service in Hong Kong. Since that time, New World Telephone ("NWT") has gradually expanded its business scope to include fixed network, IDD services, telephone cards and the recently launched Personal Communications Service. The Company is dedicated to creating the infrastructure for extensive growth in Hong Kong, and expanding into China and the region. The demand for telecommunications is growing quickly and, as it continues to develop, NWT's market share will also grow, further fuelling the overall growth of the industry and bringing shareholders an attractive return.

## CORPORATE RESTRUCTURING

Our restructuring, which began in 1995, is designed to facilitate the Group's overall growth. Financially, the restructuring enables the Company's different business divisions to raise funds independently. In the past four years, we have successfully customised various investment vehicles and raised more than US\$2.43 billion (approximately HK\$18.8 billion) from international financial markets for our China investments including property, infrastructure and Government Subsidised Housing. The formation of New World Infrastructure exemplified this strategy when it was listed on the Stock Exchange of Hong Kong in October 1995, raising a total of HK\$2.38 billion. NWI then tapped into the international debt market by raising a US\$250 million (approximately HK\$1.94 billion) convertible bond in May 1996, followed by a US\$650 million



Hong Kong Convention and Exhibition Centre

MORE INFORMATION CAN BE FOUND ON PAGE 52



New World Telephone outlet

MORE INFORMATION CAN BE FOUND ON PAGE 58



## CHAIRMAN'S STATEMENT

(approximately HK\$5.03 billion) syndicated loan and a private placement of HK\$2.02 billion earlier this year. Another planned restructuring exercise is the proposed listing of NWS, which aims to create financial independence for NWS and facilitate synergy within the Group. As our China property businesses mature, we are also preparing those divisions for spin-off to raise more capital for further expansion and enlargement of our "critical mass" in China.

In preparation for listing, each division is becoming more sharply focused and better at maximising opportunities in its individual sector. The newly formed, streamlined divisions will have an enhanced ability to compete in the market place. They will be more flexible and thus quicker to respond to market changes and seize new opportunities. New World Development, the parent company, will be able to concentrate on its own businesses in Hong Kong property, hotels and telecommunications and invest in strategic ventures when appropriate. Our corporate restructuring will continue as we strive to make our operations more transparent and efficient, in the process enabling our shareholders to see that they are getting better value as well as more varied investment choices.

## LOOKING AHEAD

The turbulence in the Asian financial markets in the past two months affected the stock and currency markets of Hong Kong. The Government's determination to maintain strong reserves and prudent fiscal management, combined with the solid strength of Hong Kong's banking and financial systems, enabled the Hong Kong economy to remain fundamentally sound. The Group believes that the Government's determined policy of preserving the peg of the Hong Kong currency to the US Dollar under the linked exchange rate system will remain the key to the territory's overall continuing stability. The outlook for continuous growth in China and the ever-increasing convergence of the two economies of China and Hong Kong will further benefit Hong Kong as China's major gateway to the rest of the world.

In terms of financial resources, the Group is ideally placed. Recurring earnings from rental income, hotels and infrastructure remain as the solid foundation for the Group's business expansion. Property sales are strong with promising results from major projects such as Discovery Park and Grand Millennium Plaza. The proceeds from the private placement in September 1996 and the sale of RHG and other overseas hotel interests also contributed substantial cash resources to us. The result of the improved liquidity of the Group is the gradual reduction of its debt level. Although interest rates have risen recently,

## CHAIRMAN'S STATEMENT

the Group regards it as only temporary and any impact on the Group should be insignificant.

Change means opportunity for those with the experience and confidence to look to the future. For New World, 1997 marks a watershed, the start of a new era of excellence in the lead up to the new millennium and beyond.

## ACKNOWLEDGEMENTS

**New World Development owes a special vote of thanks to all those who have helped to make the company so successful.** We truly regard our staff as our greatest asset and we are extremely proud of our employees at all levels for their commitment, expertise, team spirit and creativity.

During the past quarter of a century, we have successfully negotiated our way through some of the world's fastest growing and most rapidly changing economies. Our road to success has included its share of ups and downs, as we have had to cope with the often volatile nature of our chosen fields of specialisation. Yet, thanks to the strong foundations established by the dedication and hard work of our employees, we have always been able to weather the storms. But our employees have contributed much more than a solid foundation for New World Development. By working together, we have been able to expand the scope of our business beyond the area of property, as we have been able to embark on many new and exciting ventures in diverse fields including hotels, infrastructure, services and telecommunications. Throughout this quarter of a century, the entrepreneurial outlook, versatility and vision of our employees have remained the crucial elements of our success, and we are most grateful to you all. Thank You.

I would like to thank our partners – both from the public and private sectors – who have maintained their faith in New World over the years. We look forward to ever more opportunities to continue to work together over the next quarter of a century and beyond.

Finally, I would like to thank my fellow directors for their insight, dedication, and leadership; our bankers for the way they have understood our requirements and consistently developed creative solutions to meet our financing needs; our professional advisers for their guidance and excellent advice over the years; and, most importantly, our shareholders for their continuing and tireless support of our quest to build a better New World.

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

*Chairman*

Hong Kong, 11 November 1997

**Strategy for  
Overall  
GROWTH**



## TWENTY-FIVE-YEAR HIGHLIGHTS



### 1970

New World Development Company Limited was established. Dr. Ho Sin-Hang was named Chairman of the Company, while Dr. Cheng Yu-Tung was appointed Director and general manager. Chow Tai Fook Enterprises Limited was the Company's largest shareholder.

### 1972

New World Development was listed on the Stock Exchange of Hong Kong in October, raising over HK\$193 million.



### 1973

Construction commenced on the Holt's Wharf site. The project was later known as New World Centre.

New World Development acquired a controlling interest in Hip Hing Construction Company Limited.



### 1975

New World Development was part of the consortium participating in the 6 million sq. ft. residential and commercial project in Shatin. The project was later known as City One Shatin.

### 1976

New World Development acquired a private company called Timely Enterprises Corporation Limited, through which New World Development acquired the American International Tower at 18 Queen's Road Central — New World's Head Office.



New World Development acquired a Hong Kong listed company called Kai Tak Land Investment Co. Ltd. The Company was renamed New World Hotels (Holdings) Limited in 1985.

### 1978

Phase One of New World Centre was completed. New World Hotel began operation.



### 1980

The American International Tower was renamed New World Tower.

Phase Two of New World Centre was completed. The Regent Hotel began operation.

New World Development participated in the development of the Shun Tak Centre complex.



## Waterfront hotel moves a step closer

A major addition to Hong Kong's range of luxury hotels took a step towards completion yesterday. The Regent, part of the New World Centre complex on the Tsimshatsui waterfront, is due to open in June. The chairman of Eurasia Hotels Ltd, Mr Cheng Yu-tung, said the Regent would be "an integral part of the continued growth of the economy and tourist industry of Hong Kong," when he performed the official topping-off ceremony. The president of Regent International Hotels, Mr Robert Burns, praised "the foresight and incredible imagination" of Mr Cheng. "Six years ago this was a sloppy railway yard with godowns and docks," he said. "Today, it's a multi-use complex of shops, restaurants, offices, apartments and hotels." The hotel, which will cost \$270 million, will have 605 rooms and extensive dining and entertainment facilities.

South China Morning Post, 11th December, 1979

New World Development was part of the consortium to develop and manage the first Sino-foreign joint venture hotel — the China Hotel in Guangzhou.

### 1983

New World Hotels International Ltd. was established and assigned to manage the nearly 1,000-room China Hotel.



### 1981

New World Development was part of the consortium nominated by the Mass Transit Railway Corporation ("MTRC") to develop the properties on top of eight stations along the MTR Island Line.

### 1982

Dr. Ho Sin-Hang retired from office. Dr. Cheng Yu-Tung was appointed as Chairman of New World Development.

New World Development secured three major projects under the Hong Kong Government's Private Sector Home Ownership Participation Scheme: Tuen Mun (Melody Garden) and Chaiwan (Neptune Terrace and Greenwood Terrace).



### 1984

New World Development signed an agreement with the Hong Kong Trade Development Council to develop the Hong Kong Convention and Exhibition Centre ("HKCEC") at the Wanchai waterfront.

### 1985

New World Development acquired 39% interest in Asia Terminals Ltd., a joint venture with Sea-Land.

## TWENTY-FIVE-YEAR HIGHLIGHTS

### 1986

Her Majesty Queen Elizabeth II officiated at the foundation stone laying ceremony of the HKCEC on 21st October.

Hotel Victoria in Shun Tak Centre began operation.

New World Development formed a joint venture with Kowloon-Canton Railway Corporation ("KCRC") to develop a residential project in the Tuen Mun New Town - Pierhead Garden.

### 1987

New World Development purchased Renaissance Hotel in Vancouver, the Company's first hotel investment in North America.

### 1988

Hong Kong Convention and Exhibition Centre was completed.



New World Development purchased a 47.5% stake in Asia Television Limited ("ATV"). Dr. Cheng Yu-Tung became chairman of ATV.

The Company acquired 24% interest in Tate's Cairn Tunnel.



### 1989

Dr. Henry Cheng Kar-Shun was appointed Managing Director of New World Development.

New World Development increased its investments in China. Preliminary agreement was signed for the Phase One of Zhujing Power Station. Contract was signed for Guangzhou City Northern Ring Road.

New World Development sold its stake in Hong Kong Islands Line S.A.

New World Development acquired Ramada Inc.

New World Harbour View Hotel and Grand Hyatt Hotel were opened on 27th July and 21st September respectively.

New World Development entered into a joint venture with the Land Development Corporation ("LDC") to redevelop four sites on Hong Kong Island and in Kowloon: Li Chut Garden in Wanchai, Ko Chun Court in Sai Ying Poon, Nathan Road/Dundas Street and the Grand Millennium Plaza at 183 Queen's Road Central.

### 1990

New World Paging Limited obtained a paging licence and pioneered Hong Kong's first secretarial paging service.

New World Development, together with Chow Tai Fook Enterprises Limited, privatised New World Hotels (Holdings) Limited.



### 1991

New World Development entered into a joint venture agreement with Guangzhou City Development Corporation to develop its first property project in China — Fortuna Garden.

### 1992

New World Development continued its infrastructure investments in southern China. Contracts signed in 1992 included Shenzhen-Huizhou Expressway, Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) and Phase One of Zhujing Power Station.





## TWENTY-FIVE-YEAR HIGHLIGHTS

### 1993

New World Telephone was awarded a licence to operate the Fixed Telecommunications Network Services ("FTNS") in Hong Kong upon the expiry of the exclusive telephone franchise held by Hong Kong Telecom on 30th June 1993.

New World Development entered into a joint venture with the Land Development Corporation to develop a project at Queen Street.



A Comprehensive Co-operation Agreement was entered into between the Group and the Wuhan City Government.

New World signed its first Government Subsidized Housing ("GSH") contract in Wuhan.

New World was awarded the contract to develop the Telford Garden Extension, the complex included MTRC's headquarters as well as a major shopping centre serving Kowloon East District.

A US\$200 million (approximately HK\$1.55 billion) direct investment fund named NW China Investment Limited ("NWCI") was formed and listed on the Irish Stock Exchange. The fund was established to co-invest with New World Development in New World's property and infrastructure projects in China. New World Development held 50% interest in NWCI.

New World Development issued a US\$300 million (approximately HK\$2.32 billion) Convertible Bond in December.

### 1994

Three hotels were opened in Manila, Shenyang and Ho Chi Minh City under the brand name New World.

An American Depositary Receipt ("ADR") Programme was established, enabling New World Development's shares to be traded on the New York Stock Exchange's "Over The Counter" market.

### 1995

The hotel management operations of New World Development were consolidated under Renaissance Hotel Group N.V. and listed on the New York Stock Exchange with an initial market capitalisation of US\$511.7 million, (approximately HK\$3.96 billion). New World held an effective 34.8% interest in RHG.

New World Infrastructure Limited was formed to consolidate all of New World Development's infrastructure projects in Hong Kong and China. NWI was listed on the Hong Kong Stock Exchange in October with an initial market capitalisation of HK\$9.6 billion. New World Development held 66.5% of NWI.



An investment fund named NW China Homeowner Development Company Limited was formed to develop New World's Government Subsidized Housing projects in China. New World held 57% interest in the US\$500 million (approximately HK\$3.87 billion) fund.



A consortium in which New World had a 20% interest was awarded the contract to develop the first property project at the Airport Railway Tung Chung Station.

### 1996



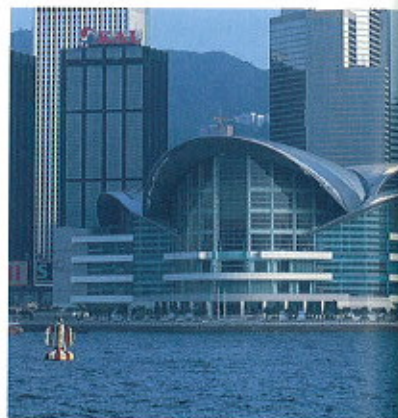
New World Telephone was awarded a Personal Communications Service licence in Hong Kong.

New World Development raised US\$350 million (approximately HK\$2.71 billion) to finance its real estate projects in China by issuing a mandatory convertible bond. The bond will be mandatorily converted into shares of New World China Limited upon its public listing.



### 1997

New World Development's interest in Renaissance Hotel Group N.V. was sold to Marriott International Inc. for US\$491 million (approximately HK\$3.8 billion).



New World Development also sold its interest in hotel properties outside Hong Kong, China and Southeast Asia for US\$80 million (approximately HK\$619 million).



The New World Group entered into CCAs with the provinces of Sichuan and Jiangxi and the cities of Ningbo & Leshan. The Group also signed Phase Two of the CCA with Wuhan in June.

New World Telephone launched its PCS in Hong Kong.

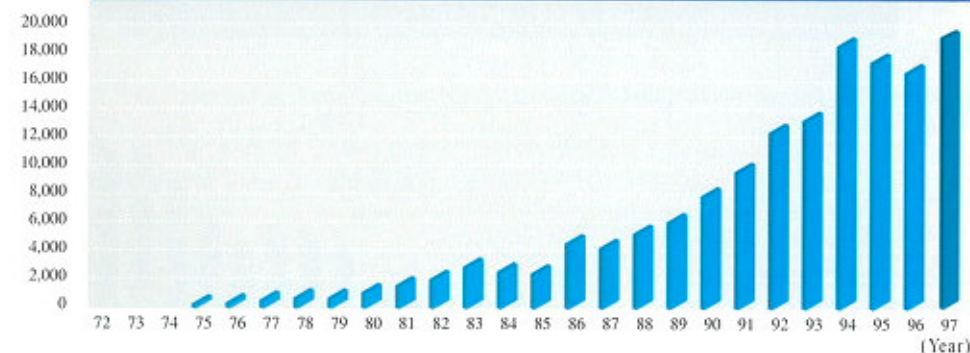
The Hong Kong Convention and Exhibition Centre was in the international spotlight as the venue for Hong Kong's hand over ceremonies, marking the return to Chinese sovereignty.



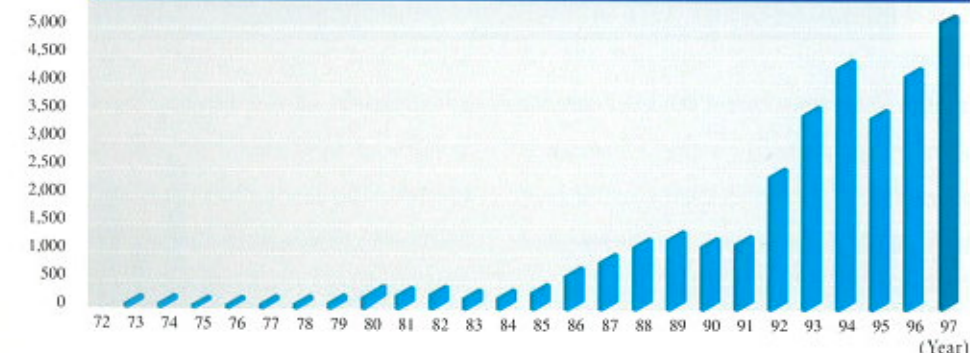
## TWENTY-FIVE-YEAR HIGHLIGHTS



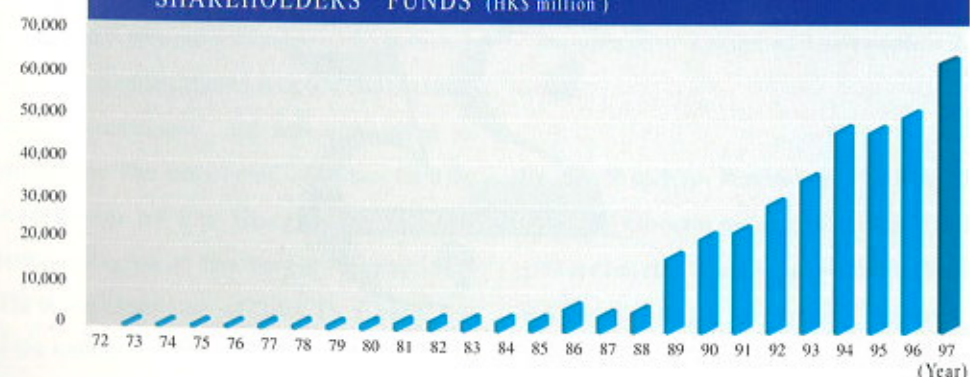
### TURNOVER (HK\$ million)



### PROFIT ATTRIBUTABLE TO SHAREHOLDERS (HK\$ million)



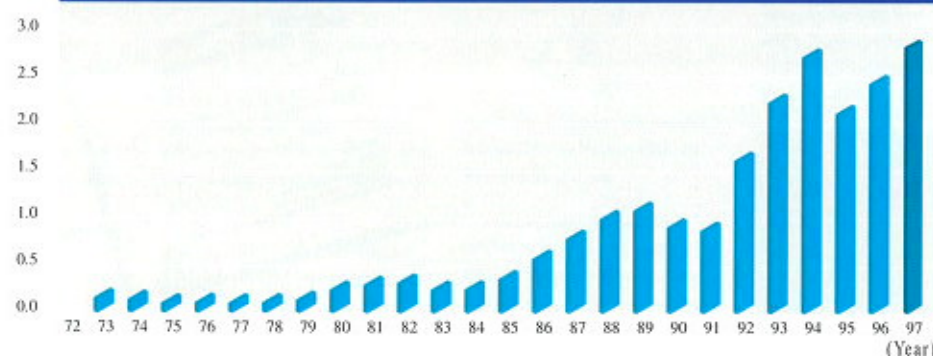
### SHAREHOLDERS' FUNDS (HK\$ million)



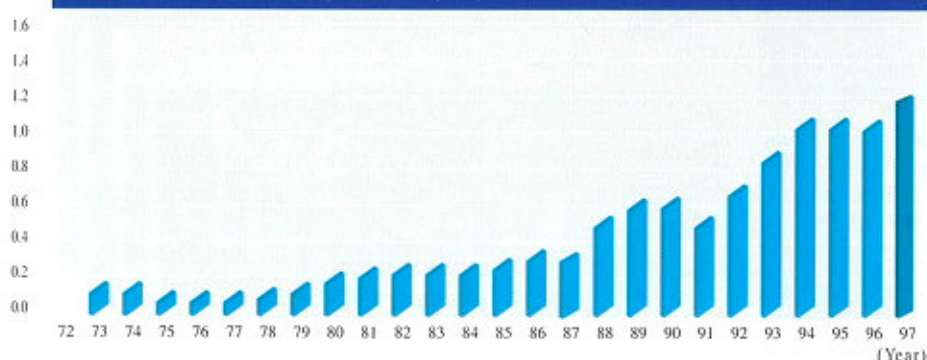


## TWENTY-FIVE-YEAR HIGHLIGHTS

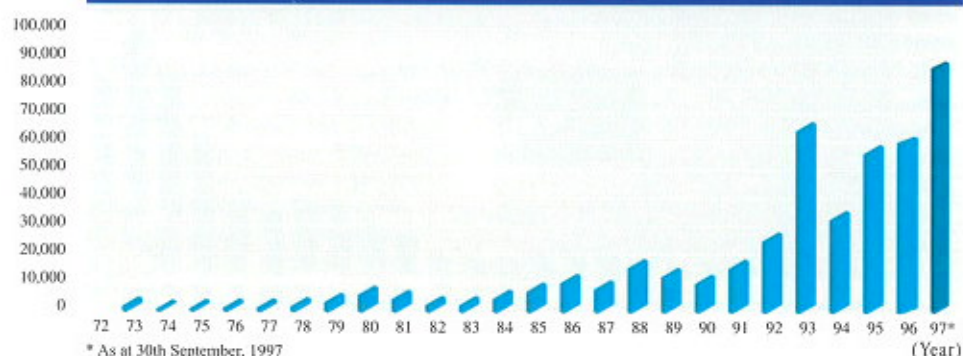
## EARNINGS PER SHARE (HK\$)



## DIVIDENDS PER SHARE (HK\$)



## MARKET CAPITALISATION (HK\$ million)



\* As at 30th September, 1997



## DIRECTORS' PROFILE

**Dato' Dr. Cheng Yu-Tung** (aged 72), was appointed Director in May 1970 and has been 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 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 was also 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.

**Dr. Cheng Kar-Shun, Henry** (aged 50), 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, 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, Marriott International Inc., Asia Television Ltd. and HKR International Limited. He is the Chairman of the Advisory Council for the Better Hong Kong Foundation, a member of the Advisory Committee of the Securities and Futures Commission and a Member of the National Committee of the Eighth Chinese People's Political and Consultative Conference. He was 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.

**Dr. Quo-Wei Lee** (aged 79) was appointed Director in October 1972. He is the Chairman of Hang Seng Bank Limited, Adviser to the Board of HSBC Holdings plc, and the Deputy Chairman of Hysan Development Company Limited. He is a Director of Miramar Hotel & Investment Company Limited, Shaw Brothers (Hong Kong) Limited, The Kowloon Motor Bus Company (1933) Limited and Shanghai Industrial Holdings Limited. He is also a Life Member of the Council of The Chinese University of Hong Kong. He was 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.

**Lord Sandberg** (aged 70), was Director for the period from October 1972 to May 1977 and was re-appointed 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 88), 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 was 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 68), 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



## DIRECTORS' PROFILE

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.

**Mr. Cheng Yue-Pui** (aged 68), 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 52) was appointed Director in November 1979 and became Executive Director in 1986.

**Mr. Yeung Ping-Leung, Howard** (aged 40), was appointed Director in November 1985. He is also a Director of King Fook Holdings Limited.

**Mr. Cha Mou-Sing, Payson** (aged 55), was appointed Director in April 1989. He is Managing Director of The Mingly Corporation Limited and HKR International Limited. Mr. Cha is also the Chairman of Ocean Park Corporation, a Member of the Executive Committee of the Hong Kong Housing Society and Finance & Human Resources Sub-Committees of the Hong Kong Housing Authority. In 1993, Mr. Cha was appointed a member of The National Committee of the Chinese People's Political and Consultative Conference and appointed 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 a Council Member of the City University of Hong Kong and an Adviser of the Advisory Council of Graduate School of Business at Stanford University.

**Mr. Cheng Kar-Shing, Peter** (aged 45), 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 58), 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 New World Infrastructure Limited, Hip Hing Construction Company Limited, Asia Television Limited and Young's Engineering Company Limited.

**Mr. Chan Kam-Ling** (aged 57), 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 55), 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.

## EMPLOYEE RELATIONS

*"Our goal is to ensure that our staff can adapt to rapidly changing market conditions, make quality decisions and tailor business solutions appropriate for the environment in which we operate."*

Our total work force stood at 14,840 as at 30th June 1997, compared to 44,522 in the previous year. The decrease was attributable to the sale of Renaissance Hotel Group N.V. and overseas hotel interests outside Hong Kong, China and Southeast Asia.

At New World, we keep up with market trends in our remuneration policy both with regards to competitive salary rates and fringe benefits including medical and insurance coverage, provident fund and low interest rate mortgage loans. Bonuses are given in accordance with performance, and salary packages are reviewed annually.

## MANAGEMENT DEPTH

New World has continued to emphasise the recruitment and retention of a highly skilled and versatile work force. This is vital to keep the Company ahead of its competitors, to reinforce the expertise in our core businesses and at the same time

to create the entrepreneurial drive to be able to respond to opportunities as they arise. Since 1995, New World has been implementing various restructuring measures aimed at facilitating the creation of a clearer management structure within the parent company and its subsidiaries. The newly-streamlined structure will translate into a more focused work force and, by leveraging the expertise and experience of our employees in their own business fields, shareholders can look forward to a more promising return on their investments.

1,758 new employees joined New World during the year under review, bringing with them fresh talent, knowledge and expertise. To make possible our fast expansion in China, we have successfully built up a China management team that understands the local business context and is able to execute our business plans. 92 of our new staff belong to our China operations (including New World Infrastructure).





## EMPLOYEE RELATIONS



## STAFF ENRICHMENT

We regard employee empowerment as one of our key corporate principles. Our goal is to ensure that our staff can adapt to rapidly changing market conditions, make quality decisions and tailor business solutions appropriate for the environment in which we operate. We continue to upgrade the expertise of our staff by providing various in-house and out-sourced training courses. Last year we offered courses which covered such diverse subjects as PRC taxation and law, sales and marketing, information technology, presentation skills and Mandarin. In addition, each employee is allotted a generous annual allowance to attend external courses and workshops according to individual development needs.

## WORKING ENVIRONMENT

As a forward-looking company, we give our employees greater exposure and responsibility to enlarge their knowledge base as well as to strengthen their managerial and technical skills.

We motivate our employees by promoting a teamwork environment, which enables ideas, perceptions, and methodologies to flow freely within the Group.

Various sporting and social events were arranged last year to enable employees to get to know one another better and to encourage the development of team spirit.

During the year, the Company has upgraded the majority of workstations to a minimum level of 486. Staff stationed in Wuhan and Beijing are now connected by newly installed E-mail links which facilitate faster flow of information between the local offices and the head office in Hong Kong. In addition, we plan to extend E-mail links to our other offices in the PRC.



## MANAGEMENT DISCUSSION AND ANALYSIS

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## BUSINESS REVIEW





# HONG KONG PROPERTY

**Our clear and progressive** *strategies in the Hong Kong Property sector*  
*will increase our market share over the next few years.*

## HONG KONG PROPERTY

### LAND BANK

During the year under review, the Group has put significant effort into replenishing its land bank. In total, eight sites were acquired with an attributable gross floor area of 3.2 million sq. ft.. The Group's land bank currently amounts to approximately 17.7 million sq. ft., the largest in the past five years. This comprises twenty-eight projects developed for sale with an attributable gross floor area of 8.8 million sq. ft.; fourteen completed investment properties with an attributable gross floor area of 7.9 million sq. ft.; and two investment properties under development with an attributable gross floor area of 1 million sq. ft..

The Company intends to enlarge its land bank still further through prudent assessment of prevailing market conditions and acquisition of land at reasonable prices. In the course of building up our land bank, we have experienced encouraging results in our applications for farm land conversions in the New Territories. During the year, the Company acquired an additional 3.6 million sq. ft. of agricultural land. Deducting the areas accounted for in the recent conversions, the Company still holds a large agricultural land reserve of 15.9 million sq. ft..

FIVE YEAR LAND BANK

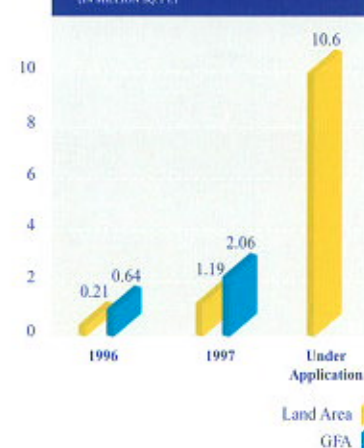


Projects Acquired in FY97

Location	Usage	Site Area (sq. ft.)	Total GFA (sq. ft.)	Attributable Interest (%)	Group's Share of GFA (sq. ft.)
1. 6-10 Black's Link	Residential	69,535	34,768	80	27,814
2. NKIL 3512 RP & Ext., Tai Po Road	Residential	47,932	97,445	100	97,445
3. Project in Yuen Long	Residential	160,000	750,000	100	750,000
4. Project in Lau Fau Shan	Residential	165,000	66,000	100	66,000
5. Project in Tong Yan San Tsuen	Residential	350,000	350,000	100	350,000
6. Project in Fu Tei	Residential	48,000	200,000	100	200,000
7. Project in Ma On Shan	Residential	1,320,000	1,980,000	35	693,000
8. New World Centre Extension	Residential	—	988,340	100	988,340
<b>TOTAL</b>		<b>—</b>	<b>4,466,553</b>	<b>—</b>	<b>3,172,599</b>



## HONG KONG PROPERTY

TRACK RECORD FOR  
AGRICULTURAL LAND  
CONVERSION  
(IN MILLION SQ. FT.)

In recent years, Hong Kong has been undergoing substantial physical change as the landscape has been reshaped by the development of the new airport at Chek Lap Kok and massive infrastructure improvements in the New Territories. In view of our substantial agricultural land reserve, the Company considers itself in a good position to capitalise on the many opportunities opened up by these changes. Applications are currently pending for land usage conversion of a total of eleven farm sites with an aggregate land area of 10.6 million sq. ft..

Besides agricultural land conversions, the Company will also acquire land through

auctions, tenders and joint ventures with land providers such as the Land Development Corporation, Mass Transit Railway Corporation and Kowloon-Canton Railway Corporation. The Company intends to develop more residential projects, particularly mass residential projects for which Hong Kong has a continuing and pressing demand. Simultaneously the Company plans to expand its investment property portfolio with a view to broadening its recurrent income base. We believe that our clear and progressive strategies in the Hong Kong property sector are likely to increase our market share over the next few years.

	Total Land Area (sq. ft.)	Group's Share of Land Area (sq. ft.)
FY96	14,369,000	13,432,000
Add: Acquired in FY97	6,111,000	3,628,000
Subtract: Converted in FY97	2,138,000	1,185,000
<b>FY 97 Total</b>	<b>18,342,000</b>	<b>15,875,000</b>
Yuen Long	12,672,000	10,895,000
Fanling	2,180,000	2,180,000
Tai Po	1,340,000	1,300,000
Sai Kung	2,150,000	1,500,000



Agricultural Land Bank Distribution

## HONG KONG PROPERTY

PROPERTY  
DEVELOPMENT

During the year under review the Company completed and/or offered to the market three residential projects and three commercial office projects. Details of the Company's property development portfolio can be found on page 98.

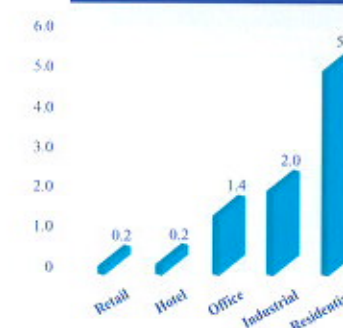
## Residential

This has been a remarkable year for the Group's residential sales. In September 1996, we launched Phase One of Discovery Park in Tsuen Wan. The project was very well-received by the market. Over 300,000 persons visited the show flats and over 95% of the units were sold within the first day. Phase Two and Phase Three drew equally enthusiastic responses from the market when they were launched in March and September

1997 respectively. We believe the project's success was mainly attributable to the comprehensive features offered by the project -- substantial green space, convenient location, imaginative landscaping, luxurious clubhouses and plentiful recreational facilities. An extensive marketing campaign was carried out during the sale of each phase and a Discovery Park Internet home page was launched for Phase Three. The overwhelming market response has once again demonstrated the Group's dedication to providing quality developments to meet the increasingly sophisticated expectations of Hong Kong buyers. During the year under review, the Company's achievements were acknowledged by the Hong Kong Economic Times when it named us one of the five "most popular private developers of the year".



Discovery Park

PROPERTY DEVELOPMENT  
BREAKDOWN  
(IN MILLION SQ. FT.)

## Projects Completed and / or Offered to the Market in FY97

Property Name	Usage	Total GFA (sq. ft.)	Attributable Interest (%)	Group's Share of GFA (sq. ft.)	Percentage Sold (%)
1. Hotel Victoria Conversion	Office	335,160	28.8 <sup>(1)</sup>	96,526	100
2. Grand Millennium Plaza	Office/Retail	1,211,630	100.0 <sup>(2)</sup>	1,211,630	27
3. Ko Chun Court	Residential	14,936	100.0 <sup>(2)</sup>	14,936	39
4. Telford Garden Extension	Office	436,187	100.0 <sup>(2)</sup>	436,187	100
5. Discovery Park Phase One	Residential	755,482	50.0	377,741	100
6. Discovery Park Phase Two	Residential	755,482	50.0	377,741	100

<sup>(1)</sup> Group's interest is 45%, whereas Group's effective interest is 28.8%.

<sup>(2)</sup> Properties in which the Group has a development interest; Other parties provide the land whilst the Group finances the construction costs and occasionally 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.



## HONG KONG PROPERTY



Telford Garden Extension

The year under review was also notable for the completion of the joint venture development with LDC, Ko Chun Court, in Sai Ying Pun.

A substantial number of the Group's residential developments are located in the New Territories and it is anticipated that this trend will increase in view of the Group's strong agricultural land base. As infrastructure in the New Territories has improved in recent years, people have become more willing to move out of urban centres to enjoy the serenity offered by new town developments. The location of the Group's projects along major transportation routes enables residents to enjoy the benefits of country living without sacrificing easy access to the urban centres of Hong Kong and Kowloon.

**Office**

The two office towers comprising a GFA of 436,187 sq. ft. at Telford Garden Extension were completed during the year and sold to MTRC and Hang Seng Bank. The conversion of Hotel Victoria into 335,160 sq. ft. of office space was completed and sold during the year. At Grand

Millennium Plaza, Cosco (HK) Property Development Ltd. bought 300,000 sq. ft. of space in the tall tower, which also gave Cosco Property the right to name the building. The Company is actively seeking buyers for the remaining space of the fifty-five-storey COSCO Tower as well as the twenty-nine-storey low block. The project is located at the western edge of Central, enjoying easy access to the western harbour tunnel and thence to the new airport at Chek Lap Kok, which is due for completion next year. The joint venture project with LDC in Nathan Road has been completely sold and the occupation permit was granted in July this year. Including Grand Millennium Plaza, the Company currently has four office projects under development, all of which are progressing on schedule.

**Industrial**

The Group has four industrial projects under development, comprising approximately two million sq. ft. of gross floor area. The Company aims to provide users with comprehensive facilities in high quality industrial/office buildings and godowns.

## HONG KONG PROPERTY

**PROPERTY INVESTMENT**

During the year under review, three shopping malls have been added to the Group's investment portfolio. Two projects with an attributable GFA of 1 million sq. ft. are currently under development and are expected to enhance the Group's recurrent income significantly upon completion. Details of the Company's property investment portfolio is set out on page 100.

**Office**

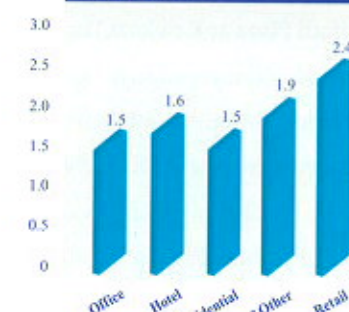
The Company owns a total of 1.5 million sq. ft. of office space throughout Hong Kong. During the year under review, all office buildings achieved very high occupancy levels and satisfactory rents. The Methodist Church redevelopment, a twenty-seven-storey tower in Wanchai, is under construction and is due for completion in early 1998.

**Residential**

The Company's residential properties include the hostel at 2 MacDonnell Road, Victoria Apartments at Shun Tak Centre and service apartments at New World Centre. All of the Company's residential properties recorded consistently high occupancy levels throughout the year. The Company is in the process of converting the Victoria Apartments in Shun Tak Centre into office space. The conversion is expected to be completed by 1999.

**Retail**

The Company has a total of seven major shopping malls as well as shopping space in New World Tower, Manning House, and the

**PROPERTY INVESTMENT BREAKDOWN**  
(IN MILLION SQ. FT.)

\* This represents 1,816,351 sq. ft. of warehouse space in Asia Terminals Centre and 91,621 sq. ft. private club at HKCEC.

**Projects Completed in FY97**

Property Name	Total GFA (sq. ft.)	Group's Interest (%)	Group's Share of GFA (sq. ft.)	Occupancy (%)
1. New World Centre Palace Mall	141,439	100%	141,439	93
2. Telford Plaza, Kowloon Bay	335,960	100% <sup>(1)</sup>	335,960	100
3. Discovery Park Shopping Mall	466,400	50%	233,200	85

<sup>(1)</sup> Properties in which the Group has a development interest: Other parties provide the land whilst the Group finances the construction costs and occasionally 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.



## HONG KONG PROPERTY

Hong Kong Convention and Exhibition Centre. In late 1996, Telford Plaza at Kowloon Bay was opened and immediately become a major shopping attraction in eastern Kowloon. All the retail space has been leased to chain retailers, restaurants, a department store and a hi-tech entertainment centre. More than 93% of the space was leased at Hong Kong's first underground shopping arcade, the New World Centre Palace Mall in Tsim Sha Tsui, which was also completed during the year under review. The completion of Discovery Park Shopping Mall further enlarged the Company's shopping area to a total of about 2.4 million sq. ft.. Our retail portfolio provides consumers with a diverse product mix and their superior locations attracted many stores and prestigious labels as key tenants. We are continually upgrading and refurbishing our retail properties to enhance their value.

### SHOPPING MALL



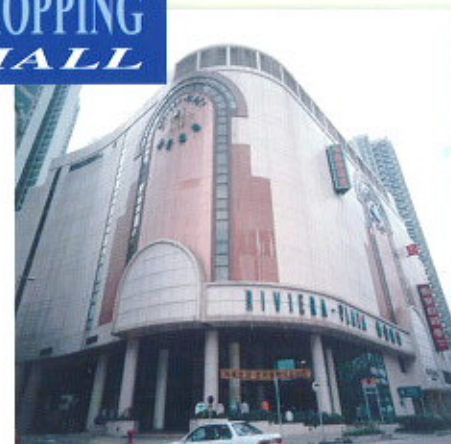
New World Centre

### SHOPPING MALL



Discovery Park Shopping Mall

### SHOPPING MALL



Riviera Plaza

## HONG KONG PROPERTY

### SHOPPING MALL



New World Centre Palace Mall

### SHOPPING MALL



Telford Plaza

### SHOPPING MALL



Pearl City

### SHOPPING MALL



Shun Tak Mall





## HOTELS

## HOTELS

The Company's hotel division recorded an operating profit of HK\$890.7 million during the year. An exceptional gain of HK\$372.2 million was recorded due to the sale of RHG and overseas hotel interests.

### SALE OF RENAISSANCE HOTEL GROUP N.V. AND OVERSEAS HOTELS

In April 1997, the Company sold its hotel management company, Renaissance Hotel Group N.V. to Marriott International Inc. for approximately US\$491 million (approximately HK\$3.8 billion).

We believe that by aligning ourselves with Marriott will greatly enhance the marketability of our hotels given the combined worldwide marketing networks of RHG and Marriott.

Further, as part of the continuing programme of restructuring and refocusing in Hong Kong and China, the Company sold its hotel interest outside Hong Kong, China

and Southeast Asia for a total of US\$80 million (approximately HK\$619 million). Following the sale, the Company intends to focus its hotel expansion within Hong Kong, China and Southeast Asia.

### HOTEL INVESTMENT

#### Existing Hotels

During FY1997, the Company's hotels recorded solid performance as a result of generally higher room rates and improved occupancy levels throughout Hong Kong, China and Southeast Asia. The Grand Hyatt and the New World Harbour View did particularly well in late June and early July 1997 as visitors came to Hong Kong from all over the world to witness and celebrate Hong Kong's return to Chinese sovereignty at the Hong Kong Convention and Exhibition Centre. Strong food and beverage outlets, excellent locations and quality service are key factors contributing to the strong performance of our hotels in Hong Kong.

Hotel Distribution



**We intend** to focus our hotel expansion within Hong Kong, China and Southeast Asia



## HOTELS



New World Harbour View

Many of our hotels in China also reported improved performance, as the Chinese economy continues to flourish, attracting business travellers as well as sight-seeing leisure groups to visit leading cities.

The Group's four hotels in Kuala Lumpur, Manila and Ho Chi Minh city have quickly established reputations for quality and convenience among the travelling public, on account of their strategic locations and high standards of attentive and consistent quality service.

## Expansion Plan

The Company will continue to develop hotels by using the New World, Renaissance, and Ramada brand names according to each individual hotel's location and classification. "New World" and "Renaissance" will be the brand names for four and five-star hotels while "Ramada" will be the brand name for three to four-star hotels.

In China, the trend of recent years has been for a fast increasing proportion of travellers to seek hotel accommodation in a mid-range price bracket, albeit in convenient locations. To meet this growing demand, the Group will continue to develop the Ramada hotels for business travellers.

The Group's Ramada hotels in China are clean, western-managed business hotels which offer quality services at an affordable price. Further, as China continues its remarkable economic growth, the need for this category of hotel is expected to accelerate. New World intends to be part of that growth by providing business travellers with a warm welcome and hospitality of an impeccable standard wherever they go.

In April 1997, the Company increased its stake in the Jing Guang Beijing, from 5.4% to 20.5%. In August the same year, a Ramada hotel was opened in Wuxi, adding 325 rooms to our hotel portfolio. An additional six

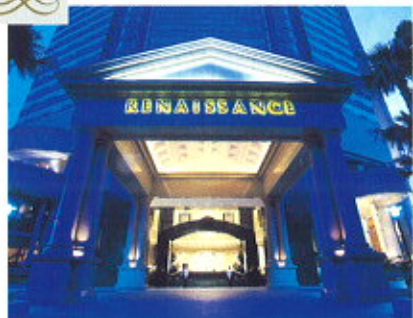
## HOTELS

hotels are due for completion over the next two years. Four out of the six hotels are in China, which demonstrates the Company's confidence in China and its economic prospects.

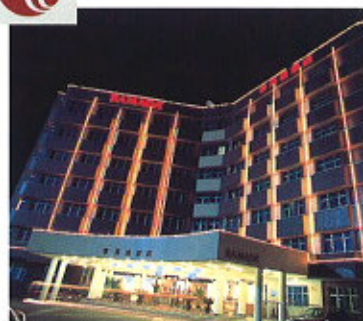
For more details of New World's hotel investment portfolio, please turn to page 102 of this Annual Report.

## Hotel Portfolio Breakdown

Location	Number of Hotels	Number of Rooms
<i>Existing Hotels</i>		
Hong Kong	4	2,491
China	7	2,851
Southeast Asia	4	2,023
<b>TOTAL</b>	<b>15</b>	<b>7,365</b>
<i>Hotels to be completed</i>		
China	4	1,719
Southeast Asia	2	721
<b>GRAND TOTAL</b>	<b>21</b>	<b>9,805</b>



Renaissance Hotel, Kuala Lumpur



Ramada Hotel, Wuhan



## CHINA PROPERTY

NEW WORLD'S  
PRESENCE IN CHINA

New World's first foray into China was by joining a consortium to develop China's first Sino-foreign joint venture hotel - the China Hotel in Guangzhou in 1980. In 1989, the Company made a corporate decision to expand its core businesses into China. Since then, New World has adopted an integrated approach by signing Comprehensive Co-operation Agreements with local governments to participate in projects that are of high priority to the local governments and meet New World's return criteria. These include infrastructure, City Core Redevelopment ("CCR"), Government Subsidised Housing,

and industrial projects. By forming joint ventures and developing strong relationships with the government, New World has gained strong local support in diverse strategic regions which now include Beijing, Tianjin, Guangzhou, Wuhan and other high growth provinces and cities.

## LAND BANK

The Group has contracted 63 property projects in China with an attributable GFA of 196.4 million sq. ft.. Over 133 million sq. ft. of the attributable GFA was acquired through New World's joint venture arrangements with city and district governments - Government Subsidised Housing 22%, City Core Redevelopment 22%, and Land Improvement



Comprehensive Co-operation Agreements signed

CHINA  
PROPERTY

**Our projects** *are tailored according to the specific needs of individual market.*

## Land Bank in FY 97 (in sq. ft.)

Property Investment	Site Area (sq. ft.)	Group's Share of Site Area (sq. ft.)	Total GFA (sq. ft.)	Group's Share of GFA (sq. ft.)	(%)
Conventional Property Development and Investment	98,838,363	35,529,011	137,078,307	62,907,160	32
Government Subsidised Housing ("GSH")	50,355,132	28,702,425	75,821,405	43,218,201	22
City Core Redevelopment ("CCR") (1)	66,198,221	43,237,843	66,198,221	43,237,843	22
Land Improvement Project ("LIP") (1)	102,220,000	47,075,000	102,220,000	47,075,000	24
<b>Total</b>	<b>317,611,716</b>	<b>154,544,279</b>	<b>381,317,933</b>	<b>196,438,204</b>	<b>100</b>

Note:

(1) Assuming the site area of CCR and LIP have a plot ratio of 1.



## CHINA PROPERTY

Projects 24%. This excludes the projects for which the Group has signed letters of intent.

The Group has maintained a high degree of flexibility in developing its land bank. In the context of China's rapid pace of growth, this adaptability is essential to New World's property strategy in China: as the country modernises and its demographic structure changes, the development needs of its urban area are also changing.

Using a phased approach, the Group's projects are tailored according to the specific needs of each individual market. Based on detailed studies of the local economy, we are able to develop a mix of properties appropriate to

each region and city, and target our properties at different market segments — Government Subsidised Housing, the growing domestic market and, on a selective basis, the foreign market. In keeping with this approach, we plan to develop anchor projects in the core areas of major cities for rental to enhance the value of surrounding areas in which we also have an interest.

During the year under review, the Company acquired six projects with an attributable GFA of 25,745,756 sq. ft..

For more details of New World's China land bank, please turn to page 103 of this Annual Report.

Projects Acquired in FY 1997						
Name of Project	Location	Usage	Site Area (sq. ft.)	Total GFA (sq. ft.)	Attributable Interest (%)	Group's Share of GFA (sq. ft.)
<b>Conventional Property</b>						
1. Tianjin New World Anderson Centre	Tianjin	Commercial	248,847	1,251,130	51	539,348 <sup>(1)</sup>
2. Shijiazhuang New World Commercial Plaza	Shijiazhuang	Commercial	727,731	1,109,571	55	610,264
3. Guangzhou Tianhe Shipai Sub-area 2 & 5	Guangzhou	Residential	1,218,032	4,263,112 <sup>(2)</sup>	100	4,263,112
<b>City Core Redevelopment</b>						
4. Nankai District Redevelopment	Tianjin	Res./Comm.	15,305,024	15,305,024	70	10,713,517 <sup>(3)</sup>
5. Hongqiao and Heping Districts Redevelopment <sup>(4)</sup>	Tianjin	Res./Comm.	6,014,840	6,014,840	70	4,210,388 <sup>(3)</sup>
<b>Government Subsidised Housing</b>						
6. Ji Shien Zhuang	Guangzhou	Residential	6,198,244	9,489,696	57	5,409,127
<b>TOTAL</b>			<b>29,712,718</b>	<b>37,433,373</b>		<b>25,745,756</b>

Notes:

(1) 193,584 sq. ft. out of 1,251,130 sq. ft. was sold.

(2) Assumed a plot ratio of 3.5.

(3) Assumed a plot ratio of 1.

(4) Additional GFA acquired since last year.

## CHINA PROPERTY

## CONVENTIONAL PROPERTY

Sales of our conventional properties in China recorded satisfactory results in FY1997. Spending and confidence in the property market were boosted by high levels of private savings and the Government's gradual relaxation of mortgage policies, particularly after the 15th Party Congress. As the Chinese economy continues to enjoy its successful soft landing through a combination of relatively high GDP growth and low inflation, we anticipate the property markets in major cities will flourish.

During the year under review, six projects came on line for sale. Another eight projects will be offered for sale in FY 1998. For more details, please refer to page 109 of this Annual Report.

## Conventional Property Projects In Focus

## Beijing

## Beijing New World Centre Phases One and Two

Currently being built in two phases, the Beijing New World Centre (Phases One & Two) is the centre-piece of our City Core Redevelopment programme in Beijing. Phase One, for which the development site area comprises over 210,000 sq. ft. and a total GFA of 2 million sq. ft., contains service apartments, two office towers, a new 294-room Ramada Hotel, a massive retail shopping arcade, and two levels of basement parking.

Sales and rentals have progressed briskly, and all the service apartments have been sold. More than 60% of the office space is sold and the Company intends to retain approximately 223,700 sq. ft. of office space for investment purposes. Leasing of the 803,800 sq. ft. shopping arcade is progressing satisfactorily. Anchor tenants include New World Department Store, a local department store and many international and local chain retailers.



Beijing New World Centre Phase One



Beijing New World Centre Phase Two



## CHINA PROPERTY



Dynasty Garden, Beijing



Tianjin New World Anderson Centre

The entire Phase One will be completed in early 1998. Phase Two, located right beside Phase One, is currently under construction and is due for completion by the year 2000.

*Dynasty Garden (Formerly Tianzhu Garden)*

Situated in the northeast suburb of the capital, Dynasty Garden is conveniently located between the downtown business district and the Beijing International Airport. The total site area is approximately 1.76 million sq. ft. and the GFA is 743,820 sq. ft.. The project comprises 214 independent houses, a clubhouse and other ancillary facilities. Planned in two phases, the first phase comprises 82 independent houses and has a GFA of 287,800 sq. ft.. Phase One will be completed by June 1998 and advance sales are moving well. The second phase has a GFA of 456,000 sq. ft. and is due for completion by July 1999.

**Tianjin**

*Tianjin New World Anderson Centre*

Tianjin New World Anderson Centre is the anchor development for New World's CCR project in Tianjin. Located in the Nankai District, the project is among China's largest shopping arcades. It comprises a total site area of 248,800 sq. ft. and approximately 1.25 million sq. ft. of GFA. Rental progress of the shopping mall has been encouraging.

**Shanghai**

*Shanghai New World Centre*

Situated in one of Shanghai's busiest streets - Huaihai Road (Central) - the Shanghai New World Centre is New World's flagship development in Shanghai. Planned as a mixed-use complex, the total site area measures approximately 107,000 sq. ft. and will provide approximately 1.44 million sq. ft. of GFA. Currently, the Company plans to build a 538-room four-star hotel as well as 146,600 sq. ft. of office space, 202,900 sq. ft. of service apartments, 220,700 sq. ft. of retail space and 158,400 sq. ft. of parking space.

## CHINA PROPERTY

*Shanghai Zhongshan Square*

Located in the Hongqiao Business District, the Shanghai Zhongshan Square is a model commercial and residential complex. It comprises a site area of over 560,850 sq. ft. and a total GFA of over 2.1 million sq. ft.. Phase one of the project, has been offered for sale in late 1997. Response of the market has been encouraging.

**Guangzhou**

*New World Riverside Villa (Site 13 and Site 14)*

Conveniently located in the heart of Guangzhou on Er Sha Island, New World Riverside Villa is a world-class, resort-type luxury residential complex. The project comprises two sites. Site 14 has a GFA of 205,624 sq. ft. and includes 67 houses and a club house. At the end of FY1997, all 67 units were completed and 80% of them were sold. The Company has filed an application for the development of Site 13 which has a site area of 203,600 sq. ft. and GFA of 208,700 sq. ft.. Construction for Site 13 is expected to begin in early 1998.

*New World Eastern Garden (Formerly Guangzhou Tianhe Shipai Project Sub-area Four)*

New World Eastern Garden is one of the Company's largest developments in Guangzhou, targeted at the increasingly affluent local populace. Located conveniently near the new Tianhe train station and other public transportation networks, New World Eastern Garden is proving to be one of the most sought-after residential locations in the city.

The Project will be developed in three phases and has a total site area of 802,545 sq. ft. and a GFA of 2.81 million sq. ft.. Phase One of Sub-area Four, which is due for completion in February 1998, includes 188 units and has a GFA of approximately 259,200 sq. ft.. The Company is finalising the development plans of the remaining area for approval.



New World Riverside Villa



## CHINA PROPERTY



Dongguan New World Garden

### Rest of Guangdong Province *Dongguan New World Garden*

Situated in one of China's fastest-growing municipalities, Dongguan New World Garden is among the Company's most prestigious luxury residential projects. The project, which commenced development in late 1993, is divided into twelve phases with final completion set for the year 2005. To date, the first five phases were completed and over 90% was sold. With a total site area of 5 million sq. ft., the project is expected to provide approximately 12 million sq. ft. of residential living space upon completion.



Wuhan World Trade Centre Extension

### Wuhan *Wuhan World Trade Centre Extension*

Located in the prime commercial district of the city, the Wuhan International Trade Commercial Centre occupies a site area of approximately 40,950 sq. ft. and a total GFA of approximately 221,880 sq. ft.. Wuhan New World Department Store occupies 125,500 sq. ft., with the balance made up of office space. During the year under review, the project recorded full occupancy.

### GOVERNMENT SUBSIDISED HOUSING

In 1993, the Company pioneered its first GSH project in Wuhan. Since then the Company has expanded its number of projects to include the cities of Tianjin, Shenyang, Huizhou and Guangzhou, comprising a total GFA of 75,821,405 sq. ft.. During the year under review, our GSH division completed and sold the first phases of the GSH projects in Wuhan, Huizhou and Tianjin.

In addition to developing residential property in our GSH projects, we have started the development of commodity premises in some of our projects. In the year under review, the Company completed 155,400 sq. ft. of retail space in Changqing Garden and Huayuan Residential Area. Rental progress has been satisfactory.

## CHINA PROPERTY

GSH projects currently account for 22% of our total land bank in China. Given the favourable response from the local populace and the strong support from different levels of the Government, we intend to expand our portfolio nationwide. During the year under review, the Company has signed preliminary agreements with two cities in Guangdong Province, namely Qingyuan and Zengcheng, and we expect to finalise the contracts in the next few months. We believe that our track record and reputation in this sector will enable us to undertake more GSH projects in the future.

### GSH Projects in Focus

#### Wuhan *Changqing Garden*

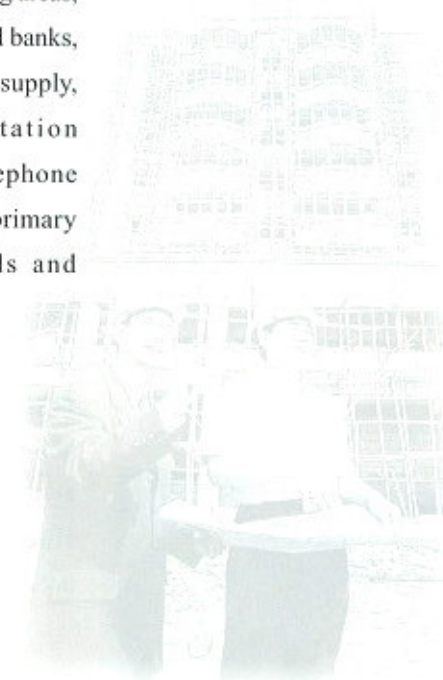
Changqing Garden is our largest GSH project in China. Upon completion, this project will allow the Wuhan municipal government to relocate a portion of the city's population from the older inner

city areas, improving their quality of life while offering them the opportunity to own their own homes at affordable prices.

Changqing Garden, which will eventually house over 200,000 people, is about 10 minutes drive from Hankou city centre. The total site area of the project is 28.7 million sq. ft. and upon completion, the gross floor area is expected to be approximately 43 million sq. ft.. As New World's flagship GSH project, Changqing Garden is a model for similar future projects. It is a self-sufficient residential area that provides all the necessary amenities for living: comfortable housing, abundant shopping areas, restaurants, post office and banks, reliable water and power supply, convenient transportation network, cable and telephone services, kindergartens, primary and secondary schools and recreational facilities.



Changqing Garden, Wuhan





## CHINA PROPERTY

## CHINA PROPERTY



Changqing Garden, Wuhan



Huayuan Residential Area, Tianjin



Chang Hu Yuan, Huizhou

**Tianjin***Huayuan Residential Area*

Huayuan Residential Area is located on the southwestern side of Tianjin, about 20 minutes drive from the city centre. The whole project will comprise three to four phases with an aggregate GFA of 14.4 million sq. ft.. Similar to the Wuhan GSH project, the Huayuan Residential Area is a large scale project designed to comply with the government's policy of raising living standards by offering quality housing at modest prices. The facilities planned for the Huayuan Residential Area are similar to those of the Changqing Garden in Wuhan.

**Huizhou***Chang Hu Yuan*

Huizhou GSH project has a GFA of 5.6 million sq. ft. and is located in the western part of the city, about 15 minutes drive from the city centre. The project comprises four to six phases forming a quality living environment with adequate facilities along Huizhou's longest riverside pedestrian walkway.

**CITY CORE****REDEVELOPMENT**

Rapid economic growth has fuelled the need to redevelop and modernise the older central districts of China's major cities. Existing infrastructure, residential and commercial facilities are increasingly inadequate in the face of China's fast growth and changing expectations. New World is the first foreign property developer to initiate CCR projects to help in the modernisation of China's urban areas. The CCR projects enable the Group to jointly develop large parcels of prime land in the centres of high-growth cities with the municipal governments.

Relocation of existing tenants and businesses is the first step in a CCR project; our GSH projects give the Group a strategic advantage in this initial phase. The synergy between the two types of projects enhances the Group's flexibility in relocating the existing tenants according to the development plan designed jointly by ourselves and the local government.

To date, the Group has secured five CCR projects in Beijing, Tianjin, Guangzhou and Huizhou, comprising a total GFA of 66.2 million sq. ft..

**CCR Projects in Focus****Beijing***Chongwen District CCR Project*

The Chongwen District CCR project is located at the southeastern part of Beijing. The project is within the city's second ring road and is approximately one kilometre southeast of Tiananmen Square. The whole district is divided into seven Sub-areas and the Group has secured Sub-areas One, Two, Five and Six for development. The total developable site area is approximately 21.5 million sq. ft..

The widening of the 2-kilometer Chongwenmen Wai Street was completed in mid 1997 and the underground subway connecting Beijing New World Centre and the opposite side of the street has been finished. The Company believes that the improved infrastructure will attract more traffic to the Chongwen District, which is crucial for our future developments in the district.



Beijing CCR Project

**Tianjin***Nankai District Redevelopment*

The project has a total site area of 15,305,024 sq. ft.. When completed, it will comprise financial and commercial areas, as well as cultural, entertainment and residential areas. The Tianjin New World Anderson Centre is New World's first project in this area and is envisaged as the centre piece of the Company's entire development programme in Tianjin.



## CHINA PROPERTY



Tianjin CCR Project

### Hongqiao and Heping Districts Redevelopment

This CCR project, comprises a total site area of approximately 28.4 million sq. ft.. Lot 603 in the Hongqiao District has been earmarked for the development of a GSH project. The Company is currently studying the different alternatives in developing the remaining land under this project.

### LAND IMPROVEMENT PROJECTS

New World is one of the few developers to participate with local governments in Land Improvement Projects ("LIP"). The LIPs typically involve site preparation and clearance, the provision of infrastructure such as road access, drains and sewerage, and the supply of utilities. The land is then sold to individual developers for their own developments. LIPs enable the Company to accumulate a sizeable land bank at a relatively low cost. Currently, the Group has two contracted LIPs located in Tianjin and Wuhan with a site area of 102.2 million sq. ft..



## INFRASTRUCTURE

**New World Infrastructure's** *universe of partners continues to expand as we locate the right strategic partners to enhance our growth.*



## INFRASTRUCTURE



Container Terminal Three

New World Infrastructure Limited reported an outstanding performance with a profit attributable to shareholders of HK\$612.4 million, a 34.8% increase from the previous year. The significance of 1997 to NWI is more than just another profitable year. The number of projects increased from 17 at the end of June 1996 to 56 in November 1997. This year, NWI has ventured into new geographical regions such as Macau, Guangxi, Jiangsu, Tianjin, Beijing, Sichuan, Liaoning and Shandong. In addition, the Group's Comprehensive Co-operation Agreements with over ten provinces and cities in China will further enhance the Group's ability to develop complementary projects in each region.

In terms of business horizons, NWI has also diversified from its core sectors of toll roads and bridges, cargo handling and power to include water treatment, cement and information infrastructure. The exploration into these new regions and sectors demonstrated NWI's ability to adapt to China's

rapidly evolving economic development. Meanwhile, NWI has aligned itself with a number of prominent western and PRC companies from different ends of the infrastructure spectrum as its strategic partners during the year. These include Jiangsu Expressway Company Limited and Sichuan Expressway Company Limited from the transportation sector; Sea-Land Service Inc. from the cargo handling sector; Suez Lyonnaise des Eaux from the utilities sector; Beijing Datang Power Generation Co. Ltd. from the power sector and Xinhua News Agency from the information infrastructure sector. The core competence of these companies is complementary to NWI's. Exploration of business opportunities alongside these partners will enhance our competitiveness.

## CARGO-HANDLING AND STORAGE

Sea-Land Orient Terminals Limited ("SLOT")

Container Terminal Three ("CT3") which SLOT operates remained

## INFRASTRUCTURE

Hong Kong's most efficient container terminal in 1997. For the year ended 30th June, 1997, CT3 reported an outstanding 9% improvement in productivity, on top of an 8% increase in port move per hour ("pmph"). In the year under review, NWI has increased its stake in SLOT from 13.8% to 30.3%. The acquisition enabled NWI to have a stronger and more tangible presence in Hong Kong's prosperous and prominent container terminal business.

## Asia Terminals Limited ("ATL")

ATL operates one of the world's largest cargo-handling and processing centres. A landmark in western Kowloon with nearly 6.2 million sq. ft. GFA of cargo processing and warehousing space, ATL provides the most advanced and best equipped drive-in container freight storage facilities in the region. This year's occupancy rate recorded a steady increase from 86.8% to 89.7%, a proof of ATL's supreme location and popularity among customers.

## Cargo Handling and Distribution Facilities in China

During the year under review, NWI has secured the development of a cargo-handling facility in Tianjin through a 24.5% stake in Sea-Land Orient (Tianjin) Container Terminals Limited. Tianjin port is the second largest port in China and is strategically located at the gateway to the capital city of Beijing and northern China. NWI also acquired a 40% stake in United Asia Terminals (Yantian) Limited, which operates a logistic and cargo distribution facility in Yantian, Shenzhen.

## TOLL ROADS

NWI has interests in a total of 25 road projects in China, in addition to a 27.5% stake in Tate's Cairn Tunnel in Hong Kong. This year, NWI finalised 14 new projects and expanded its sphere of operation into Guangxi and Tianjin. The Group's road projects performed satisfactorily during the year with improved traffic flow for most projects. As of November 1997, the total length of the Group's roadways amounted to 929 km, of which 512 km were operational.



Wuhan Airport Expressway



Guangzhou Three New Bridges



## INFRASTRUCTURE



Zhujiang Power Plant

## TOLL BRIDGES

The Group has four bridge projects. The three bridges in Wuhan continued to produce satisfactory results in FY1997. The construction of Guangzhou Three New Bridges (a total of 4.08 km) is in progress and operation is expected to commence between late 1997 and early 1998. Gaoming Bridge commenced operation this year and has recorded an encouraging contribution. In FY1997, the Group signed an agreement to develop and operate a new bridge project - Xijiang Bridge - in Guangdong. The project is scheduled to be completed by May 1999.

## POWER STATIONS

The Group has a total of five power projects. The power sector reported strong earnings growth in FY1997, mainly attributed to the increase in offtake price for Zhujiang Power Station Phase One. During the year under review, the Group has secured the Shunde Desheng Power Plant in Guangdong. Another joint-venture contract was signed for a

power project in Sichuan. The project has a capacity of 54MW, of which 40.5MW were completed and the remaining 13.5MW scheduled to be operational by early 1998. Through the acquisition of 50% stake in Sino-French Holdings (Hong Kong) Limited ("Sino-French") in August 1997, NWI has an effective interest of 20.25% in the Macau Power Company.

## WATER TREATMENT

As part of the strategy in becoming a comprehensive infrastructure project operator, NWI entered into the water treatment business in August 1997 by acquiring a 50% stake in Sino-French for a consideration of HK\$ 1 billion. Sino-French is operating the Macau Water Supply Company Ltd., as well as 5 water treatment plants and a water treatment equipment production facility in China.

## INFRASTRUCTURE

## CEMENT

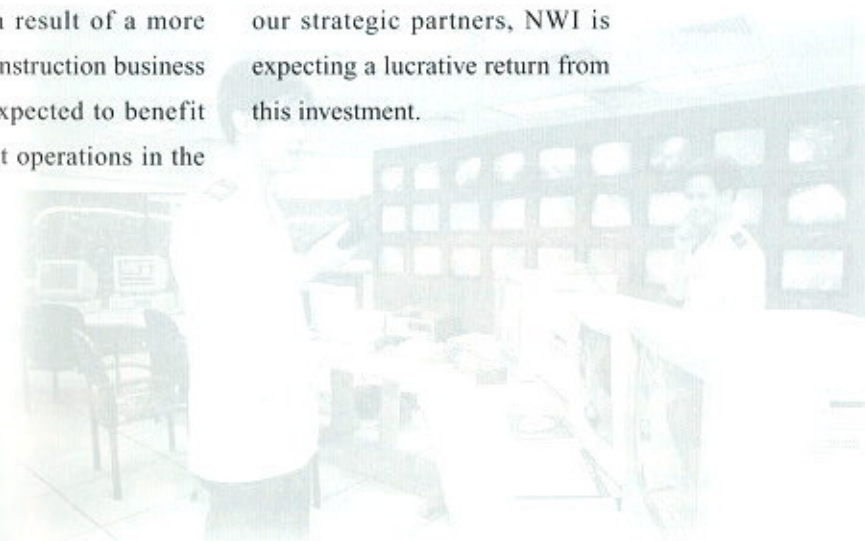
- NWI acquired a 44% effective interest in five cement plants in Shandong in November 1996. The five plants have a total production capacity of 2.4 million tonnes of high-grade cement. Upgrading programmes in productivity and quality were implemented in the year of review. In September 1997, NWI entered into an agreement to acquire a 51% stake in Qing Yuan Xin Tai Cement Plant, adding another 250,000 tonnes of production capacity to NWI. Rising demand for cement products as a result of a more prosperous construction business in China is expected to benefit NWI's cement operations in the near future.

INFORMATION  
INFRASTRUCTURE

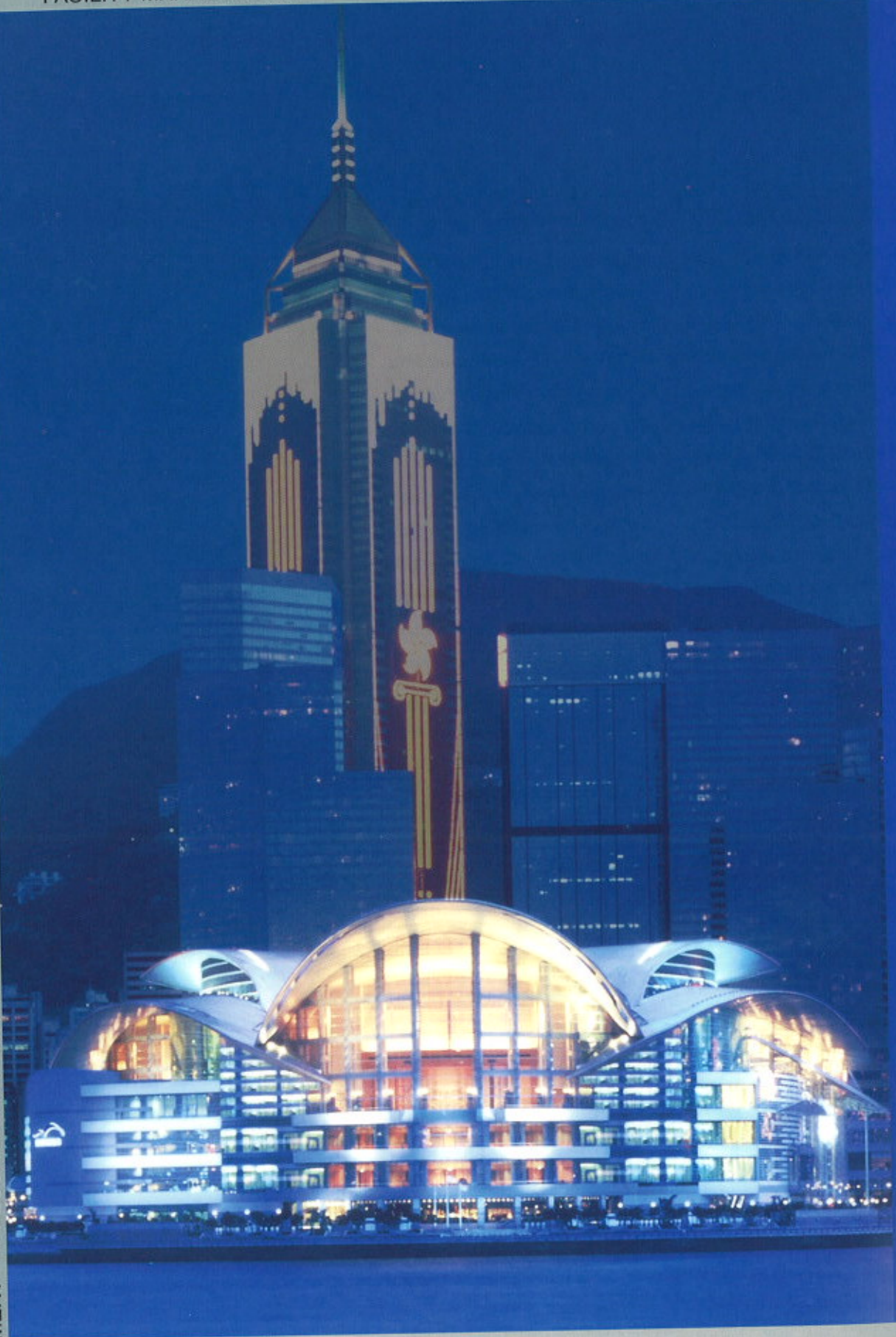
In July 1997, NWI acquired (on an fully diluted basis) an effective interest of 11.5% in China Internet Corporation Limited ("CIC"). Through the operation of the China Wide Web, CIC provides a comprehensive range of commercial-related information on the Internet. NWI's acquisition in CIC demonstrates the management's far-sighted vision in exploring the new era of information technology. With Xinhua News Agency as one of our strategic partners, NWI is expecting a lucrative return from this investment.



Macau Water Plant







SERVICE

**In April 1997,** we consolidated our service businesses under one company – New World Services Limited with the aim of pursuing even more opportunities in all these specialised areas.

## SERVICES

As part of the Group's continuing reorganisation, New World Services Limited ("NWS") was established in April 1997 to consolidate all the service-related businesses within New World into one company. Embracing a diverse range of services, NWS is dedicated to creating a first-rate living and better built environment for Hong Kong and Asia.

The businesses of NWS are organised into six divisions, grouped according to their distinctive functions: facility management, construction, electrical & mechanical engineering, property management, security and guarding, and cleaning & landscaping. During the year under review, each division

recorded satisfactory performance.

### FACILITY MANAGEMENT

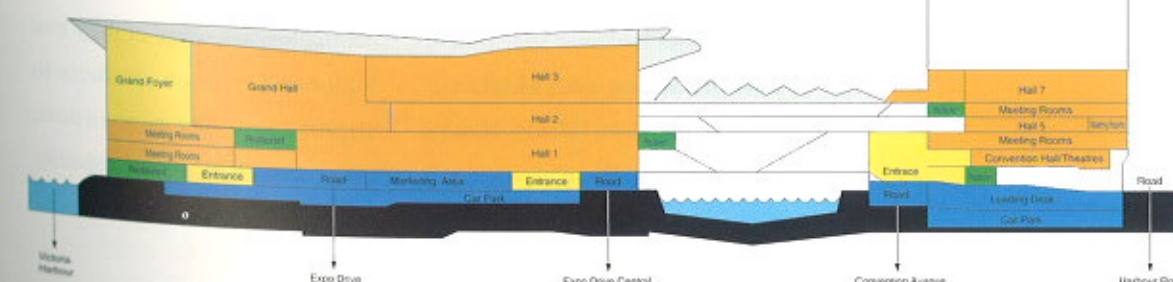
The facility management division of NWS is acknowledged as one of Hong Kong's most experienced and capable companies in this field. There are currently four broad areas of activity within the facility management division: convention and exhibition operations, car park operations, duty-free operations, and landfill operations.

#### Hong Kong Convention and Exhibition Centre

NWS operates and manages both Phase One and the newly-completed Phase Two of the Hong

HKCEC at a Glance			
	HKCEC Phase I (Number)	HKCEC Phase II (Number)	Total
Exhibition Hall	2	3	5
Convention Hall	1	1	2
Foyer	1	1	2
Meeting Rooms	26	26	52
Theatres	2	–	2
Rentable Function			
Space (sq. ft.)	274,000	415,000	689,000

HKCEC at a Glance

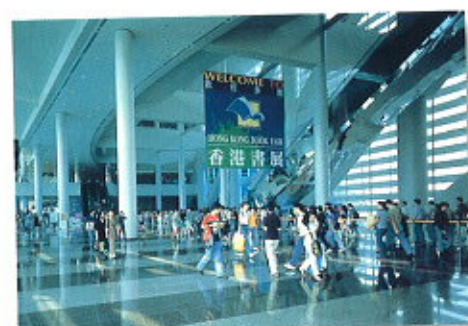




## SERVICES



Meeting Room at HKCEC



Hong Kong Book Fair 97

Kong Convention and Exhibition Centre ("HKCEC"). Upon commencement of operation of Phase Two in June 1997, the total rentable function space of the HKCEC was increased from 274,000 sq. ft. to 689,000 sq. ft..

During the year under review, many major international and local conferences, exhibitions and high profile events have taken place in the HKCEC, most notably the 1997 official handover ceremonies commemorating the return of sovereignty of Hong Kong to China and the Annual Meetings of the Board of Governors of the World Bank Group and International Monetary Fund. The venue's superb location on the Wanchai waterfront ensures accessibility and picturesque views. The enlarged capacity and the comprehensive services available at the HKCEC should enable it to continue to enjoy high usage levels and accommodate the larger events that the HKCEC has had to turn away in the past.

### Urban Parking

NWS manages over 24,000 car park spaces in Hong Kong, making the Group one of the

largest car park managers in Hong Kong.

NWS's portfolio of car park spaces are located in both commercial and residential developments and many are located in buildings for which NWS provides property management services. NWS plans to expand its car park management operations through its wholly owned subsidiary, Urban Parking Limited, by tendering for new management contracts as well as acquiring other car park management contracts in order to achieve greater economies of scale.

### Sky Connection Limited

In June 1997, Sky Connection Limited – in which New World Services has a 50% interest – was awarded a 62-month exclusive licence to sell duty free liquor and tobacco at the Chek Lap Kok International Airport, scheduled to open by mid-1998. The licence gives Sky Connection the exclusive right to sell a comprehensive range of duty free liquor and tobacco products to airport users. The new airport, with a maximum annual capacity

## SERVICES

of handling 87 million passengers, or three times the capacity of the existing Kai Tak International Airport, will provide exciting opportunities and a satisfactory return for Sky Connection.

In addition, Sky Connection was granted a licence by the Mass Transit Railway Corporation to operate four duty-free concessions along the new airport railway including the Central Station (one concession), the Kowloon Station (two concessions) and the Tsing Yi Station (one concession) for three years.

### Landfills

NWS owns a 30% interest in a landfill and related environmental business undertaken by Far East Landfill Technologies Limited which operates the North East New Territories Landfill ("NENT"). NENT has a total capacity of 35 million tonnes of void space and the ability to process 6,000 tonnes of waste per day.

## CONSTRUCTION

NWS's construction division provides a comprehensive range of construction and related services.

Hip Hing Construction Company Limited ("Hip Hing"), the principal company of NWS's construction operations, is one of Hong Kong's largest and best established building contractors. The flagship company of the construction division, Hip Hing, is backed by: Vibro which specialises in foundation works; Quon Hing, a producer of ready mixed concrete; and Barbican, a civil engineering company.

In the year under review, Hip Hing completed some of the best known buildings in Hong Kong. Among these are the British Consulate General of Hong Kong, New World Centre Palace Mall and HKCEC Phase Two. The construction of HKCEC Phase Two, including reclamation and construction of the gigantic convention facilities, was completed in a stunning 39-month period. The punctual completion of this quality project further demonstrated NWS's leading position in Hong Kong's construction business.



Hip Hing Construction Company Limited



HKCEC Phase Two under construction



## SERVICES



Central-Mid levels Escalator

The construction division will continue to take advantage of the opportunities offered by development projects in Hong Kong in both the private and public sectors. Besides Hong Kong, NWS is also taking steps to expand its activities further afield in China and Southeast Asia.

At the end of FY1997, the construction division had contracts for more than 50 projects on hand with an estimated aggregate value of HK\$22 billion and an estimated aggregate value of remaining works of HK\$15 billion.

### ELECTRICAL AND MECHANICAL ENGINEERING

NWS's E&M engineering division provides and installs a wide range of building-related electrical and mechanical engineering works. Members of NWS's E&M engineering division include Tridant Engineering Company Limited and Young's Engineering Company Limited, etc.. E&M engineering division reported

satisfactory earnings growth due to a substantial contribution from its China projects. In FY1997, this division was involved in a number of prominent projects in China including Sky Central Plaza in Guangzhou and the Shanghai Securities Exchange Building.

### PROPERTY MANAGEMENT

Currently, NWS manages over 90,000 residential units, 13 million sq. ft. of commercial property, and 5 million sq. ft. of industrial property and estates. The principal operating company of the division is Urban Property Management Limited. Services range from the management of individual buildings to entire estates and specialist properties, such as the 2,600-foot-long Central Mid-Levels Escalator. In the future, NWS intends to capitalise on its prominent market position to increase the breadth and depth of its Hong Kong property management portfolio.

## SERVICES

### SECURITY AND GUARDING

NWS provides a diverse range of security and guarding services. The principal operating company within NWS is General Security (HK) Limited ("General Security"). With a total of 2,800 security guards, General Security is one of the largest security guard forces in Hong Kong.

The security and guarding division is currently responsible for the security of 237 properties across Hong Kong, comprising 57 residential property developments, 164 commercial properties, 15 industrial estates, and one government site.

### CLEANING & LANDSCAPING

NWS provides a diversified range of services to the commercial, residential and office property markets, including commercial and general cleaning services, laundry services, landscaping, and plant supply.

The principal operating companies are the Pollution and Protection Services Limited (commercial and general cleaning), Hong Kong Island Landscape Co., Ltd. (landscaping and plant supply) and New China Group Steam Laundry Company Limited (laundry). The division currently serves primarily the commercial market, but in future NWS plans to extend its business into the residential sector and other areas of high potential.







**We are committed** *to becoming a leading comprehensive telecommunications services provider in Hong Kong and throughout Asia.*

## TELECOMMUNICATIONS

## TELECOMMUNICATIONS

Significant milestones were reached by the various businesses of New World's telecommunications division. New World's telecommunications businesses are operated by New World Telephone Holdings Limited ("NWT") and its subsidiaries. New World Telephone is committed to becoming a leading comprehensive telecommunications services provider in Hong Kong, and throughout Asia.

During the year, 6 New World Telephone outlets were opened, bringing the total to 20. The increase in number of outlets enables NWT to reach a much broader customer base throughout Hong Kong, Kowloon and the New Territories. A portfolio of sophisticated products were introduced to the market in 1997. These included the launching of the Personal Communications Service and the "PowerPhone" in the Hong Kong Exhibition and Convention Centre and major Mass Transit Railway Stations. The launching of these services is

a major step for NWT to become a fully integrated telecommunications company. In order to develop customer loyalty and expand market share, NWT is dedicated to investing in the best network infrastructure and premium equipment to deliver a wide range of high quality, good value, and customer-oriented services to the community of Hong Kong.

### FIXED TELEPHONE NETWORK SERVICES ("FTNS") AND IDD SERVICES

Since becoming the first telephone company to break the monopoly in Hong Kong in July 1995, NWT has been rapidly building its optic fibre backbone networks with a view to expanding its fixed-network coverage. It is expected that 1,300 buildings and 680,000 lines in 11 major districts will be reached by NWT's network by mid-1998. To match its network strategy of resilience and reliability, NWT has completed its second switching station in Chai Wan. NWT is the first new Fixed





## TELECOMMUNICATIONS



Telephone Network Services provider to have two switching stations, giving it an edge over other newcomers.

NWT's international calling service IDD 009, characterised by its high quality, competitive rates and simple charge calculation, has quickly gained popularity. So far New World Telephone has successfully secured 400,000 customers, more than 10% slice of this competitive market.

### PERSONAL COMMUNICATIONS SERVICE

In September 1996, New World Telephone was awarded the PCS Licence by the Office of the Telecommunications Authority. In August 1997, NWT began offering its PCS services. Through the launch of various marketing campaigns and innovative customer packages, publicity for NWT's PCS services has increased and the response from the general public is encouraging. NWT is committed to investing extensively in its cellular services in order to achieve a leading position in the PCS market.

### NEW WORLD PAGING

Riding on the success of pioneering secretarial paging services, we continue to offer personalised paging facilities. With an advanced and reliable network, combined with professional service, the paging service forms an integral part of NWT's total telecommunications solutions.

### PUBLIC MULTIMEDIA SERVICES

In the arena of public multimedia services, NWT takes pride in introducing Asia's first interactive multimedia public payphone, PowerPhone, to Hong Kong. Major MTR Stations and the Hong Kong Convention and Exhibition Centre are the first key customers to embrace this innovative facility. In August 1997, the Airport Authority awarded NWT the contract to provide exclusive public telecommunications service in the Chek Lap Kok new airport.

## STRATEGIC INVESTMENTS

### STRATEGIC INVESTMENTS IN H-SHARE AND RED CHIP COMPANIES

During the year under review, the Group formed strategic partnerships with a number of companies by acquiring stakes in their share offerings in Hong Kong. As a strategic partner, New World has taken a proactive approach to share its experience and expertise in international fund raising issues, management methodology, business solutions, financial disclosure and investor relations with these companies. The Group seeks to maintain a long-term alliance with these companies to explore future business opportunities with them. By virtue of New World's substantial market presence in Hong Kong and China together with the local influence and knowledge of these companies in their respective industries and

locations, the Group believes that such partnerships would benefit all parties involved.

### NEW WORLD CHINA ENTERPRISES LIMITED

In recent years, New World has witnessed a growing number of quality business opportunities in the industrial, manufacturing and distribution sectors. In 1993, we became involved in our first industrial project in Wuhan by entering into a joint venture in a refrigeration factory. Later in 1995, we brought in McQuay (Asia) Limited as the technology partner to provide the joint venture with technology and management know-how. In view of China's determination to reform its industrial sector and state-owned enterprises, New World has recently set up an investment company called New World China



New World Paging

#### Strategic Investments Portfolio

Company	Holding Company	Total No. of Issued Share Capital	% of Holding	No. of Shares Held	HK\$ per Share at IPO
Beijing Datang Power Generation Company Ltd.	NWI	5,162,849,000	9.54%	492,647,760	2.52
Beijing North Star Company Ltd.	NWD	1,867,020,000	9.64%	179,990,000	2.40
Beijing Enterprises Holdings Ltd.	NWD	622,500,000	0.87%	5,400,000	12.48
Jiangsu Expressway Co. Ltd.	NWI	4,887,747,500	3.12%	152,583,500	3.11
Beijing Yanhua Petrochemical Co. Ltd.	NWD	3,374,000,000	1.50%	50,600,000	1.78
China Southern Airlines Co. Ltd.	NWD	3,230,000,000	1.50%	48,300,000	4.75
Sichuan Expressway Co. Ltd.	NWI	2,558,060,000	9.90%	253,248,000	1.55
China Telecom (Hong Kong) Ltd.	NWD	11,610,000,000	0.50%	58,050,000	11.8
Chongqing Iron & Steel Co. Ltd.	NWD	1,060,000,000	5.80%	61,500,000	1.71



## STRATEGIC INVESTMENTS

## Department Stores

Store Location	Total GFA (sq. ft.)	Actual/Planned Opening Date
<b>Existing</b>		
Wuhan	98,000	November, 1994
Shenyang	90,000	November, 1995
Wuxi	170,000	January, 1996
Harbin	120,000	December, 1996
<b>Under Construction</b>		
Beijing	180,000	Late 1997
Tianjin	140,000	Late 1997
Ningbo	100,000	April 1998
<b>Planned</b>		
Dalian	172,160	1999
Qingdao	215,200	1999

Enterprises Limited to explore China's vast industrial market. New World aims to establish a US\$1 billion programme (approximately HK\$ 7.74 billion) through NWCE and intends to invite foreign technology partners to co-invest in the projects in which New World participates.

## DEPARTMENT STORE OPERATIONS

New World Department Stores Limited is part of the Group's strategy to take advantage of the continuing growth in consumerism in China. To meet this expanding demand New World has mapped out a strategy of developing flagship department stores in each of the major cities throughout China. Most of New World's department stores are located in New World's anchor projects in key cities such as Shenyang, Tianjin and Wuhan.

Currently, the Group operates and manages four department stores in China and expects to open three more in the next two years. In addition, the Group plans to open at least two more department stores before the end of 1999.

## MANAGEMENT DISCUSSION AND ANALYSIS

## C O N T E N T S

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Major Financing Activities	71



FINANCIAL REVIEW



## FINANCIAL REVIEW

The Group's startling achievements in the challenging environments in which it operates result from its firm financial control, well-balanced capital structure and effective utilisation of resources. Set out in the following section is a detailed analysis of the Group's financial performance and position.

### SUMMARY OF RESULTS

Items	FY1997 (HK\$ million)	FY1996 (HK\$ million)	% change
Turnover	19,975.9	16,715.5	19.5
Operating profit before interest	4,960.5	4,866.3	1.9
Share of results of associated companies and joint ventures	2,020.7	359.6	461.9
Exceptional gains	1,316.0	1,148.6	14.6
Net interest expense	(656.7)	(747.2)	(12.1)
Taxation	(963.0)	(827.3)	16.4
Minority interests	(1,365.5)	(642.3)	112.6
Profit attributable to shareholders	5,312.0	4,157.7	27.8
Earnings Per Share (HK\$)	2.86	2.44	17.2



### Analysis of Turnover (net of intra-group transactions)

The Group's turnover amounted to HK\$19,975.9 million in FY1997, a 19.5% increase compared to FY1996. The increase reflected the overall improvement in each of the Group's main operational sectors. Changes in the relative weight in turnover can be summarised as follows:

**Property Sales** - increased 30.4% to HK\$4,636.8 million in FY1997 from HK\$3,556.7 million in FY1996

- Completion of major projects such as Discovery Park Phase One, Telford Garden Extension and COSCO Tower at the Grand Millennium Plaza
- Increase in activities from the China property division as a result of the completion of three Government Subsidised Housing projects which contributed HK\$225 million to turnover

**Rental Income** - increased 6.8% to HK\$1,830.6 million in FY1997 from HK\$1,714.9 million in FY1996

- Opening of the Telford Plaza in December 1996
- Full year operation of the No. 2 MacDonnell Road hostel

**Hotel and Restaurant Operations** - increased 5.7% to HK\$7,420.1 million in FY1997 from HK\$7,018.4 million in FY1996

- Strong growth in the four hotels in Hong Kong more than offset the decline in turnover caused by the disposal of RHG.

## FINANCIAL REVIEW

**Toll Road and Bridge Operations** - increased 39.1% to HK\$368 million in FY1997 from HK\$264.5 million in FY1996

- Organic growth from existing projects as well as the completion of new projects

**Construction and Engineering** - increased 6.0% to HK\$3,416.0 million in FY1997 from HK\$3,221.8 million in FY1996.

- Significant increase in the E & M engineering operations

**Others** - increased 145.4% to HK\$2,304.4 million in FY1997 from HK\$939.2 million in FY1996

- Significant increase in turnover in the telecommunications division, particularly the IDD 009 services
- Satisfactory growth from the Group's service businesses including property management, security and guarding and cleaning and landscaping
- Increase in the department store operations

### Analysis of Operating Profit By Sector

The Group's profit from operating activities increased to HK\$ 4,960.5 million in FY1997, an 1.9% increase from HK\$ 4,866.3 million in FY1996.

### Property Sales

Operating profit from property development amounted to HK\$2,432.4 million, representing a 0.3% increase as compared to FY 1996. Telford Garden Extension, Discovery Park Phase One, Ko Chun Court, approximately 27% of the Grand Millennium Plaza and the remaining units in Discovery Bay Phase Four were the main contributors to the Group's property sales from Hong Kong.

The 30.4% increase in turnover compared to a mere 0.3% rise in operating profit was because all projects completed during the year were joint development projects for which profits were shared with joint venture partners.

Despite a relatively weak performance in the China property market, New World has positioned itself in sustainable and profitable sectors in the market. With the completion of Phase One of Changqing Garden in Wuhan, Phase One of Huayuan Residential Area in Tianjin and Phase One of Chang Hu Yuan in Huizhou, the GSH projects contributed encouraging results to the Group in FY1997.

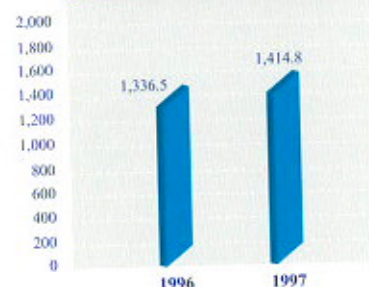
The Property Sales sector is expected to generate promising growth in FY1998 as a result of:

- Completion of major developments in Hong Kong including Discovery Park Phase Two and Three. (Phase II: 100% sold, Phase III: over 96% sold)
- Sale of remaining area of the Grand Millennium Plaza
- Increase in contributions from property development projects in China in both the conventional property and GSH sectors





## FINANCIAL REVIEW

OPERATING PROFIT -  
RENTAL INCOME  
(HK\$ MILLION)**Rental Income**

Operating profit generated from rental income amounted to HK\$1,414.8 million, a 5.9 % increase from FY1996.

Retail properties accounted for the majority of the increase in rental income. The increase resulted from the opening of the 335,960 sq. ft. Telford Plaza in December 1996. Most of the Group's retail properties reported over 90% occupancy rate.

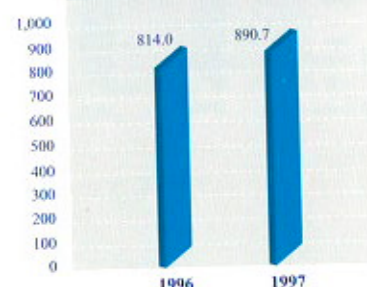
The Group's office building recorded steady income in FY1997. Both occupancy and rental attained moderate growth.

With the opening of No. 2 MacDonnell Road hostel in the Mid-levels, the Group's residential property rental income reported a promising increase. The hostel achieved close to full occupancy in FY1997.

The Group's other rental income came from car parks and the convention, exhibition and meeting facilities at the HKCEC.

We expect to report a strong growth in rental income in FY 1998 as a result of the following:

- Recognition of full year rental income from Telford Plaza
- Opening of New World Centre Palace Mall in mid 1997
- Opening of Discovery Park Shopping Mall by the end of 1997
- Increase in occupancy from Riviera Plaza in Tsuen Wan
- Increase in overall rentable function space of HKCEC from 274,000 sq. ft. to 689,000 sq.ft.

OPERATING PROFIT -  
HOTEL AND RESTAURANT  
OPERATIONS  
(HK\$ MILLION)**Hotel and Restaurant Operations**

Contributions from the hotel and restaurant operations amounted to HK\$890.7 million, a 9.4% increase as compared to FY1996.

As part of the Group's corporate restructuring exercises and increased focus on Hong Kong, China and Southeast Asia, the Group sold its overseas hotel operations including the 54.4% stake in RHG and 100% in Hotel Property Investment (BVI) Limited.

The main contributors in this sector were the four hotels in Hong Kong, namely The Regent, Grand Hyatt, New World Harbourview Hotel and New World Hotel.

New World Hotel Makati in the Philippines and the Group's food and beverage operations in the HKCEC also made a modest contribution in FY1997. The completion of HKCEC Phase Two has added four restaurant outlets to a total of seven and has allowed for expanded food and beverage capability.

## FINANCIAL REVIEW

**Toll Road and Bridge Operations**

The Group's toll road and bridge operations contributed an operating profit of HK\$231.4 million, a 36.4% increase as compared to FY1996.

Outstanding performance in FY1997 was achieved by improved traffic flow of existing roadways and the opening of newly completed roadways. An increase in contributions from the Wuhan bridges and the newly opened Gaoming Bridge in Guangdong also contributed to the rise in operating profit.

We expect the contributions from our toll road and bridge operations to rise in the coming year as a result of

- Continual organic growth from existing projects
- New projects coming on stream in FY 1998

**Construction and Engineering**

Operating profit amounted to HK\$179.1 million in FY1997, a decrease of 24.3 % as compared to FY1996. If including income at the associated company and joint venture level, the total contributions from the construction and engineering operations amounted to HK\$273.6 million.

The Group is looking forward to enjoying growth in FY1998 and beyond as a result of:

- The increase in construction activities under the Hong Kong Government's stimulatory housing policy
- Increasing demand for quality construction and E & M engineering services in both Hong Kong and the PRC

**Others**

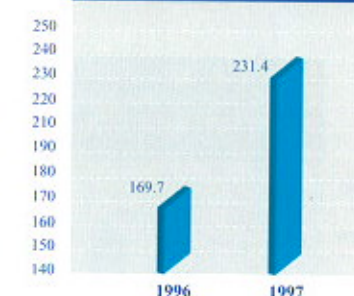
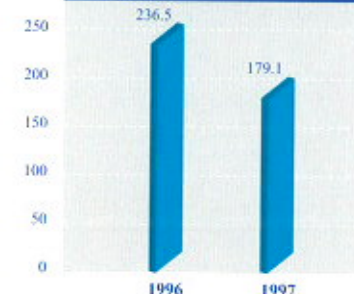
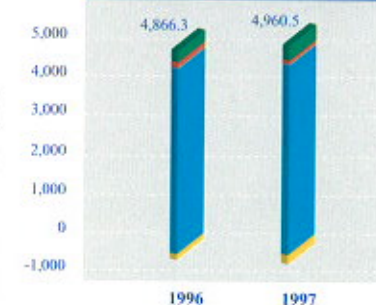
The loss incurred in this section was mainly attributable to the Group's telecommunications businesses due to its high initial start-up and operating costs. As of November 1997, New World Telephone has secured over 400,000 customers for its IDD009 services, representing over 10% market share.

Other businesses contributing to the Group's operating profit included property management, security guarding and cleaning and landscaping etc.. The operating profit derived from these areas recorded satisfactory growth.

**Analysis of Operating Profit By Region**

Hong Kong remained the major source of income for the Group, with 93.1 % of the total operating profit. The majority of the Group's operating activities - property sales, rental income, hotel and restaurant operations and construction and engineering-were carried out in Hong Kong.

Profit from China surged 93.3% to HK\$400.2 million. HK\$231.4 million came from the operations of toll roads and bridges and the rest was principally from China property sales.

OPERATING PROFIT -  
TOLL ROAD AND BRIDGE  
OPERATIONS  
(HK\$ MILLION)OPERATING PROFIT -  
CONSTRUCTION AND  
ENGINEERING  
(HK\$ MILLION)OPERATING PROFIT  
BY REGION  
(HK\$ MILLION)

Hong Kong  
North America  
China  
Europe



## FINANCIAL REVIEW

Contributions from the United States represents the Group's hotel management operations through Renaissance Hotel Group N.V. whereas the negative contribution in Europe derived from the Group's hotel investments in that region.

## Analysis of Share of Results of Associated Companies and Joint Ventures

In FY 1997, the Group recognised a total of HK\$2,020.7 million from the share of results of its associated companies and joint ventures, an increase of 461.9%.

On the property front, the contribution was mainly derived from the disposal of Hotel Victoria in which the Group has an interest of 45% (effective 28.8%). Contributions from China property were principally due to the sale of New World Riverside Villa Site 14 and Dongguan New World Garden.

HK\$445 million profit was recorded from the Group's infrastructure projects. The cargo handling sector remained the largest contributor. The Guangzhou City Northern Ring Road contributed the most from the road projects. Most of the roadways also reported satisfactory results given the improved traffic flows and increase in toll rates for some of the projects. Contributions from the power projects also surged substantially, mainly due to the revision of guaranteed profit per KWh of the Zhujiang Power Station Phase One.

Contributions from the Group's construction and engineering activities amounted to HK\$94.5 million. This was mainly due to the completion of several joint venture projects including the Hong Kong Convention and Exhibition Centre Extension and the British Consulate General.

Rental income from the associated company level included the 21,476 sq. ft. portion of Pearl City (Group's share 40%) and the Shun Tak Centre Complex (Group's share 45%, effective 28.8%). The service apartments at Shun Tak Centre are undergoing conversion into office space, expected to be completed by FY 1999.

Improved results were achieved from the Group's three hotels in Southeast Asia, namely the New World Hotel, Kuala Lumpur, Renaissance Hotel, Kuala Lumpur and New World Hotel, Ho Chi Minh City. The Group's stakes in the three hotels ranged from 21.6% to 37.5%.

## Exceptional Gains

An exceptional gain of HK\$1,316 million was recorded in FY1997. The gain resulted from two items:

Items	HK\$ million
1. Disposal of Renaissance Hotel Group N.V. and Hotel Property Investments (BVI) Limited	372.2
2. The dilution of New World Development's holding in NWI	943.8
- new issue of 42,800,000 shares on 2nd January, 1997 at HK\$ 18.57	
- placement of 84,000,000 shares on 30th May, 1997 at HK\$ 24.01	
<i>(NWD's holdings in NWI at the end of 30th June, 1997 was 56.91%)</i>	
<b>Total</b>	<b>1,316.0</b>

## FINANCIAL REVIEW

## Minority Interests

The substantial increase in minority interests was mainly attributable to the sale of Hotel Victoria. The Group's dilution of shareholdings in NWI from 66.5% to 56.91% as a result of two share issues in FY1997 was another major reason for the rise in minority interests.

## FINANCIAL POSITION

## Summary of Assets

Items	FY1997 (HK\$ million)	FY1996 (HK\$ million)	% change
Fixed assets	46,059.7	41,654.4	10.6
Associated companies	10,847.9	7,753.5	39.9
Joint ventures in the PRC	15,960.5	11,194.8	42.6
Other investments	4,704.5	1,447.8	224.9
Licence agreement	-	888.0	N/A
Long term receivables	366.7	215.0	70.6
Net current assets	12,120.2	12,495.1	(3.0)
Intangible assets	-	337.0	N/A
Deferred expenditure	221.8	142.3	55.9
	<b>90,281.3</b>	<b>76,127.9</b>	<b>18.6</b>

## Net Current Assets

Decrease in net current assets from HK\$ 12,495.1 million to HK\$ 12,120.2 million was mainly attributed to the decrease in cash and bank balances for investment activities.

## Fixed Assets

Increase in fixed assets from HK\$ 41,654.4 million to HK\$ 46,059.7 million was principally attributable to the significant rise in the asset revaluation for the Group's investment and hotel properties of HK\$3,327.9 million and HK\$1,587.2 million respectively. HK\$ 604.4 million added to the land and buildings was mainly attributable to the acquisition of 393,785 sq. ft. office space and car parks at the Chevalier Commercial Centre for New World Telephone and New World Department Store. Other additions came from the increase of toll road and bridge projects. Decrease in other assets was due to the disposal of subsidiary companies of the Group which held the overseas hotel assets.

## Associated Companies

Our investment in associated companies increased to HK\$ 10,847.9 million, a 40% increase as compared to HK\$ 7,753.5 million in 1996. The increase was mainly due to the HK\$1.59 billion acquisition of additional stake in Sea-Land Orient Terminals Limited, which increased our effective interest in SLOT from 13.84% to 30.34%. The rest of the increase came from the increase in the share of associated companies' reserves and advances to associated companies in the property development business in Hong Kong such as Super Lion Enterprises Limited - Queen Street project, Ranex Investments Limited - Belcher Gardens Redevelopment project and Newfoundworld Limited - Tung Chung Development project.



## FINANCIAL REVIEW

## Joint Ventures in the PRC

The increase in joint ventures was due to the additions of both equity joint ventures and co-operative joint ventures. HK\$1,825.8 million of the increase was attributable to NWI. The rest was principally derived from the Group's investments in property projects.

## Investments

Investments increased from HK\$ 1,447.8 million to HK\$ 4,704.5 million. The rise was mainly due to the acquisition of the shares of different H-share and Red-chip companies.

## Summary of Liabilities and Equity

Items	FY1997 (HK\$ million)	FY1996 (HK\$ million)	% change
Share capital	1,909.0	1,761.0	8.4
Reserves	62,400.9	49,499.2	26.1
<b>Shareholders' funds</b>	<b>64,309.9</b>	<b>51,260.2</b>	<b>25.5</b>
Minority interests	10,062.2	8,105.0	24.1
Long term liabilities	15,905.6	16,759.7	(5.1)
Deferred taxation	3.6	3.0	20.0
	<b>90,281.3</b>	<b>76,127.9</b>	<b>18.6</b>

## Long Term Liabilities

Long term liabilities decreased from HK\$ 16,759.7 million to HK\$ 15,905.6 million. The drop was principally due to the decrease in secured bank loans and other unsecured loans.

## Shareholders' Funds

Shareholders' funds increased from HK\$ 51,260.2 million to HK\$ 64,309.9 million, equivalent to HK\$33.7 per share.

Increase in shareholders' funds was mainly contributed by the increase in asset revaluation surplus on the Group's investment and hotel properties. The placement of 75 million shares in September 1996, the conversion of the Group's convertible bond and scrip dividend issued during the year accounted for the rest of the increase.

## Minority Interests

Minority interests represent the minority shareholders' interest in the Group's partly owned subsidiary companies. The increase in minority interests in FY1997 was mainly due to the following:

- Increase in profit in FY1997
- Increase in asset revaluation surplus of the Group's investment and hotel properties that are not 100% owned by the Group
- The dilution of NWI's holdings in NWI from 66.5% in FY1996 to 56.91% in FY1997 as a result of NWI's two share issues

## FINANCIAL REVIEW

## Interest Coverage

Interest Coverage improved from 3.3 times in FY1996 to 4.9 times in FY 1997. The improvement was achieved through lower-averaged interest cost and retirements of some of the Group's liabilities. The interest expense in FY 1997, excluding capitalised interest, was HK\$1,437.7 million, a decrease of 7.9% compared to HK\$1,561.7 million in the previous year.

## Gearing Ratio

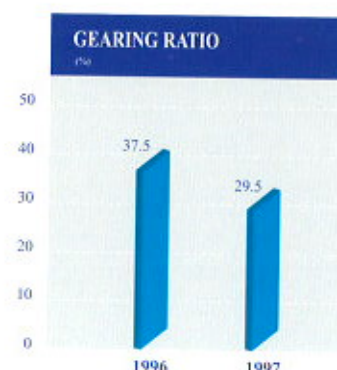
The Group's gearing stood at 29.5% at the end of FY1997, compared to 37.5% in the previous year.

Net indebtedness decreased from HK\$19,239 million at the end of FY1996 to HK\$18,972.0 million in FY1997. The Group is in a very strong cash position given the strong property sales in FY1997. In addition, proceeds from the sale of RHG and HPI contributed more than HK\$4.4 billion cash to the Group.

Revaluation of the Group's investment and hotel properties resulted in an increase of HK\$4,527.9 million in shareholders' funds which in turn decreased the gearing ratio. The strong growth in profit further strengthened our balance sheet. Profit after dividend amounted to HK\$2,983.5 million and was transferred to our reserves.

## MAJOR FINANCING ACTIVITIES

September 1996	New World Development raised HK\$2.78 billion through a private placement of 75 million shares at HK\$37.10 per share
October 1996	New World China Finance Limited issued a US\$350 million mandatory convertible bond which is convertible into shares of New World China Limited upon its listing
March 1997	A HK\$1.5 billion term credit facility was arranged for New World PCS Limited for its PCS operations
May 1997	New World Infrastructure raised US\$650 million through a 5-year revolving syndicated loan
May 1997	New World Infrastructure raised HK\$2.02 billion through a private placement of 84 million shares at HK\$24.01 per share





## NWD IN THE FINANCIAL MARKET



### STOCK PERFORMANCE

NWD's stock price performed strongly during the past year and reached an all-time high of HK\$59.00. It closed at HK\$46.80 on 30th September 1997, a 30.7% increase compared to 1st July 1996. Against the backdrop of the Asian currency turmoil and the subsequent plunge in the Hang Seng Index in October, NWD's stock was affected along with the rest of the stock market. Given the sound fundamentals and clear directions of each of the Group's divisions, however, we are confident of our ability to deliver long term value to our shareholders. The Company intends to open up more channels of communication to inform investors about the Company's continuing activities, business rationale and prospects, thereby increasing general understanding of the Company.

### INVESTOR RELATIONS

In the past year, the Company has made a substantial effort to supply more detailed and timely information to the investment community and the media. During the year, senior executives of the Company have participated in international road shows, addressed various financial conferences and attended "company visits". Field trips were arranged for investors and financial analysts as well as the media to visit the Company's projects in China. In November 1997, the Company launched its own web site with the aim of providing up-to-the-minute information about the Company. We strongly believe that all these measures enable us to maintain a close relationship with our shareholders and the rest of the financial community, and, at the same time, enable the Company to gather their invaluable input. We are pleased to be recognised as one of the top two Hong Kong companies in investor relations in a survey conducted in August/September 1997 by an international investor relations company.

## NWD IN THE FINANCIAL MARKET

### 4<sup>3</sup>/<sub>8</sub>% CONVERTIBLE GUARANTEED BONDS DUE 2000

A value of US\$225.14 million convertible bonds has been converted into 49,473,084 shares of NWD. A total of US\$74.86 million worth of convertible bond was outstanding as at 30th June 1997.

### 4.0% MANDATORILY CONVERTIBLE GUARANTEED BONDS

In October 1996, a subsidiary company issued a US\$350 million convertible bond. The bond was mandatorily convertible to shares of New World China Limited upon a complying IPO on or before 31st December 1999.

### ORDINARY SHARES ISSUED

As at 30th June 1997, the total outstanding shares of NWD was 1,909,030,130. This represented an increase of 148,041,899 shares compared to the last financial year end. The increase was attributable to the paying of scrip dividends, the placement in September 1996 and the conversion of shares from convertible bond holders.

#### 4<sup>3</sup>/<sub>8</sub>% Convertible Guaranteed Bonds Due 2000

Issuer	New World Development (BVI) Limited
Issue Date	Dec - 1993
Issue Amount	US\$ 300 million
Issue Price	Par
Redemption Price	Principle amount plus accrued interest on December 11, 2000
Maturity	December 11, 2000
Coupon	4 3/8%
Frequency	Semi-Annually (on March 1 and September 1)
First Coupon	1st March, 1994

#### 4.0% Mandatorily Convertible Guaranteed Bonds

Issuer	New World China Finance Limited
Issue Date	Oct - 1996
Issue Amount	US\$ 350 million
Issue Price	Par
Redemption Price	111.645% (assuming no IPO)
Maturity	IPO must occur by Dec. 31, 1999
Coupon	4 %
Frequency	Annual (on Dec. 31)
First Coupon	31st December, 1997



## NWD in the Global Community



The Company remains very active in promoting and supporting the social and economic well-being of Hong Kong and China. During the year under review, the Company donated about HK\$28.7 million (HK\$19.1 million in FY96) to various charitable organisations.

### BETTER HONG KONG FOUNDATION

In 1995, the Company's chairman Dr. Cheng Yu-tung and managing director, Dr. Henry Cheng together with a number of other leading Hong Kong businessmen founded the Better Hong Kong Foundation. This non-profit, non-political organisation is dedicated to the strengthening of business confidence and encouraging reinvestment in Hong Kong prior to the return to Chinese rule in mid-1997 and beyond, and the continuing facilitation of better understanding regarding the latest developments in Hong Kong at every level.

Through the Better Hong Kong Foundation, the two Chengs participate in numerous events aimed at the promotion of Hong Kong. On the night of 1<sup>st</sup> July 1997, the Company was the Grand Patron of Honour for the Hong Kong 97 Spectacular, an outdoor laser and

fireworks show celebrating the resumption of Chinese sovereignty over Hong Kong.

### JOHN F. KENNEDY SCHOOL OF GOVERNMENT, HARVARD UNIVERSITY

In April, the John F. Kennedy School of Government at Harvard University invited Dr. Henry Cheng to deliver a speech which was attended by more than 80 leading U.S. businessmen and politicians. In his speech, which was intended to enhance the U.S. business community's understanding of the situation of Hong Kong and China, Dr. Cheng talked about China's economic reforms from the vantage point of his more than 20 years of experience in doing business in Hong Kong and China, and he also discussed the future of Hong Kong and China post-1997.

### COMMUNITY CHEST

New World has long been a regular supporter of various Community Chest activities.

During the year under review, staff were led by senior management in their participation in two sponsored walks organised by the Community Chest, raising a substantial sum of money in the process.

## DIRECTORS' REPORT

The Directors have pleasure in presenting their Annual Report and Statement of Accounts for the year ended 30 June 1997.

### 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 29, 30 and 31 to the Accounts on pages 154 to 164.

### ACCOUNTS

The profit of the Group for the year ended 30 June 1997 and the state of the Company's and the Group's affairs at that date are set out in the Accounts on pages 114 to 164.

### DIVIDENDS

The Directors have resolved to recommend total final dividend of 88 cents per share (1996: 84 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 87 cents per share with a cash option to shareholders registered on 22 December 1997. Together with the interim dividend of 32 cents per share (1996: 30 cents) paid in June 1997, total distributions for 1997 would thus be HK\$1.20 (1996: HK\$1.14) 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 87 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 19 to the Accounts.

### RESERVES

The details of movements in reserves are set out in Note 20 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\$28,670,000.



**FIXED ASSETS**

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

**CONNECTED TRANSACTIONS**

Details of connected transactions are shown on pages 84 to 92.

**DIRECTORS**

The Directors of the Company, whose names appear on page 5 of this annual report, were Directors of the Company during the year and at the date of this report.

In accordance with Article 103 of the Company's Articles of Association, Mr. Cheng Kar-Shing, Peter, Mr. Leung Chi-Kin, Stewart, Mr. Chan Kam-Ling and Mr. Chow Kwai-Cheung 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.

**DIRECTORS' INTERESTS IN CONTRACTS**

- (a) In accordance with a management agreement dated 5 August 1993 (the "Agreement"), Renaissance Hotel Operating Company (formerly known as Ramada Hotel Operating Company) (the "Operator"), a former 64% owned subsidiary company of the Group, was appointed by CTF Hotel Holdings, Inc. (formerly known as Stouffer Hotel Holdings, Inc.) ("CTFHH") to act as the exclusive manager to manage the hotels owned or managed by CTFHH located in the United States. The Operator is entitled to management and incentive fees which are based on a percentage of the gross revenue of the hotels. The management and incentive fees received by the Operator was US\$18,125,000 (HK\$140,288,000) (1996: US\$35,932,000 (HK\$277,754,000)) for the year. Dr. Cheng Kar-Shun, Henry, director of the Company and Mr. Doo Wai-Hoi, William, a director of certain subsidiary companies of the Group, are interested in this transaction to the extent that they have beneficial interests in CTFHH.
- (b) Pursuant to an agreement dated 5 August 1993 (the "Agreement") made between Hotel Property Investments (B.V.I.) Limited ("HPI") and Renaissance Hotel Holdings (B.V.I.) Limited ("Renaissance"), both being former subsidiary companies of the Group, and CTF Holdings Limited ("CTF") whereby HPI agreed to pay CTF an annual fee in accordance with the terms of the Agreement. CTF was paid a fee of US\$11,555,000 (HK\$89,320,000) for the year ended 30 June 1997 (1996: US\$11,882,000 (HK\$91,848,000)). Dr. Cheng Kar-Shun, Henry, director of the Company and Mr. Doo Wai-Hoi, William, a director of certain subsidiary companies of the Group, are interested in this transaction to the extent that they have beneficial interests in CTF. The Agreement was assigned to New World Hotels (Holdings) Limited ("NWHH"), a subsidiary company of the Group, on 25 July 1997.

**DIRECTORS' INTERESTS IN CONTRACTS (Continued)**

- (c) An indemnity dated 29 August 1995 ("Indemnity") to Renaissance Hotel Group N.V. ("RHG"), a former subsidiary company of the Group, which is now an independent third party, has been granted by Chow Tai Fook Enterprises Limited ("CTFEL") and the Company severally in the proportions 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 Investment, Inc., a Delaware corporation held by HPI. CTFEL will counter-indemnify the Company fully against any liability arising under the Indemnity in respect of the said lease obligations and guarantees of leases.
- (d) On 16 September 1997, a sale and purchase agreement (the "Agreement") was entered into between the Company and Tai Fook Group Limited ("Tai Fook") pursuant to which Tai Fook agreed to purchase from the Company the entire share capital of New World Risk Management (L) Limited ("NW Insurance") a wholly owned subsidiary company of the Company and a debt of HK\$6 million ("the Debt") due from NW Insurance to the Company. The consideration amounted to an aggregate of HK\$12 million (HK\$6 million being the consideration for the NW Insurance share and HK\$6 million being the consideration for the Debt). Dr. Cheng Yu-Tung, chairman of the Company, is interested in this transaction to the extent that he has beneficial interests in Tai Fook.

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.



## DIRECTORS' REPORT

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As part of the Reorganisation of the Company's service businesses (more detailed description is set out in item (f) of Connected Transactions of this report), the following Directors of the Company have exchanged their shares in various companies for the shares of New World Services Limited ("NWS"):-

Name of director	Companies involved in the Reorganisation	No. of shares held	No. of shares in NWS exchanged	NWS shares sold to the Company		Remaining shares held in NWS
				No.	Amount (HK\$)	
Dr. Sin Wai-Kin, David	International Property Management Ltd.	5,400	453,244	-	-	453,244
	Hip Hing Construction Co. Ltd.	42,000	27,523,447	-	-	27,523,447
	Tai Yieh Construction & Engineering Co. Ltd.	700	1,373,799	-	-	1,373,799
			<u>29,350,490</u>	<u>-</u>	<u>-</u>	<u>29,350,490</u>
Mr. Cheng Kar-Shing, Peter	Extensive Trading Co. Ltd.	380,000	1,946,677	-	-	1,946,677
	Urban Property Management Ltd.	750	1,436,111	-	-	1,436,111
			<u>3,382,788</u>	<u>-</u>	<u>-</u>	<u>3,382,788</u>
Mr. Leung Chi-Kin, Stewart	Young's Engineering Holding Ltd.	37,500	1,242,109	-	-	1,242,109
	Matsuden Trading Co. Ltd.	44,000	322,778	-	-	322,778
	Urban Property Management Ltd.	750	1,436,111	-	-	1,436,111
	Progreso Investment Ltd.	119,000	250,745	-	-	250,745
	Extensive Trading Co. Ltd.	160,000	819,655	-	-	819,655
			<u>4,071,398</u>	<u>-</u>	<u>-</u>	<u>4,071,398</u>
Mr. Chan Kam-Ling	International Property Management Ltd.	1,350	113,311	-	-	113,311
	Hip Hing Construction Co. Ltd.	15,000	9,829,802	957,490	5,246,641	8,872,312
	Tai Yieh Construction & Engineering Co. Ltd.	250	490,643	-	-	490,643
	Matsuden Trading Co. Ltd.	44,000	322,778	-	-	322,778
	Extensive Trading Co. Ltd.	80,000	409,827	-	-	409,827
			<u>11,166,361</u>	<u>957,490</u>	<u>5,246,641</u>	<u>10,208,871</u>
Yeung Chi Shing Estate Ltd. (Note 1)	International Property Management Ltd.	9,000	755,405	-	-	755,405
	Hip Hing Construction Co. Ltd.	42,000	27,523,447	-	-	27,523,447
	Tai Yieh Construction & Engineering Co. Ltd.	700	1,373,799	-	-	1,373,799
			<u>29,652,651</u>	<u>-</u>	<u>-</u>	<u>29,652,651</u>
Mr. Chow Kwai-Cheung	Extensive Trading Co. Ltd.	80,000	409,827	-	-	409,827
	Matsuden Trading Co. Ltd.	44,000	322,778	-	-	322,778
	Urban Property Management Ltd.	750	1,436,111	-	-	1,436,111
			<u>2,168,716</u>	<u>-</u>	<u>-</u>	<u>2,168,716</u>

## DIRECTORS' REPORT

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (Continued)

Name of director	Companies involved in the Reorganisation	No. of shares held	No. of shares in NWS exchanged	NWS shares sold to the Company		Remaining shares held in NWS
				No.	Amount (HK\$)	
Mr. Leung Chi-Kin, Stewart,	Mehonor Co. Ltd.	102	500,918	-	-	500,918
Mr. Chan Kam-Ling and	New China Steam Laundry Co. Ltd.	2,040	4,099,988	-	-	4,099,988
Mr. Chow Kwai-Cheung	Kiu Lok Service Management Co. Ltd.	2	6,700,292	-	-	6,700,292
(Note 2)	Pollution and Protection Consultants Ltd.	17	8,736,961	-	-	8,736,961
	Pollution and Protection Services Ltd.	17	4,063,104	-	-	4,063,104
			<u>24,101,263</u>	<u>-</u>	<u>-</u>	<u>24,101,263</u>

Notes:

- (1) Mr. Yeung Ping-Leung, Howard has beneficial interest in this company.
- (2) Mr. Leung Chi-Kin, Stewart, Mr. Chan Kam-Ling and Mr. Chow Kwai-Cheung are each interested in 1.6335% of the shares of the relevant companies.

A share option scheme of a subsidiary company was approved and adopted by its board of directors on 20 August 1997. No options have been granted to any of the Directors of the Company under this scheme since it was approved.

Save for the transactions mentioned above, at no time during the year was the Company or any of its subsidiary companies a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### DIRECTORS' INTERESTS IN SHARES

As at 30 June 1997, 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. (These interests include those held in certain of the present subsidiary companies of NWS pursuant to a reorganisation which is deemed to have taken place on 30 June 1997.)

	Personal Interests	Family Interests	Corporate Interests <sup>(1)</sup>	Other Interests
New World Development Co., Ltd. (ordinary shares of HK\$1.00 each)				
Dato' Dr. Cheng Yu-Tung	-	-	-	-
Dr. Quo-Wei Lee	-	-	3,060,524	250,000 <sup>(2)</sup>
Ld. Sandberg	-	-	-	-
Dr. Ho Tim	1,614,770	-	-	-
Dr. Sin Wai-Kin, David	3,337,478	52,067	-	-
Dr. Cheng Kar-Shun, Henry	-	-	-	-



## DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN SHARES (Continued)

	Personal Interests	Family Interests	Corporate Interests <sup>(1)</sup>	Other Interests
New World Development Co., Ltd. (Continued)				
Mr. Cheng Yue-Pui	—	—	—	—
Mr. Liang Chong-Hou, David	228,807	—	—	—
Mr. Yeung Ping-Leung, Howard	—	—	—	—
Mr. Cha Mou-Sing, Payson	—	—	—	—
Mr. Cheng Kar-Shing, Peter	—	—	—	—
Mr. Leung Chi-Kin, Stewart	23,253	—	—	—
Mr. Chan Kam-Ling	84,918	—	—	—
Mr. Chow Kwai-Cheung	20,818	—	—	—
Hip Hing Construction Co., Ltd. (Non-voting deferred shares of HK\$100.00 each)				
Dr. Sin Wai-Kin, David	42,000	—	—	—
Mr. Chan Kam-Ling	15,000	—	—	—
International Property Management Ltd. (Non-voting deferred shares of HK\$10.00 each)				
Dr. Sin Wai-Kin, David	5,400	—	—	—
Mr. Chan Kam-Ling	1,350	—	—	—
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	—	—	—

## DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN SHARES (Continued)

	Personal Interests	Family Interests	Corporate Interests <sup>(1)</sup>	Other Interests
Urban Property Management Ltd. (Non-voting deferred shares of HK\$1.00 each)				
Mr. Cheng Kar-Shing, Peter	—	—	750	—
Mr. Leung Chi-Kin, Stewart	750	—	—	—
Mr. Chow Kwai-Cheung	750	—	—	—
YE Holdings Corporation Ltd. (ordinary shares of HK\$1.00 each)				
Mr. Leung Chi-Kin, Stewart	37,500	—	—	—
Progreso Investment Ltd. (Non-voting deferred shares of HK\$1.00 each)				
Mr. Leung Chi-Kin, Stewart	—	—	119,000	—
HH Holdings Corporation Ltd. (ordinary share of HK\$1.00 each)				
Dr. Sin Wai-Kin, David	42,000	—	—	—
Mr. Chan Kam-Ling	15,000	—	—	—
Tai Yieh Construction & Engineering Co. Ltd. (Non-voting deferred shares of HK\$1,000.00 each)				
Dr. Sin Wai-Kin, David	700	—	—	—
Mr. Chan Kam-Ling	250	—	—	—
Matsuden Trading Co. Ltd. (Non-voting deferred shares of HK\$1.00 each)				
Mr. Leung Chi-Kin, Stewart	44,000	—	—	—
Mr. Chan Kam-Ling	—	—	44,000	—
Mr. Chow Kwai-Cheung	44,000	—	—	—



## DIRECTORS' REPORT

### DIRECTORS' INTERESTS IN SHARES (Continued)

	Personal Interests	Family Interests	Corporate Interests <sup>(1)</sup>	Other Interests
Extensive Trading Co. Ltd. (Non-voting deferred shares of HK\$1.00 each)				
Mr. Cheng Kar-Shing, Peter	—	—	380,000	—
Mr. Leung Chi-Kin, Stewart	160,000	—	—	—
Mr. Chan Kam-Ling	—	—	80,000	—
Mr. Chow Kwai-Cheung	80,000	—	—	—
New World Services Ltd. (ordinary shares of HK\$0.10 each)				
Dr. Sin Wai-Kin, David	—	—	29,350,490	—
Mr. Cheng Kar-Shing, Peter	—	—	3,382,788	—
Mr. Leung Chi-Kin, Stewart	4,214,347	—	250,745	—
Mr. Chan Kam-Ling	—	—	10,602,565	—
Mr. Chow Kwai-Cheung	2,562,410	—	—	—

#### Notes:

- <sup>(1)</sup> These shares were beneficially owned by a company in which the relevant director is deemed to be entitled under the Securities (Disclosure of Interests) Ordinance to exercise or control the exercise of one third or more of the voting power at its general meeting.
- <sup>(2)</sup> Interests held by a charitable foundation of which Dr. Quo-Wei Lee and his spouse are members of its board of trustees.

## DIRECTORS' REPORT

### SUBSTANTIAL SHAREHOLDER

- As at 30 June 1997, Chow Tai Fook Enterprises Limited, together with its subsidiary companies had interests in 674,066,028 shares in the Company.

Save for the shareholder referred to 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 Company has complied with Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year covered by this annual report.

### 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. Messrs H.C. Watt & Company have changed to become a corporate practice under the name of H.C. Watt & Company Limited. Accordingly, a resolution will be submitted at the forthcoming Annual General Meeting to appoint H.C. Watt & Company Limited, along with the re-appointment of Price Waterhouse as Joint Auditors of the Company.

On behalf of the Board

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

Chairman

Hong Kong, 11 November 1997



## DIRECTORS' REPORT

## 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 and indirect wholly owned subsidiary company of 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 which is 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 13.67% of the equity interest of Realform and 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 holding company, NWHH. With respect to 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 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, constituted a substantial shareholder of Realform 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.

## DIRECTORS' REPORT

## CONNECTED TRANSACTIONS (Continued)

- (b) On 11 November 1996, a sale and purchase agreement (the "Cement S&P") was entered into between Everlasting Luck International Limited ("Everlasting Luck"), an indirect wholly-owned subsidiary company of New World Infrastructure Limited ("NWI") which is an indirect 56.91% owned subsidiary company of the Group, Best Wide Development (Cement) Limited ("BWDC") and Mr. Li Chun. The entering into of the Cement S&P constituted a connected transaction for the Group under the Listing Rules by virtue of BWDC's shareholding in Well Time Limited ("Well Time"), a subsidiary company of the Group owned as to 60% by Everlasting Luck and 40% by BWDC immediately prior to the Cement S&P. The principal assets of Well time are 55% equity interest in five Sino-foreign joint ventures engaged in the manufacturing and sale of cement and cement products (collectively the "Cement Companies"). Mr. Li Chun is unconnected (as defined in the Listing Rules) with the Company, NWI and their respective subsidiary companies save for his interest and directorship in BWDC, Well Time and the Cement Companies.

Under the Cement S&P, Everlasting Luck purchased from BWDC (i) 200 shares of US\$1 each in Well Time, representing 20% of the existing issued share capital of Well Time, at a cash consideration of HK\$1,546; and (ii) the benefits of a loan in the sum of HK\$24,565,000 owing by Well Time to BWDC as at 11 November 1996 (the "BWDC Loan") at a cash consideration equals to the face value of the BWDC Loan (the "Acquisitions"). Mr. Li Chun has agreed to guarantee the performance of BWDC of its obligations under the Cement S&P. After completion of the Acquisitions, Everlasting Luck holds 80% interest in Well Time and 44% effective interest in the Cement Companies.

The consideration paid by Everlasting Luck to BWDC under the Cement S&P represented 20% of the consideration paid by Well Time for the acquisition which was completed on 2 November 1996, of 55% interest in the Cement Companies. The shareholders agreement of Well Time, further provides that the shareholders are to contribute towards shareholders loan required by Well Time on a pro-rata basis.



## DIRECTORS' REPORT

### CONNECTED TRANSACTIONS (Continued)

- (c) On 23 November 1996, Soundfull Developments Limited ("Soundfull"), a wholly-owned subsidiary company of NWI, entered into a Sino-foreign co-operative joint venture with 廣州市隧道開發公司 (Guangzhou City Tunnels Development Company) ("GCTD"), an independent third party (as defined in the Listing Rules), to establish a limited liability company, Guangzhou New World Bridges Construction Limited ("GNWBC") in Guangzhou to construct and operate three toll bridges in Guangzhou City (the "Bridges Project"). Soundfull and GCTD each shares 50% in the profit of GNWBC.

The total cost of the Bridges Project would amount to RMB3.2 billion (HK\$2.98 billion), of which RMB2.2 billion (HK\$2.05 billion) would be for the main construction work of the three toll bridges (the "Main Cost") and RMB1.0 billion (HK\$930 million) for the ancillary works (the "Ancillary Cost").

GNWBC would finance the Main Cost with RMB320 million (HK\$297 million) registered capital to which Soundfull and GCTD would contribute 70% and 30% ("Capital Contribution Ratio") or RMB224 million (HK\$208 million) and RMB96 million (HK\$89 million) in cash respectively. GNWBC would further finance a minimum of RMB1.1 billion (HK\$1.02 billion) of the Main Cost with a bank loan. The unfinanced portion of the Main Cost would be funded by shareholder loans from Soundfull and GCTD in proportion to the Capital Contribution Ratio. NWI would further provide a loan amounting to RMB1.0 billion (HK\$930 million) which bears interest at 10% per annum to GNWBC to finance the Ancillary Cost.

The shareholder's loan from NWI has been considered as the provision of financial assistance to a non-wholly owned subsidiary company of the Group under normal commercial terms and constitutes a connected transaction for the Group under the Listing Rules.

- (d) On 22 January 1997, an agreement (the "De Sheng Agreement") was entered into between Viney Resources Limited ("Viney"), a wholly owned subsidiary company of NWI, Richfirm Industries Limited ("Richfirm") and its wholly owned subsidiary company, Talent Classic Enterprises Limited ("Talent") in respect of the sale and purchase of 60% interest in Shunde De Sheng Power Plant Co. Ltd. ("De Sheng Power Co."). Richfirm and Talent are independent third parties as defined in the Listing Rules.

## DIRECTORS' REPORT

### CONNECTED TRANSACTIONS (Continued)

- (d) (Continued)

De Sheng Power Co. is a Sino-foreign equity joint venture formed in 1993 by Talent and Shunde Electric Development Company ("SEDC"), an independent third party as defined in the Listing Rules, to build and operate a 273.5 MW oil-fired power generator (the "De Sheng Power Plant") in Shunde City, Guangdong Province. Prior to the De Sheng Agreement, Talent and SEDC each holds 70% and 30% interest respectively in De Sheng Power Co. The total project cost was approximately US\$254,700,000 (HK\$1,968,831,000) and was financed by registered capital of US\$86,230,000 (HK\$666,558,000) and a bank loan of US\$168,000,000 (HK\$1,298,640,000) provided by a syndicate of international banks (the "Syndicated Loan") and other borrowings of US\$470,000 (HK\$3,633,000). The Syndicated Loan is guaranteed by Richfirm which shall remain as the guarantor after the completion of the De Sheng Agreement.

Pursuant to the De Sheng Agreement, Talent agreed to sell its 60% interest in the registered capital of De Sheng Power Co. to Viney for a consideration of US\$51,738,000 (HK\$399,935,000) and its remaining 10% interest to SEDC. De Sheng Power Co. would be changed to a Sino-foreign cooperative joint venture with Viney sharing in 60% of the profit. Viney has further agreed to provide a shareholder loan of not more than US\$101,082,000 (HK\$781,364,000) to De Sheng Power Co. by eight semi-annual instalments starting from 15 April 1997. De Sheng Power Co. would utilise the funds for repayment of part of the Syndicated Loan. The shareholder loan provided by Viney will be repaid by 20 semi-annual instalments starting from 30 June 2001 and bears interest at 14.5% per annum on the outstanding amount.

The shareholder's loan from Viney has been considered as the provision of financial assistance to a non-wholly owned subsidiary company of the Group under normal commercial terms and constitutes a connected transaction for the Group under the Listing Rules.

- (e) On 28 May 1997, two subsidiary companies of the Company had entered into agreements as follows:

1. New World Hotels Corporation Limited ("NWHC"), an indirect 64% owned subsidiary company of the Company incorporated in the British Virgin Islands, entered into a sale and purchase agreement (the "Trender SP Agreement") with Top New Properties Limited ("TNP") whereby NWHC purchased from TNP (i) 430 shares of HK\$1.00 each in Trender Ventures Limited ("Trender"), representing 43% of the issued share capital of Trender, at a cash consideration of HK\$430; and (ii) the benefits of loan in the sum of HK\$24,080,000 owing by Trender to TNP as at completion of the Trender SP Agreement (the "Trender Loan") at a cash consideration of HK\$12,040,000 (collectively the "Trender Acquisitions").



## DIRECTORS' REPORT

## CONNECTED TRANSACTIONS (Continued)

## (c) (Continued)

2. Trender entered into a sale and purchase agreement (the "Eastern SP Agreement") with World Rider Limited ("World Rider") whereby Trender purchased from World Rider (i) 1 share of HK\$1.00 in Eastern Light International Inc. ("Eastern"), representing 10% of the issued share capital of Eastern, at a cash consideration of HK\$1; and (ii) the benefits of loan together with all unpaid interest accrued thereon owing by Eastern to World Rider as at completion of the Eastern SP Agreement (the "Eastern Loan") at a cash consideration of HK\$5,152,000 (collectively the "Eastern Acquisitions"). As at the date of the Eastern SP Agreement, a principal sum of HK\$7,000,000 was owed by Eastern to World Rider, which bears interest at the rate of 8% per annum.

After completion of the Trender Acquisitions, NWHC owns 100% of interest in Trender, whilst Trender owns 80% of interest in Eastern after the completion of the Eastern Acquisitions.

Trender is a company incorporated in the British Virgin Islands and was, immediately prior to the entering into of the Trender SP Agreement, owned as to 57% by NWHC and 43% by TNP. Eastern is a company incorporated in the British Virgin Islands and was immediately prior to the entering into the Eastern SP Agreement, owned as to 70% by Trender, 20% by World Rider and 10% by Concord Rich Development Limited ("Concord Rich"). Concord Rich is a limited liability company incorporated in Hong Kong and is independent of the Group but owned more than 30% by a director of Eastern (the "Eastern Director"). The Eastern Director is unconnected with the Group except his directorship in Eastern and his controlling shareholding interest in World Rider. Trender is an investment holding company and its principal asset is the holding of shares in Eastern which in turn holds the entire equity interest in a wholly foreign owned enterprise established under the laws of the People's Republic of China (the "PRC"), known as Qingdao Eastern Light Entertainment Co., Ltd. (the "PRC Company"). Under a tenancy contract entered into with an independent Chinese party on 30 November 1993 (the "Tenancy Contract"), Eastern has leased certain portion of a building and the related facilities (the "Leased Properties") in Qingdao, Shangdong Province, the PRC for a term of 23 years commencing from 1 January 1994 upon and subject to the terms and conditions of the Tenancy Contract. As agreed by the independent Chinese party and Eastern, the PRC Company has taken up all the rights, interests and obligations of Eastern under the Tenancy Contract since its establishment on 18 December 1993. The Leased Properties were subsequently renovated for hotel business purposes. The purpose of the PRC Company is to run the business of the Leased Properties only.

## DIRECTORS' REPORT

## CONNECTED TRANSACTIONS (Continued)

## (c) (Continued)

By virtue of TNP's shareholding in Trender, the entering into of the Trender SP Agreement by NWHC constitutes a connected transaction for the Company under the Listing Rules. Further, by virtue of World Rider's shareholding in Eastern, the entering into of the Eastern SP Agreement by Trender also constitutes a connected transaction for the Company under the Listing Rules. Because of the size of the two said transactions, they are subject to the requirement of Rule 14.25 of the Listing Rules. Save for TNP's shareholding in Trender, TNP is unconnected with the Company or its subsidiary companies or with any directors, chief executive or substantial shareholders of the Company or any of its subsidiary companies or their respective associates (as defined under the Listing Rules). Save for World Rider's shareholding in Eastern and the directorship and controlling shareholding interest of the Eastern Director in World Rider, World Rider is unconnected with the Company or its subsidiary companies or with any directors, chief executive or substantial shareholders of the Company or any of its subsidiary companies or its respective associates (as defined in the Listing Rules).

- (f) A reorganisation (the "Reorganisation") of the Company's interests in the businesses of operation and management of the Hong Kong Convention and Exhibition Centre, construction, electrical and mechanical engineering, property and facility management, security and guarding, and other services (collectively, the "Service Businesses") took place during the year.

The Service Businesses was carried out through various wholly and non-wholly owned subsidiary companies and associated companies of the Company (collectively, the "Service Companies"). Pursuant to the Reorganisation, the Company's interests in the Service Companies were transferred to and consolidated under New World Services Limited ("NWS"), a new holding company incorporated on 28 April 1997 in the Cayman Islands, in exchange (the "Share Exchange") for NWS issuing new ordinary shares of HK\$0.10 each (the "NWS Shares") to the Company. Certain of the Service Companies were non-wholly owned subsidiary companies or associated companies with minority shareholders (the "Minority Shareholders"). In order to rationalise and streamline the corporate structure of the Service Companies under NWS (collectively, the "NWS Group") and concentrate the minority interests of the Service Companies in NWS, the Minority Shareholders had been offered the opportunity to participate in the Share Exchange on the same basis in which the Company had transferred its interests in the respective Service Companies to NWS. Minority Shareholders who had elected to participate in the Share Exchange (the "Participating Minority Shareholders") became minority shareholders of NWS while those who had elected not to participate will remain as minority shareholders of the particular Service Company of NWS. In total, there were 55 Participating Minority Shareholders who had elected to participate in the Share Exchange and transfer their direct shareholdings in the relevant Service Companies to NWS in exchange for NWS Shares.



## DIRECTORS' REPORT

## DIRECTORS' REPORT

## CONNECTED TRANSACTIONS (Continued)

## (f) (Continued)

The Share Exchange was effected on a pro-rata basis. For a particular Service Company, the number of NWS Shares entitled by the shareholders of the relevant Service Company were allocated to them pro-rata to their respective shareholdings in that particular Service Company. Furthermore, as between the Service Companies themselves, the number of NWS Shares entitled by all the shareholders (on a collective basis) of a particular Service Company were based on the following pro-rata basis. As the NWS Group was formed by a consolidation or aggregation of all the Service Companies, the allocation of the consolidated value of NWS was therefore being made among such Service Companies pro-rata to their respective contributions to the consolidated value of NWS. For the purposes of the Share Exchange, the value of each Service Company had been derived taking into consideration of factors including its historical and projected profit trend over the four financial year period from 1 July 1994 to 30 June 1998, its net tangible asset backing and its future business prospects.

In order to effect the Reorganisation, NWS had entered into various formal share exchange agreements (the "Share Exchange Agreements") with the Company and the Participating Minority Shareholders, on various dates between 2 June 1997 and 9 July 1997. Pursuant to the various Share Exchange Agreements, NWS had agreed to issue to the Company and the Participating Minority Shareholders, in return for their respective shareholdings in the various Service Companies, such number of NWS Shares as would result in the value of such NWS Shares attributable to the Company's and each Participating Minority Shareholder's percentage interest in the issued share capital of NWS immediately following completion of the Share Exchange being equal to the value of their respective contributions to the consolidated value of NWS referred to above. The total value of the NWS Shares to be issued to the Participating Minority Shareholders, which was equivalent to the total valuation of the attributable shareholdings of the various Service Companies to be acquired from them pursuant to the Share Exchange Agreements (and valued on the basis mentioned above), was approximately HK\$1,778 million.

As part of the Reorganisation, the Participating Minority Shareholders had also been given an option to elect to dispose of some or all of their NWS Shares to the Company at a price equal to 90% of the value of such shares established for the purposes of the Share Exchange. A total of 13 Participating Minority Shareholders (the "Vendors") had elected in their Share Exchange Agreements to dispose of some or all of their NWS Shares on this basis and the Company had entered into sale and purchase agreements (the "Purchase Agreements") with the Vendors to effect such purchases. In aggregate, the Company had purchased NWS Shares with a Share Exchange valuation of approximately HK\$208 million for a total cash consideration of approximately HK\$188 million (the "Purchase"), being 90% of the Share Exchange valuation of such NWS Shares. The consideration for the Purchase would be satisfied from the internal cash resources of the Company. It was expected that completion of the Share Exchange, execution of the appropriate Purchase Agreements and completion of the Purchase would take place as soon as practicable.

## CONNECTED TRANSACTIONS (Continued)

## (f) (Continued)

Immediately following the completion of the Share Exchange and the Purchase, approximately 74% and 26% of the total issued share capital of NWS would be held by the Company and the Participating Minority Shareholders respectively.

As 48 of the Participating Minority Shareholders are directors, chief executives and/or substantial shareholders of the Company and/or various subsidiary companies of the Company, or their respective associates as defined in the Listing Rules, the agreements entered into by the Company with such persons to effect the Reorganisation constitute a connected transaction of the Company for the purposes of the Listing Rules. The total value of NWS Shares issued to such connected persons under the Share Exchange is approximately HK\$1,371 million and approximately HK\$102 million of which were being purchased by the Company.

- (g) On 25 July 1997, NWHH sold its entire interests in HPI to CTF for a total consideration of US\$80 million (equivalent to approximately HK\$619 million) ("the Sale").

HPI was a wholly owned subsidiary company of NWHH. CTF is a company controlled by Dr. Cheng Kar-Shun, Henry, a director of the Company and Mr. Doo Wai-Hoi, William, a director of certain subsidiary companies of the Company. Under the Listing Rules, CTF is a connected person of the Company.

HPI group holds hotel property interests in the Americas, Australia and Europe, being all the hotel property interests of the Group outside Hong Kong, PRC and Southeast Asia. The consideration of US\$80 million (equivalent to approximately HK\$619 million) has been calculated by reference to the consolidated net tangible asset value of HPI as at 30 June 1997 (adjusted for the valuation of all HPI group's hotel property interests valued by Jones Lang Wootton as at 1 May 1997) plus a premium of approximately US\$18.75 million (equivalent to approximately HK\$145 million), such premium having been arrived at after commercial negotiation between the parties. As a result of the Sale, the Group will cease to have any hotel investments outside Hong Kong, PRC and Southeast Asia.



## DIRECTORS' REPORT

## CONNECTED TRANSACTIONS (Continued)

## (g) (Continued)

An indemnity dated 29 August 1995 ("Indemnity") to RHG, a former subsidiary company of the Company, which is now an independent third party, has been granted by Chow Tai Fook Enterprises Limited ("CTFEL") and the Company severally in the proportions of 36% and 64% in respect of any obligations RHG or its subsidiary companies may have in respect of certain lease payment obligations under 28 leases or guarantees of leases of Hotel Property Investment, Inc., a Delaware corporation held by HPI. Under the Sale, the Indemnity will continue thereafter. Arrangements have therefore been entered into whereby CTFEL will counter-indemnify the Company fully against any liability arising under the Indemnity in respect of the said lease obligations and guarantees of leases. It is presently estimated that the maximum liability of the Company under the Indemnity will be approximately US\$54 million per annum. Up to now, no payment has ever been made by the Company or CTFEL under the Indemnity.

The Sale and its ancillary arrangements will constitute a connected transaction under the Listing Rules, with the total consideration being less than 3% of the consolidated net tangible asset value of the Company and its subsidiary companies.

- (h) On 22 August 1997 a conditional sale and purchase agreement was entered into between NWI, Beauty Ocean Limited ("Beauty Ocean"), a wholly owned subsidiary company of NWI and CTFEL whereby CTFEL has agreed to sell and Beauty Ocean has agreed to purchase 2,089,000 "B" ordinary shares of HK\$100 each of Sino-French Holdings (Hong Kong) Limited ("Sino-French"), representing all of CTFEL's shareholding in Sino-French and 50% of the issued share capital of Sino-French for a cash consideration of HK\$1 billion payable upon completion (the "Sino-French Acquisition").

CTFEL is a connected person of the Group under the Listing Rules by virtue of its 35.30% holding of the issued share capital of the Company. Sino-French is an investment holding company incorporated in Hong Kong and its subsidiary companies and associated companies are principally engaged in the business of water and electricity supply. 26%, 50% and 24% of the total issued shares in Sino-French are owned by Suez Lyonnaise des Eaux ("SLDE"), CTFEL and Lyonnaise Asia Water Limited ("LAW") respectively prior to the Sino-French Acquisition. LAW is 17% owned by SLDE. SLDE and LAW are not connected with the directors, chief executive or substantial shareholders of the Company or NWI or any of their respective subsidiary companies or an associate (as defined under the Listing Rules) of any of them.

- (i) The Company and NWI have provided guarantees (the "Guarantees") in respect of the syndicated bank loans (the "Bank Loans") of NWI's two subsidiary companies and a PRC joint venture. NWI in return has given counter-guarantee in favour of the Company whereby NWI indemnifies the Company in respect of any liabilities incurred under the terms of the Guarantees. The outstanding balance at 30 June 1997 of the Bank Loans amounted to HK\$1,232,935,000. The Guarantees and NWI's counter-guarantee will remain in force for the duration of the Bank Loans.

## 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 201B, Hong Kong Convention & Exhibition Centre Phase 2, 1 Expo Drive, Wanchai, Hong Kong on Monday, 22 December 1997 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 1997 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. (Note 1)

By Order of the Board of Directors

**Leung Chi-Kin, Stewart**

*Secretary*

Hong Kong, 11 November 1997

## Notes:

- (1) Pursuant to the change of H.C. Watt & Company to become a corporate practice under the name of H.C. Watt & Company Limited, a special notice from a shareholder has been received proposing to appoint H.C. Watt & Company Limited in place of H.C. Watt & Company as one of the retiring Joint Auditors.
- (2) Register of Shareholders will be closed from 15 December 1997 to 22 December 1997, both days inclusive.
- (3) 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.



## HONG KONG PROPERTY DEVELOPMENT

## HONG KONG

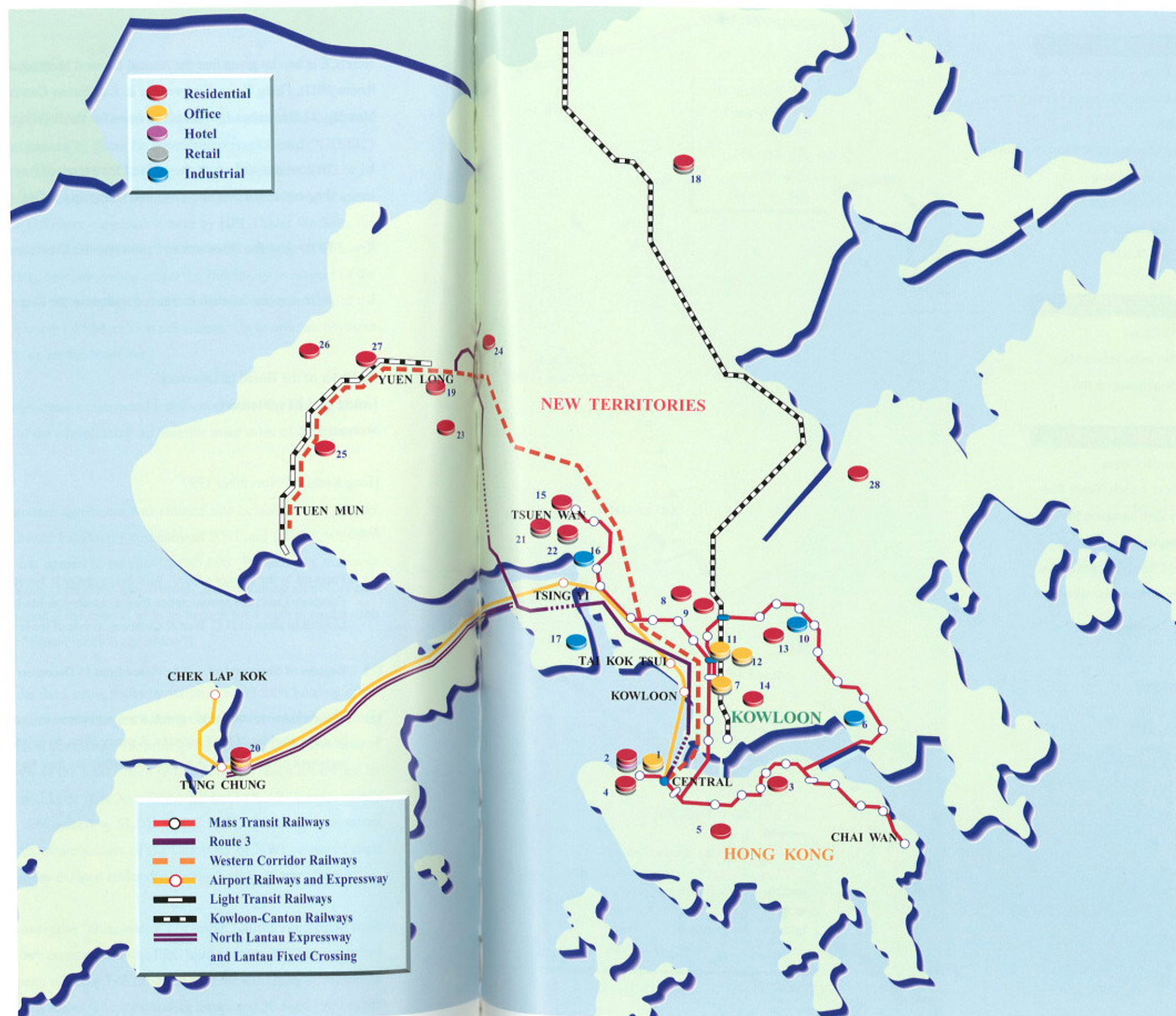
1. Grand Millennium Plaza,  
183 Queen's Road Central
2. Queen Street Redevelopment Project,  
Sheung Wan
3. 18, 20, 20A & 24 Tin Hau Temple Road
4. Belcher Gardens Redevelopment
5. 6-10 Black's Link

## KOWLOON

6. 51 Tsun Yip Street, Kwun Tong
7. Nathan Road/Dundas Street, Mongkok
8. NKIL 4850RP, Tai Po Road
9. NKIL 3512 RP & Ext., Tai Po Road
10. 15-19 Luk Hop Street, San Po Kong
11. 157 Prince Edward Road West
12. 171 Prince Edward Road West
13. 444-450 Prince Edward Road West
14. Portion of KIL 6059 RP, 56 Waterloo Road

## NEW TERRITORIES

15. Discovery Park, Tsuen Wan
16. 41-55 Wo Tong Tsui Street, Kwai Chung
17. 35-47 Tsing Yi Road, Tsing Yi Island
18. Area 19, Luen Wo Hui, Fanling
19. YLTL 463 Fung Kam Street, Yuen Long
20. Tung Chung Development
21. 85-99 Ham Tin Street, Tsuen Wan
22. 28-42 Luen Yan Street, Tsuen Wan
23. YLTL 500, Tai Tong Road, Yuen Long
24. Project in Yuen Long
25. Project in Fu Tei
26. Project in Lau Fau Shan
27. Project in Tong Yan San Tsuen
28. Project in Ma On Shan





# HONG KONG PROPERTY INVESTMENT

## HONG KONG

1. Manning House, 48 Queen's Road Central
2. New World Tower, 18 Queen's Road Central
3. Shun Tak Centre
4. Hong Kong Convention & Exhibition Centre
5. Grand Hyatt Hong Kong
6. New World Harbourview Hotel
7. Pearl City, Causeway Bay
8. 2 MacDonnell Road

## KOWLOON

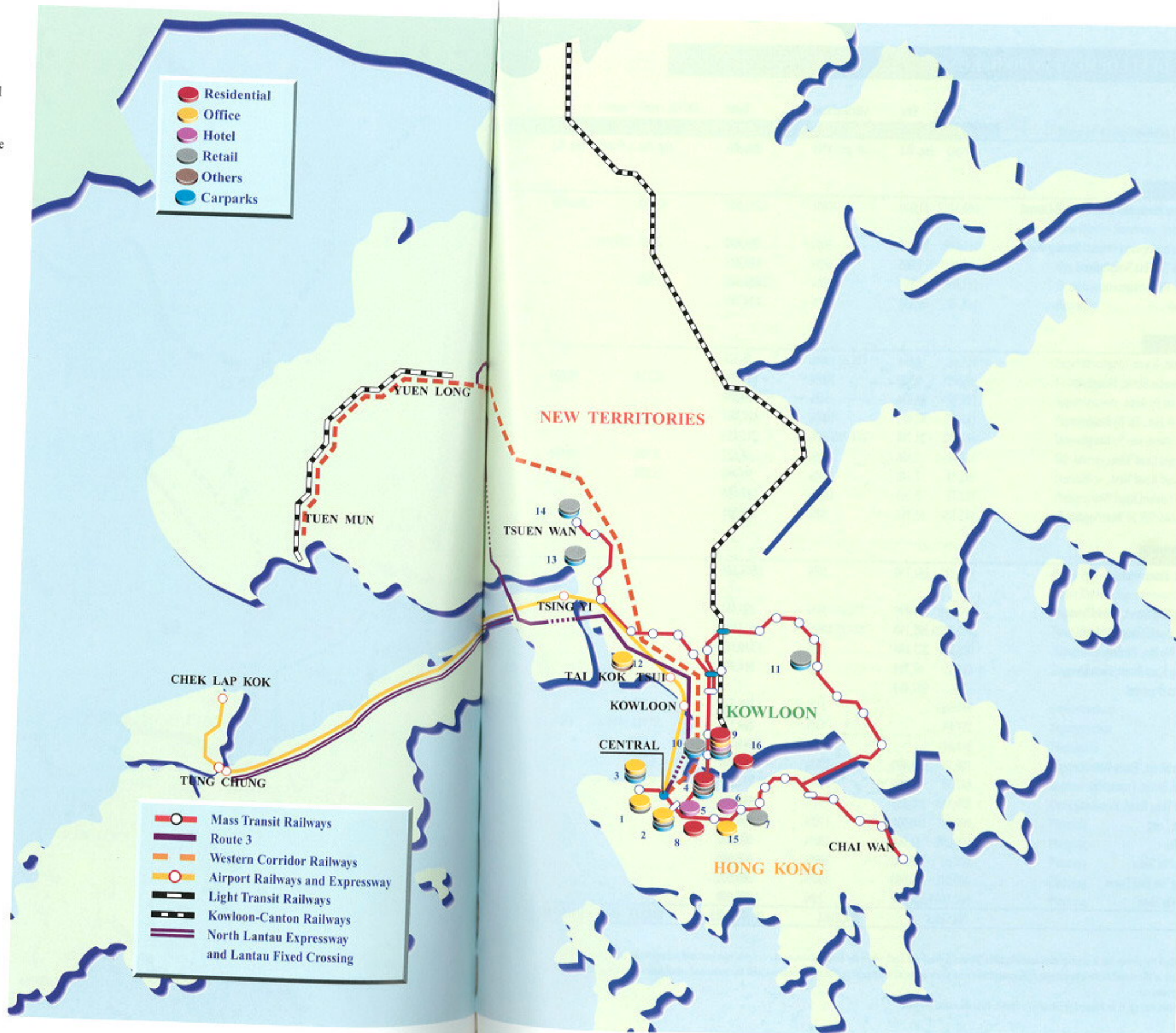
9. New World Centre
10. New World Centre Palace Mall
11. Telford Plaza, Kowloon Bay

## NEW TERRITORIES

12. Asia Terminals Centre
13. Riviera Plaza Arcade, Tsuen Wan
14. Discovery Park Shopping Mall

### To be completed

15. Methodist Church Redevelopment
16. New World Centre Extension





## PROPERTY DEVELOPMENT IN HONG KONG

Name of Property / Location	Site	Attributable	Total	Group's Share of GFA				Stage of Completion		
	Area	Interest	GFA	Retail	Office	Hotels	Residential		Industrial	Total
	(sq. ft.)	(%)	(sq. ft.)	(sq. ft.)	(sq. ft.)	(sq. ft.)	(sq. ft.)	(sq. ft.)	(sq. ft.)	
HONG KONG										
1. Grand Millennium Plaza, 183 Queen's Road Central	81,010	100% <sup>(1)</sup>	1,211,630	42,792	1,168,838				1,211,630	High Block - Completed Low Block - Superstructure
2. Queen Street Redevelopment Project, Sheung Wan	73,303	50% <sup>(1)</sup>	795,494	2,153		165,712	229,882		397,747	Demolition
3. 18, 20, 20A & 24 Tin Hau Temple Road	7,965	60%	63,723				38,234		38,234	Site Formation
4. Belcher Gardens Redevelopment	322,894	10%	2,661,641	21,528			244,634		266,162	Demolition
5. 6-10 Black's Link	69,535	80%	34,768				27,814		27,814	Planning
KOWLOON										
6. 51 Tsun Yip Street, Kwun Tong	4,694	100%	56,328					56,328	56,328	Superstructure
7. Nathan Road/Dundas Street, Mongkok	8,550	100% <sup>(1)</sup>	129,396	38,374	91,022				129,396	Completed
8. NKIL 4850RP, Tai Po Road	63,334	50%	190,586				95,293		95,293	Superstructure
9. NKIL 3512 RP & Ext., Tai Po Road	47,932	100%	97,445				97,445		97,445	Planning
10. 15-19 Luk Hop Street, San Po Kong	23,788	100%	285,456					285,456	285,456	Demolition
11. 157 Prince Edward Road West	7,380	50%	88,622	5,705	38,606				44,311	Site Investigation
12. 171 Prince Edward Road West	7,540	50%	90,480	5,920	39,320				45,240	Demolition
13. 444-450 Prince Edward Road West	6,761	100%	37,186				37,186		37,186	Planning
14. Portion of KIL 6059RP, 56 Waterloo Road	65,316	50%	326,581				163,291		163,291	Planning
NEW TERRITORIES										
15. Discovery Park, Tsuen Wan	348,750	50%	1,977,365 <sup>(2)</sup>				755,483		755,483	Phase Two - Superstructure Phase Three - Superstructure
16. 41-55 Wo Tong Tsui Street, Kwai Chung	31,490	50%	299,155					149,578	149,578	Superstructure
17. 35-47 Tsing Yi Road, Tsing Yi Island	305,190	100% <sup>(1)</sup>	1,525,958					1,525,958	1,525,958	Foundation Completed
18. Area 19, Luen Wo Hui, Fanling	223,686	12%	1,150,166	8,052			129,968		138,020	Superstructure
19. YLTL 463 Fung Kam Street, Yuen Long	63,389	7%	316,934				22,185		22,185	Superstructure
20. Tung Chung Development	907,405									
Site One		11% <sup>(1)</sup>	1,828,572	3,552			197,592		201,144	Superstructure
Site Two		11% <sup>(1)</sup>	861,113	50,913	17,760	26,049			94,722	Superstructure
Site Three		11% <sup>(1)</sup>	1,039,587	2,960			111,395		114,355	Foundation
21. 85-99 Ham Tin Street, Tsuen Wan	8,400	100%	82,401	6,293			76,108		82,401	Superstructure
22. 28-42 Luen Yan Street, Tsuen Wan	8,400	100%	81,115	6,575			74,540		81,115	Superstructure
23. YLTL 500, Tai Tong Road, Yuen Long	380,335	56%	1,140,006				638,403		638,403	Demolition
24. Project in Yuen Long	160,000	100%	750,000				750,000		750,000	Planning
25. Project in Fu Tei	48,000	100%	200,000				200,000		200,000	Planning
26. Project in Lau Fau Shan	165,000	100%	66,000				66,000		66,000	Planning
27. Project in Tong Yan San Tsuen	350,000	100%	350,000				350,000		350,000	Planning
28. Project in Ma On Shan	1,320,000	35%	1,980,000				693,000		693,000	Planning
TOTAL			19,717,708	194,817	1,355,546	191,761	4,998,453	2,017,320	8,757,897	

## Notes:

(1) Properties in which the Group has a development interest: other parties provide the land whilst the Group finances the construction cost and occasionally 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. in Phase I of Discovery Park is held for rental purpose.



## PROPERTY INVESTMENT IN HONG KONG

Name of Property	Total GFA	Group's Interest	Total	Group's Share of GFA / Carparks					Lease Expiry
	(sq. ft.)	(%)	(sq. ft.)	Retail (sq. ft.)	Office (sq. ft.)	Hotels (sq. ft.)	Residential (sq. ft.)	Others (sq. ft.)	Carparks (Number)
<i>Existing</i>									
<b>HONG KONG</b>									
1. Manning House, 48 Queen's Road Central	110,040	100%	110,040	63,383	46,657				2843
2. New World Tower, 18 Queen's Road Central	640,135	100%	640,135	77,948	562,187				387
3. Shun Tak Centre	823,969	45%	370,786	174,251	196,535				38
4. Hong Kong Convention & Exhibition Centre	178,730	100%	178,730	69,061			18,048	91,621 <sup>(2)</sup>	1,070
5. Grand Hyatt Hong Kong	524,928	100%	524,928			524,928			
6. New World Harbourview Hotel	544,518	100%	544,518			544,518			
7. Pearl City, Causeway Bay – Portion of Ground Floor to 4th Floor	53,691	40%	21,476	21,476					
– Portion of Ground Floor	24,682	100%	24,682	24,682					
8. 2 MacDonnell Road	116,954	100% <sup>(1)</sup>	116,954				116,954		
<b>KOWLOON</b>									
9. New World Centre	2,500,000	100%	2,500,000	957,667	538,966	580,632	422,735		1,801
10. New World Centre Palace Mall	141,439	100%	141,439	141,439					260
11. Telford Plaza, Kowloon Bay	335,960	100% <sup>(1)</sup>	335,960	335,960					136
<b>NEW TERRITORIES</b>									
12. Asia Terminals Centre	6,150,873	30.8%	1,894,469		78,118			1,816,351 <sup>(3)</sup>	
13. Riviera Plaza Arcade, Tsuen Wan	242,685	100%	242,685	242,685					324
14. Discovery Park Shopping Mall	466,400	50%	233,200	233,200					500
<b>TOTAL</b>	<b>12,855,004</b>		<b>7,880,002</b>	<b>2,341,752</b>	<b>1,422,463</b>	<b>1,650,078</b>	<b>557,737</b>	<b>1,907,972</b>	<b>4,516</b>
<i>To be completed</i>									
15. Methodist Church Redevelopment	40,813	99% <sup>(1)</sup>	40,405		40,405				
16. New World Centre Extension	988,340	100%	988,340				988,340		
<b>TOTAL</b>	<b>1,029,153</b>		<b>1,028,745</b>		<b>40,405</b>		<b>988,340</b>		
<b>TOTAL</b>	<b>13,884,157</b>		<b>8,908,747</b>	<b>2,341,752</b>	<b>1,462,868</b>	<b>1,650,078</b>	<b>1,546,077</b>	<b>1,907,972</b>	<b>4,516</b>

## Notes:

(1) Properties in which the Group has a development interest; other parties provide the land whilst the Group finances the construction cost and occasionally 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 agreement.

(2) The 91,621 sq. ft. represents the area of a private club and other recreational facilities.

(3) The 1,816,351 sq. ft. represents the warehouse space in Asia Terminals Centre.



## HOTEL INVESTMENT

Name of Hotel / Location	Number of Rooms	Group's Effective Interest
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### Existing

#### HONG KONG

The Regent	514	48.0%
New World Hotel	543	64.0%
New World Harbour View	862	64.0%
Grand Hyatt	572	64.0%
	2,491	

#### CHINA

Grand New World Hotel, Xian	480	22.4%
China Hotel, Guangzhou	888	9.0%
Ramada Hotel, Wuhan	138	50.0%
Jing Guang New World Hotel, Beijing	439	20.5%
Harbin New World Beifang Hotel, Harbin	329	23.8%
New World Hotel, Shenyang	252	40.4%
Ramada Hotel, Wuxi	325	25.6%
	2,851	

#### SOUTHEAST ASIA

New World Hotel, Makati, Philippines	600	29.9%
New World Hotel, Ho Chi Minh City, Vietnam	503	21.6%
New World Hotel, Kuala Lumpur, Malaysia	521	37.5%
Renaissance Hotel, Kuala Lumpur, Malaysia	399	37.5%
	2,023	

<b>TOTAL</b>	<b>7,365</b>	
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### To be Completed

#### CHINA

Shanghai New World Hotel, Shanghai	538	44.1%
Nanjing New World Hotel, Nanjing	437	48.0%
Ramada Hotel, Beijing	294	53.9%
Ramada Hotel, Shunde	450	20.6%
	1,719	

#### SOUTHEAST ASIA

Ramada Hotel, Johor Bahru, Malaysia	368	33.3%
Renaissance Hotel, Ho Chi Minh City, Vietnam	353	19.4%
	721	

<b>TOTAL</b>	<b>2,440</b>	
<b>GRAND TOTAL</b>	<b>9,805</b>	

## CONVENTIONAL PROPERTY DEVELOPMENT AND INVESTMENT PROJECTS IN CHINA

Name of Property	Address	Form of Investment <sup>(1)</sup>	Attributable Interest <sup>(2)</sup> (%)	Site Area (sq. ft.)	Total GFA (sq. ft.)	Group's Share of GFA				
						Retail (sq. ft.)	Office (sq. ft.)	Hotel (sq. ft.)	Residential (sq. ft.)	Total (sq. ft.)

### COMPLETED PROPERTIES HELD FOR LONG TERM INVESTMENT

#### BEIJING

1. Jing Guang Centre	Hujia Road, Chaoyang District, Beijing	EJV	Hotel: 20.5 Others: 17.6	290,520	Hotel: 953,680 Others: 522,269		53,012	195,504	38,907	287,423
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#### GUANGZHOU

2. China Hotel	Linhua Road, Jiefang Rd. North Yueshi District, Guangzhou	CJV	9.0	210,605	1,765,867	7,299	29,180	91,181	31,269	158,929
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#### WUHAN

3. Ramada Hotel Phase One	No. 9 Taibei Road, Jiangnan District, Wuhan	CJV	50.0*	104,017	110,290			55,145		55,145
4. Wuhan World Trade Centre Extension	No. 297, Xinhua Road, Jiangnan District, Wuhan	EJV	70	40,956	221,882	84,343	70,974			155,317

#### HARBIN

5. Harbin New World Beifang Hotel	No. 403 Huayuan Street, Nangang District, Harbin	CJV	Year 1-40: 23.8* Year 41-45: 15.8*	339,801	563,028	27,476		106,525		134,001
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#### SHENYANG

6. New World Hotel, Shenyang	No. 2 Nanjing Nan Street, Hoping District, Shenyang	EJV	40.4	84,434	370,564	50,130		99,578		149,708
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#### XIAN

7. Grand New World Hotel	No. 48 Lianhu Road, Xian	CJV	22.4	136,136	507,872			113,763		113,763
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#### TIANJIN

8. Tianjin New World Anderson Centre	138 Dongna Lu, Tianjin	EJV	51.0	248,847	1,251,130					539,348 <sup>(3)</sup>
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<b>SUB TOTAL</b>				<b>1,455,316</b>	<b>6,266,582</b>					<b>1,593,634</b>
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## CONVENTIONAL PROPERTY DEVELOPMENT AND INVESTMENT PROJECTS IN CHINA

Name of Property / Project	Address	Usage <sup>(1)</sup>	Form of Investment <sup>(1)</sup>	Attributable Interest <sup>(2)</sup> (%)	Site Area (sq. ft.)	Actual/Planned GFA (sq. ft.)	Group's Share of GFA (sq. ft.)
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### PROPERTIES UNDER DEVELOPMENT / HELD FOR FUTURE DEVELOPMENT

#### BEIJING

9. Beijing New World Centre Phase One	Chongwenmen Wai St. Chongwen District, Beijing	Hotel / Residential / Commercial	CJV	53.9*	210,175	2,108,648	1,136,561
Beijing New World Centre Phase Two	Chongwenmen Wai St. Chongwen District, Beijing	Residential / Commercial	CJV	60.0*	167,856	1,770,203	1,062,122
10. Dynasty Garden, Beijing (Formerly Beijing Tianhu Garden)	Tianhuozhen, Shunyi County, Beijing	Residential	Development Agreement <sup>(3)</sup>	40.0*	1,768,454	743,822	297,529
11. Lai Loi Development	Tianhuozhen, Shunyi County, Beijing	Residential	CJV	24.5*	2,330,616	1,119,040	274,165
12. Chang Le Development	Tianhuozhen, Shunyi County, Beijing	Residential	CJV	24.5*	3,858,536	1,936,800	474,516
13. Bao Yuan Development	Tianhuozhen, Shunyi County, Beijing	Residential	CJV	24.5*	4,325,520	2,317,058	567,679
14. Fu Wah Development	Tianhuozhen, Shunyi County, Beijing	Residential	CJV	24.5*	3,155,908	1,592,480	390,158
15. Yee Lok Garden	Yunhe (West) Street, Liyuanzhen, Tong County, Beijing	Residential	CJV	65.0	1,966,519	1,958,320	1,272,908

#### TIANJIN

16. Tianjin Fuhai Huayuan	New Port Road 2/Lingang Road, Tanggu District, Tianjin	Commercial/ Residential	WFE	80.0	434,467	Phase I: 263,663 Phase II: 1,803,193	Phase I: 210,910 Phase II: 1,442,554
17. Tianjin World Trade Centre	Lot H1, Tianjin Free Trade Zone, Tianjin	Commercial	WFE	100.0	116,574	997,549	997,549

#### SHANGHAI

18. Shanghai New World Centre	Lot 6, Huzhai Road (Central), Luwan District, Shanghai	Hotel / Commercial Res./Comm.	CJV	44.1*	107,094	1,436,094	633,318
19. Shanghai Zhongshan Square	No.1011 Zhong Shan Road (West), Changning District, Shanghai	Residential/ Clubhouse	CJV	32.4*	560,861	2,199,936	712,779
20. Easton Villas	Lot 2, Beisong Road, Minhang District, Shanghai	Residential	EJV	72.0	1,882,301	1,236,001	889,921
21. Jinhai Yuan	Lot 433, Yanan Road West, Jing'an District, Shanghai	Commercial/ Residential	EJV	30.0	59,137	335,378	100,614
22. Shanghai Ramada Plaza	Dingxi Road, Yuyuan Road, Changning District, Shanghai	Commercial	CJV	76.0	97,744	1,136,267	863,563
23. Cheng Yi Development	Zhongshan (South) Road/ Jianzaoju Road, Luwan District, Shanghai	Commercial/ Residential	WFE	80.0	265,600	995,999	796,800
24. Ju Yi Development	Zhongshan (South) Road, Luwan District, Shanghai	Commercial/ Residential	EJV	68.0	352,928	2,236,588	1,514,080

## CONVENTIONAL PROPERTY DEVELOPMENT AND INVESTMENT PROJECTS IN CHINA

Name of Property / Project	Address	Usage <sup>(1)</sup>	Form of Investment <sup>(1)</sup>	Attributable Interest <sup>(2)</sup> (%)	Site Area (sq. ft.)	Actual/Planned GFA (sq. ft.)	Group's Share of GFA (sq. ft.)
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#### GUANGZHOU

25. Guangzhou Golden Lake Garden City	Guang-Cong Highway, Guangzhou	Residential	Development Agreement <sup>(3)</sup>	Phase I: 40.0* Phase II: 50.0*	2,943,904	4,714,064	1,885,625
26. New World Riverside Villa	Site 14 and Site 13, Er Sha Island, Guangzhou	Residential	CJV	60.0*	Site 14: 556,421 Site 13: 203,687	Site 14: 205,624 Site 13: 208,712	Site 14: 123,374 Site 13: 125,227
27. New World Eastern Garden	Sub-area 4, Shipai in Tianhe District, Guangzhou	Residential	CJV	60.0	802,545	2,816,914	1,690,149
28. Guangzhou Tianhe Shipai Sub-area 2 and 5	Sub-area 2 and 5, Shipai in Tianhe District, Guangzhou	Residential	CJV	100	1,218,032	4,263,112 <sup>(4)</sup>	4,263,112
29. Fangcun District Comprehensive Development	Fangcun District, Guangzhou	Residential/ Commercial	CJV	60.0*	5,670,520	21,571,218	12,942,731
30. Guangzhou Metropolitan Garden	Guangshan Highway, Shahe District, Guangzhou	Residential/ Commercial	CJV	100	445,959	2,255,081	2,255,081
31. Guangzhou New World Centre	No. 55 Yulong (West) Road, Shahe, Guangzhou	Residential/ Commercial	CJV	100	177,314	1,825,111	1,825,111
32. Tianhe District Fang Chen Yuan	Lots H1-01, H1-02, H1-01, H1-02, H1-03, H1-04, H1-05 Tianhe Road North/ Longkou Road West, Tianhe District, Guangzhou	Residential/ Commercial	CJV	20.0	694,719	1,964,023	392,805
33. New World Plaza	No. 147, Yanjiang Road West, Guangzhou	Commercial	CJV	50.0	28,320	465,908	232,954
34. Guangzhou Riviera Garden	Xianrenshi, Liuzui, Yonghe Town, Zhengcheng Prefecture, Guangzhou	Commercial/ Residential	Development Agreement <sup>(3)</sup>	50.0*	7,796,664	3,898,337	1,949,169

#### WUHAN

35. Spring Fountain Tower	Jianshe Avenue, Jiangnan District, Wuhan	Commercial	Development Agreement <sup>(3)</sup>	100	27,223	378,053	378,053
36. Ramada Hotel Phase Two	No.9 Taibeiye, Jiangnan District, Wuhan	Comm. / Res.	CJV	50.0*	75,320	To be determined	-
37. Golden World Centre	No.21 Yuefei Street, Jiangnan District, Wuhan	Commercial/ Residential	EJV	8.9	39,489	513,069	45,663
38. Wuhan Hotel Redevelopment	No. 332 Jiefang Avenue, Qiaokou District, Wuhan	Commercial	CJV	60.0*	86,080	716,616	429,970
39. Tati Lake Redevelopment	Tati Lake, Houshuang, Jiangnan District, Wuhan	Commercial/ Residential	CJV	50.0*	8,145,804	1,112,799	556,400



## CONVENTIONAL PROPERTY DEVELOPMENT AND INVESTMENT PROJECTS IN CHINA

Name of Property / Project	Address	Usage <sup>(6)</sup>	Form of Investment <sup>(1)</sup>	Attributable Interest <sup>(2)</sup> (%)	Site Area (sq. ft.)	Actual/Planned GFA (sq. ft.)	Group's Share of GFA (sq. ft.)
<b>REST OF GUANGDONG PROVINCE</b>							
40. Dongguan New World Garden	Eastern District, New Town, Dongguan	Residential	CJV	36.7*	5,057,964	11,993,473	4,401,604
41. New World Convention & Exhibition Centre, Shunde (Formerly Shunde New World Centre)	No.47 Yixin Road, Daliangzhen, Shunde	Commercial / Residential	CJV	20.7	134,048	1,792,338	371,018
42. Shunde Ramada Hotel	No.47 Yixin Road, Daliangzhen, Shunde	Hotel	CJV	Year 1-10: 19.2 Year 11-20: 14.8	53,800	420,081	80,666
43. Shunde Dailiang Property Development	Desheng District, Shunde	Residential / Commercial	EJV	30.0	5,741,536	25,836,912	7,751,074
44. Foshan Golf & Country Club	Henggang, Dalizhen, Foshan	Commercial / Residential	CJV	Golf: 22.3 Res: 23.6	31,349,034	121,588 (Clubhouse of Phase I)	28,695
45. Site on Yanjiang Avenue	Rongqi, Shunde	Residential / Commercial	EJV	33.0	995,300	7,752,408	2,558,295
46. Dasha Golf Club	Liaowutan, Tuwu District, Dazhuai	Commercial	EJV	12.4	2,259,600	1,355,760	168,114
<b>OTHERS</b>							
47. Nanjing New World Huaiqi Plaza	Zhujiang Road/Beimenqiao Rd./Hongwu Road North, Nanjing	Hotel / Residential / Commercial	EJV	48	132,090	2,890,829	1,003,598
48. Dalian Bond Tak International Finance Centre	No.80 Renshi Road, Zhongshan District, Dalian	Residential / Commercial	WFE	30	176,798	2,302,382	690,715
49. Dalian New World Plaza	Tianjin Street, Youhao Road, Yonghe Street, Zhongshan District, Dalian	Residential / Commercial	EJV	35	105,491	1,901,895	665,663
50. Shijiazhuang New World Commercial Plaza	No.218 Section 2, Zhongshan East Road, Shijiazhuang	Commercial	EJV	55	727,731	1,109,571	610,264
51. Shenyang Taiyuan Street	Taiyuan Street, Heping District, Shenyang	Residential / Commercial	EJV	23.9	77,364	1,048,788	259,660
<b>SUB TOTAL</b>					<b>97,383,047</b>	<b>130,811,725</b>	<b>61,313,526</b>
<b>GRAND TOTAL</b>					<b>98,838,363</b>	<b>137,078,307</b>	<b>62,907,160</b>

### Notes:

- (1) CJV: Cooperative Joint Venture, EJV: Equity Joint Venture and WFE: Wholly Foreign Owned Enterprise.  
 (2) (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.  
 (3) 193,584 sq. ft. out of 1,251,130 sq. ft. was sold.  
 (4) Service apartments are included under commercial usage.  
 (5) The Group is not a direct joint venture party but holds the development right in the project through agreements entered into with one of the joint venture partners.  
 (6) Assumed a plot ratio of 3.5.

## GOVERNMENT SUBSIDISED HOUSING PROJECTS

Name of Project / Location	Site Area (sq. ft.)	Planned GFA (sq. ft.)	Attributable Interest (%)	Group's Share of GFA (sq. ft.)
<b>WUHAN</b>				
1. Changqing Garden	28,696,920	43,040,000	57	24,532,800
<b>TIANJIN</b>				
2. Huayuan Residential Area	10,075,664	14,381,816	57	8,197,635
Lot # 603	182,920	476,195	57	271,431
<b>SHENYANG</b>				
3. Yuhongbeili	1,779,704	2,795,459	57	1,593,411
<b>HUIZHOU</b>				
4. Chang Hu Ling	3,421,680	5,638,240	57	3,213,797
<b>GUANGZHOU</b>				
5. Ji Shien Zhuang	6,198,244	9,489,696	57	5,409,127
<b>TOTAL</b>	<b>50,355,132</b>	<b>75,821,406</b>		<b>43,218,201</b>



## CITY CORE REDEVELOPMENT PROJECTS

Name of Project	City	Form of Investment <sup>(1)</sup>	Site Area (sq. ft.)	Attributable Interest <sup>(2)</sup> (%)	Group's Shares of GFA <sup>(3)</sup> (sq. ft.)
1. Chongwen District Redevelopment	Beijing	CJV	21,520,000	56*	12,051,200
2. Hongqiao and Heping Districts Redevelopment	Tianjin	CJV	28,395,640	70*	19,876,948
3. Nankai District Redevelopment	Tianjin	CJV	15,305,024	70*	10,713,517
4. Dongshan District Redevelopment	Guangzhou	CJV	591,800	60*	355,080
5. Huizhou Huicheng District Redevelopment	Huizhou	CJV	385,757	62.5*	241,098
<b>TOTAL</b>			<b>66,198,221</b>		<b>43,237,843</b>

### Notes:

(1) CJV denotes cooperative joint venture.

(2) (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 distribution of accumulated profits to the joint venture or participating partners.

(3) Assumed a plot ratio of 1.

## LAND IMPROVEMENT PROJECTS

Name of Project	Address	Form of Investment <sup>(1)</sup>	Site Area (sq. ft.)	Attributable Interest <sup>(2)</sup> (%)	Group's Share of GFA <sup>(3)</sup> (sq. ft.)
1. Tianjin Free Port Trade Zone - Phase 2	Tianjin Free Trade Zone	EJV	21,520,000	50: Selling price per sq. m. not exceeding US\$ 120 45: Selling price per sq. m. exceeding US\$ 120	10,760,000
2. Wujiashan Economic Development Area	Dongsihu District, Wuhan	CJV	80,700,000	45	36,315,000
<b>TOTAL</b>			<b>102,220,000</b>		<b>47,075,000</b>

### Notes:

(1) CJV denotes cooperative joint venture and EJV denotes equity joint venture.

(2) (a) in the case of EJV, percentage of equity interest; (b) in the case of CJV, profit sharing percentage.

(3) Assumed a plot ratio of 1.

## CONVENTIONAL PROPERTY PROJECTS OFFERED FOR SALE IN FY 97

Name of Project	Location	Usage	Attributable Interest (%)	Total GFA (sq. ft.)	% Sold
1. Beijing New World Centre Phase One <sup>(1)</sup>	Beijing	Office/ Residential	53.9*	Residential: 313,084 Office: 211,369	100 63
2. Dynasty Garden Phase One (Formerly Beijing Tianzhu Garden)	Beijing	Residential	40.0*	281,600	40.5
3. Dongguan New World Garden, Phase One to Five	Dongguan	Residential	36.7*	1,508,553	over 90
4. New World Riverside Villa Site 14	Guangzhou	Residential	60.0*	205,624	Over 80
5. Fortuna Garden	Guangzhou	Residential	61.4*	414,841	Over 98
6. Shanghai World Finance Tower	Shanghai	Office	45.0	944,276	100
<b>TOTAL</b>				<b>3,879,347</b>	

## CONVENTIONAL PROPERTY PROJECTS OFFER FOR SALE IN FY 98

Name of Project	Location	Usage	Attributable Interest (%)	Total GFA (sq. ft.)
1. Beijing New World Centre Phase Two <sup>(2)</sup>	Beijing	Residential/Office	60.0*	1,770,023
2. Shanghai Zhongshan Square Phase One	Shanghai	Residential	32.4*	1,135,546
3. Euston Villas	Shanghai	Residential	72.0	1,236,001
4. Jinbai Yuan	Shanghai	Commercial/Residential	30.0	335,378
5. New World Riverside Villa Site 13	Guangzhou	Residential	60.0*	208,712
6. Tianjin Fuhui Huayuan Phase One	Tianjin	Residential/ Commercial	80.0	263,663
7. New World Eastern Garden (Formerly Guangzhou Tianhe Shipai Project Sub-area Four)	Guangzhou	Residential	60.0	2,816,914
8. New World Convention & Exhibition Centre, Shunde Phase One (Formerly Shunde New World Centre)	Shunde	Residential	20.7	236,622
<b>TOTAL</b>				<b>8,002,859</b>

### Notes:

(1) GFA represents the portion for sale only.

(2) The proportion of sale/lease of this project is under consideration.

\* 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.



## INFRASTRUCTURE

### PROJECT SUMMARY

	Gross Length/ Capacity	Form of Investment	Attributable Interest (%)	Expected/ Actual Operation Date <sup>(5)</sup>	JV Period (years)	Expiry Date <sup>(1)</sup>
<b>ROAD PROJECTS</b>						
Guangzhou City Northern Ring Road	22.0km	CJV	34.51	1/1994	33	2023
Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)		CJV	11.38		35	2028
Phase I - Section I	8.6km			5/1997		
Phase I - Section II	49.0km			Mid 2000		
Shenzhen-Huizhou Expressway (Huizhou Section)						
Expressway	34.7km	CJV	19.38	6/1993	30	2021
Roadway	21.8km	CJV	28.46	12/1997	26	2023
Hui-Ao Roadway		CJV	28.46		33	2028
Hui-Dan Section	36.0km			1/1996		
Hui-Ao Section	49.7km			EARLY 1998		
Roadway No. 324 (Gaoyao Section) *	24.0km	CJV	22.76	2/1994	22	2015
Roadway No. 321 (Fengkai Section) *	42.0km	CJV	25.61	12/1994	25	2019
Roadway No. 321 (Deqing Section) *	79.0km	CJV	25.61	9/1995	25	2020
Roadway No. 1964 (Zhaojiang Section) *	32.0km	CJV	39.84	12/1995	25	2019
Roadway No. 1960 (Sihui Section) *	47.0km	CJV	28.46		25	2021
Guangmei Toll Station				1/1996		
Shatou Toll Station				6/1996		
Roadway No. 1960 (Guangning Section)	60.0km	CJV	31.30	7/1996	25	2020
Roadway No. 1967 (Xinxing Section)	25.0km	CJV	31.30	7/1997	25	2022
Shuangjin Roadway (Gaoyao Section)	34.0km	CJV	34.72	9/1997	26	2024
Roadway No. 1962 (Guangning Section)	19.5km	CJV	31.30	4/1998	26	2023
Roadway No. 1969 (Gaoyao Section)	27.0km	CJV	5.69/33.00	2/1998	28	2024
Roadway No. 1959 (Qingxin Section)	26.6km	CJV	42.68	3/1998	30	2027
Roadway No. 105 (Lianping County North Section)	33.0km	CJV	5.69/29.02	8/1997	25	2022
Roadway No. 321 (Wuzhou Section)		CJV	25.61		25	2022
Phase I	8.7km			3/1997		
Phase II	4.3km			12/1997		
Beiliu City Roadways		CJV	34.15		25	2022
Phase I	18.2km			8/1997		
Phase II	21.6km			2/1998		
Yulin Shinan to Dajiangkou Roadway		CJV	34.15		25	2022
Phase I	8.7km			8/1997		
Phase II	30.0km			1/1999		
Rongxian Roadways		CJV	39.84		25	2022
Phase I	9.2km			10/1997		
Phase II	16.8km			2/1998		
Yulin to Shinan Roadway	27.8km	CJV	34.15	2/1998	25	2022
Cangwu County Roadway	10.1km	CJV	39.84	10/1998	25	2022
Yulin Shinan to Guigang Roadway	20.0km	CJV	34.15	1/1999	25	2022
Wuhan Airport Expressway	18.0km	CJV	22.76	4/1995	30	2025
Tangjin Expressway (Tianjin North Section)		CJV	34.15/51.22		30	
Section I	43.4km			1/1999		2029
Section II	17.0km			7/2001		2031
Tate's Cairn Tunnel *	4.0km	PCo	15.65	6/1991	30	2018
	928.8km					

## INFRASTRUCTURE

### PROJECT SUMMARY

	Gross Length/ Capacity	Form of Investment	Attributable Interest (%)	Expected/ Actual Operation Date <sup>(5)</sup>	JV Period (years)	Expiry Date <sup>(1)</sup>
<b>BRIDGE PROJECTS</b>						
Wuhan Bridge Development	4.0km	JSC	27.81	6/1995	-	Perpetual
Gaoming Bridge	1.1km	CJV	17.07/45.53	11/1996	25	2021
Guangzhou Three New Bridges	4.1km	CJV	28.46	Mid 1998	33	2030
Zhaoqing Deqing Xijiang Bridge	1.4km	CJV	34.15	5/1999	25	2022
	10.6km					
<b>CARGO HANDLING PROJECTS</b>						
Sea-Land Orient Terminals Limited ("SLOT")**	1.1 mil TEUs	PCo	17.27	6/1991	50	2047
Asia Terminals Limited ("ATL")**	5.9 mil ft <sup>2</sup>	PCo	30.83	2/1987	50	2047
United Asia Terminals (Yantian) Limited	899,800 CBM	PCo	22.76	2/1997	10	2007
Sea-Land Orient (Tianjin) Container Terminals Co., Limited	416,000 TEUs <sup>(2)</sup>	EJV	13.94	Early 1998	30	2027
<b>POWER PROJECTS</b>						
Zhujiang Power Station - Phase I	600 MW	EJV	28.46	1/1994	25	2017
Zhujiang Power Station - Phase II	600 MW	EJV	14.23	4/1996	25	2020
Shunde De Sheng Power Plant	273.5 MW	CJV	34.15	4/1997	20	2017
Macau Power Plant	366 MW	Equity	11.52	11/1997	25	2010
Sichuan Qianwei Dali Power Plant	54 MW	CJV	34.15	11/1997	25	2022
	1,893.5 MW					
<b>WATER PROJECTS</b>						
Macau Water Plant	195,000m <sup>3</sup> /day	Equity	24.19	11/1997	25	2010
Zhongshan Water Plant	60,000m <sup>3</sup> /day	Equity	16.50	11/1997	35	2027
Shenyang Water Plant	450,000m <sup>3</sup> /day	Equity	10.74	11/1997	30	2025
Nanchang Water Plant	50,000m <sup>3</sup> /day	Equity	14.23	11/1997	28	2023
Chongqing Water Plant	100,000m <sup>3</sup> /day	Equity	14.23	Early 1998	30	2026
Lianjiang Water Plant	100,000m <sup>3</sup> /day	Equity	16.22	1999	30	2027
Dongguan Microfiltration Equipment Plant	n/a	Equity	12.80	11/1997	20	2014
	955,000m <sup>3</sup> /day					
<b>CEMENT PROJECTS</b>						
Yantai Jinhe Cement Plant	350,000 tonnes/year	EJV	25.04	Operational	30	2024
Yantai Baoqiao Best Wide Cement Plant	420,000 tonnes/year	EJV	25.04	Operational	30	2024
Shandong Jianshe Best Wide Cement Plant	700,000 tonnes/year	EJV	25.04	Operational	30	2024
Shandong Zhangdian Best Wide Cement Plant	480,000 tonnes/year	EJV	25.04	Operational	30	2024
Shandong Zibo Best Wide Cement Plant	450,000 tonnes/year	EJV	25.04	Operational	30	2024
Qing Yuan New World Xin Tai Cement Plant	250,000 tonnes/year	EJV	29.02	10/1997	30	2027
	2,650,000 tonnes/year					



## INFRASTRUCTURE

### PROJECT SUMMARY

	Gross Length/ Capacity	Form of Investment	Attributable Interest (%)	Expected/ Actual Operation Date <sup>(5)</sup>	JV Period (years)	Expiry Date <sup>(1)</sup>
<b>STRATEGIC INVESTMENTS</b>						
China Internet Corporation Limited ("CIC") <sup>##</sup>	n/a <sup>(4)</sup>	Equity	6.54	7/1997	–	Perpetual
Beijing Datang Power Generation Company Limited <sup>#</sup>	n/a <sup>(4)</sup>	Equity	5.43	3/1997 <sup>(3)</sup>	–	Perpetual
Jiangsu Expressway Company Limited <sup>#</sup>	n/a <sup>(4)</sup>	Equity	1.78	6/1997 <sup>(3)</sup>	–	Perpetual
Sichuan Expressway Company Limited <sup>#</sup>	n/a <sup>(4)</sup>	Equity	5.63	10/1997 <sup>(3)</sup>	–	Perpetual

#### Notes:

\* Tariff increase approved after 30th June 1996

\*\* 16.5% additional effective interest in SLO acquired in January 1997

8.25% additional effective interest in ATL acquired in January 1997

# Listed on The Stock Exchange of Hong Kong Limited

## 10% additional interest, on a fully diluted basis in CIC was acquired in July 1997

(1) Project or JV expiry date

(2) Expected throughput of first year's operation

(3) Date of listing

(4) Not Applicable

(5) Date of NWI's profit entitlement or expected physical operational date

PCo = Private Company

CJV = Cooperative Joint Venture (profit sharing percentage)

EJV = Equity Joint Venture (percentage of equity interest)

JSC = Joint Stock Company

TEU = Twenty-Foot Equivalent Unit Container

## AUDITORS' REPORT

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 114 to 164 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 judgements 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 1997 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

**H. C. Watt & Company**

Certified Public Accountants

Hong Kong, 11 November 1997



# CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Year ended 30 June	
		1997 HK\$m	1996 HK\$m
Turnover	2	19,975.9	16,715.5
Operating profit	2 & 3	4,303.8	4,119.1
Exceptional gains	4	1,316.0	1,148.6
Profit from ordinary activities		5,619.8	5,267.7
Share of results of associated companies and joint ventures		2,020.7	359.6
Profit before taxation		7,640.5	5,627.3
Taxation	5	(963.0)	(827.3)
Profit after taxation		6,677.5	4,800.0
Minority interests		(1,365.5)	(642.3)
Profit attributable to shareholders	6	5,312.0	4,157.7
Dividends	7	(2,328.5)	(2,079.3)
Retained profit for the year	20	2,983.5	2,078.4
Retained by:			
Company and subsidiary companies		3,258.1	1,889.1
Associated companies and joint ventures		(274.6)	189.3
		2,983.5	2,078.4
Earnings per share	8		
Basic		HK\$2.86	HK\$2.44
Fully diluted		HK\$2.85	HK\$2.40

# CONSOLIDATED BALANCE SHEET

	Note	As at 30 June	
		1997 HK\$m	1996 HK\$m
Fixed assets	10	46,059.7	41,654.4
Associated companies	12	10,847.9	7,753.5
Joint ventures in the People's Republic of China	13	15,960.5	11,194.8
Other investments	14	4,704.5	1,447.8
Licence agreement	15	—	888.0
Long term receivables	16	366.7	215.0
Net current assets	17	12,120.2	12,495.1
		90,059.5	75,648.6
Intangible assets	18	—	337.0
Deferred expenditure		221.8	142.3
		90,281.3	76,127.9
Employment of funds			
Financed by:			
Share capital	19	1,909.0	1,761.0
Reserves	20	62,400.9	49,499.2
Shareholders' funds		64,309.9	51,260.2
Minority interests		10,062.2	8,105.0
Long term liabilities	21	15,905.6	16,759.7
Deferred taxation	22	3.6	3.0
Funds employed		90,281.3	76,127.9

Dr. Sin Wai-Kin, David  
Director

Dr. Cheng Kar-Shun, Henry  
Director



	Note	As at 30 June	
		1997 HK\$m	1996 HK\$m
Fixed assets	10	43.7	41.3
Subsidiary companies	11	26,324.8	16,166.2
Associated companies	12	82.6	80.4
Joint ventures in the People's Republic of China	13	1,224.3	1,064.0
Other investments	14	144.6	262.8
Net current liabilities	17	(1,314.1)	(818.9)
Employment of funds		<u>26,505.9</u>	<u>16,795.8</u>
Financed by:			
Share capital	19	1,909.0	1,761.0
Reserves	20	24,596.9	15,034.8
Funds employed		<u>26,505.9</u>	<u>16,795.8</u>

Dr. Sin Wai-Kin, David  
Director

Dr. Cheng Kar-Shun, Henry  
Director

	Note	Year ended 30 June	
		1997 HK\$m	1996 HK\$m
NET CASH INFLOW FROM OPERATING ACTIVITIES	26(a)	4,308.3	2,948.6
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		598.3	486.3
Interest paid		(1,437.7)	(1,508.2)
Dividends received from			
Associated companies		2,040.7	44.2
A joint venture in the People's Republic of China		34.6	69.5
Other investments		60.4	106.5
Dividends paid		(1,019.7)	(828.7)
Dividends paid to minority shareholders		(1,335.7)	(210.5)
Net cash outflow from returns on investments and servicing of finance		<u>(1,059.1)</u>	<u>(1,840.9)</u>
TAXATION			
Hong Kong profits tax paid		(540.9)	(590.1)
Overseas taxation paid		(84.8)	(9.6)
Tax paid		<u>(625.7)</u>	<u>(599.7)</u>
INVESTING ACTIVITIES			
Purchase of fixed assets		(2,562.3)	(2,005.7)
Increase in investments in associated companies		(2,408.2)	(1,877.3)
Increase in investments in joint ventures in the People's Republic of China		(4,818.3)	(2,479.0)
Increase in other investments		(3,556.3)	(1.5)
Decrease in long term receivables		49.3	302.6
Increase in intangible assets and deferred expenditure		(118.5)	(73.2)
Acquisition of additional interests in subsidiary companies		-	(67.5)
Acquisition of subsidiary companies (net of cash and cash equivalents)	26(c)	(795.1)	(299.1)
Purchase of business		-	(144.5)
Proceeds on disposal of			
Associated companies		-	146.8
Fixed assets, including investment properties		26.9	277.9
Joint ventures in the People's Republic of China		67.5	-
Other investments		-	17.4
Subsidiary companies	26(e)	2,041.2	-
Net cash outflow from investing activities		<u>(12,073.8)</u>	<u>(6,203.1)</u>
Net cash outflow before financing		<u>(9,450.3)</u>	<u>(5,695.1)</u>



		Year ended 30 June	
	Note	1997 HK\$m	1996 HK\$m
FINANCING			
Redemption of zero coupon bonds		—	(1,170.0)
Issue of shares		2,782.5	—
Issue of convertible bonds		2,705.5	1,932.5
Exercise of warrant subscription rights		—	1,103.0
Share issue expenses		(44.0)	(9.8)
Bond issue expenses		(76.8)	(62.8)
Increase in bank and other loans		5,076.5	7,989.9
Repayment of bank and other loans		(5,932.0)	(3,033.9)
Capital element of finance lease rental payment		(150.2)	(148.5)
Decrease in short term bank and other loans		(0.4)	(1,728.4)
Contribution from minority shareholders		2,243.3	4,106.2
Net cash inflow from financing activities	26(f)	6,604.4	8,978.2
(Decrease)/increase in cash and cash equivalents		(2,845.9)	3,283.1
Cash and cash equivalents at beginning of year		3,312.8	29.6
Effect of foreign exchange rate changes		10.9	0.1
Cash and cash equivalents at end of year	26(g)	477.8	3,312.8

## 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 for any permanent diminution in value. 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 representatives on the board of directors).



## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

## (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.

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). Where the Group is not entitled to share the net assets of a co-operative joint venture at the end of the joint venture period, the cost of investment in such co-operative joint venture is amortised over the joint venture period.

## (iii) Fixed return co-operative joint ventures

Where investment income derived from investments in and loans to co-operative joint ventures is predetermined in accordance with the provisions of the joint venture contracts for a substantial portion of the joint venture period, these co-operative joint ventures are referred to as fixed return co-operative joint ventures. Fixed return co-operative joint ventures are carried at cost less capital repayments received, irrespective of whether the Group has control or significant influence over the management of the joint ventures.

## (iv) 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 and 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 lease agreements.

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

## (g) Revenue recognition (Continued)

## (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 and engineering

Revenue from construction and 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.

## (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 and security service fee are recognised when services are rendered. Insurance brokerage commission is recognised upon the inception of the relevant insurance policies.

## (ix) Sales of goods

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



## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

## (g) Revenue recognition (Continued)

## (x) Interest income

Interest income is recognised on a time proportion 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.

## (xi) Income from investment in fixed return co-operative joint ventures

Income from investments in and loans to fixed return co-operative joint ventures is recognised on an accrual basis so as to provide a constant return on the aggregate of the investment and loan balances (net of capital repayments) over the joint venture periods.

## (h) Assets under leases

## (i) Finance leases

Leases that transfer substantially 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.

## (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 realised is transferred to operating profit. No depreciation is provided on investment properties held on leases of more than twenty years.

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

## (i) Fixed assets (Continued)

## (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 9% 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 14 years

## (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.



## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

## (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.

## (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 profits as computed for taxation purposes and profits as stated in the accounts to the extent that a liability or asset is expected to be payable or 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:

	1997 HK\$m	1996 HK\$m
(a) Analysis by principal activities		
(i) Turnover		
Rental income	1,966.6	1,843.1
Property sales	4,636.8	3,556.7
Construction and engineering	5,899.4	4,268.4
Hotel and restaurant operations	7,420.1	7,018.4
Toll road and bridge operations	368.0	264.5
Others	2,500.8	1,137.2
	<b>22,791.7</b>	<b>18,088.3</b>
Intra-group transactions		
Rental income	(136.0)	(128.2)
Construction and engineering	(2,483.4)	(1,046.6)
Others	(196.4)	(198.0)
	<b>19,975.9</b>	<b>16,715.5</b>
(ii) Contribution to operating profit		
Rental income	1,414.8	1,336.5
Property sales	2,432.4	2,425.6
Construction and engineering	179.1	236.5
Hotel and restaurant operations	890.7	814.0
Toll road and bridge operations	231.4	169.7
Others	(187.9)	(116.0)
	<b>4,960.5</b>	<b>4,866.3</b>
Net interest paid	(656.7)	(747.2)
	<b>4,303.8</b>	<b>4,119.1</b>

## 2. TURNOVER AND CONTRIBUTION TO OPERATING PROFIT (Continued)

	1997 HK\$m	1996 HK\$m
(b) Analysis by geography		
(i) Turnover		
Hong Kong and Southeast Asia	13,770.3	12,345.4
The People's Republic of China	2,476.0	724.8
North America	1,526.5	1,593.2
Europe	2,203.1	2,052.1
	<b>19,975.9</b>	<b>16,715.5</b>
(ii) Contribution to operating profit before interest		
Hong Kong and Southeast Asia	4,619.0	4,604.1
The People's Republic of China	400.2	207.0
North America	51.9	147.6
Europe	(110.6)	(92.4)
	<b>4,960.5</b>	<b>4,866.3</b>

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



## NOTES TO THE ACCOUNTS

## 3. OPERATING PROFIT

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

	1997 HK\$m	1996 HK\$m
Crediting:		
Gross rental income from investment properties	1,687.4	1,621.8
Outgoings	(197.7)	(214.3)
	<b>1,489.7</b>	<b>1,407.5</b>
Dividend income		
Listed investments	25.1	23.5
Unlisted investments	35.3	83.0
Gain on sales of investment properties	—	161.6
Gain on disposal of joint venture	64.1	—
Royalty income from licence agreement	84.7	164.9
Charging:		
Interest on bank loans and overdrafts	1,055.4	1,193.1
Interest on other loans wholly payable within five years	47.1	53.3
Interest on other loans not wholly payable within five years	41.2	61.8
Interest on finance leases	19.0	17.4
Interest on convertible bonds	206.8	112.2
Interest on loans from minority shareholders	68.2	70.4
Amortisation of discount on zero coupon bonds	—	53.5
Interest capitalised as cost of		
Fixed assets	—	(30.8)
Properties under development	(182.7)	(243.9)
	<b>1,255.0</b>	<b>1,287.0</b>
Auditors' remuneration	27.8	26.9
Depreciation		
Leased fixed assets	66.3	53.3
Owned fixed assets	489.9	356.6
Operating lease rentals for land and buildings	718.6	757.9
Loss on disposal of associated companies	—	33.3
Amortisation of intangible assets	38.5	44.1
Amortisation of deferred expenditure	26.0	33.6

## NOTES TO THE ACCOUNTS

## 4. EXCEPTIONAL GAINS

	1997 HK\$m	1996 HK\$m
Profit on disposal of investments in subsidiary companies (Note a)	372.2	—
Profit on dilution of interest in subsidiary companies (Note b)	943.8	585.2
Profit on partial disposal of investment in a subsidiary company (Note c)	—	563.4
	<b>1,316.0</b>	<b>1,148.6</b>

(a) During the year, the Group disposed of its entire interests in Renaissance Hotel Group N.V. ("RHG"), a 35% owned subsidiary company listed on the New York Stock Exchange and Hotel Property Investments (BVI) Limited, a 64% owned subsidiary company at a consideration of US\$491,040,000 and US\$80 million respectively. A net exceptional gain on disposal of these shares was recorded.

(b) In 1996, a reorganisation took place whereby various interests in infrastructure projects of the Group were consolidated under New World Infrastructure Limited ("NWI"), a company incorporated in Cayman Islands. NWI was listed on the Stock Exchange of Hong Kong in October 1995 by placing and issue of 186,300,000 new shares representing approximately 24.8% of the enlarged issued share capital. The exceptional gain in 1996 represented profit on dilution of investment in NWI by the Group as a result of the placing and new issue.

During the year, 42,800,000 and 84,000,000 new shares were issued and placed by NWI at HK\$18.57 per share and HK\$24.01 per share respectively. The proceeds were applied to the settlement of purchase consideration in respect of the acquisition of two subsidiary companies and general working capital purposes respectively. Following the new issue and placing, the Group's equity interest in NWI was diluted from 66.5% to 56.91% and an exceptional gain was recorded.

(c) 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 represented profit on disposal of shares in RHG by the Group as a result of the Offering.



## NOTES TO THE ACCOUNTS

## 5. TAXATION

	1997 HK\$m	1996 HK\$m
Company and subsidiary companies		
Hong Kong profits tax	824.4	660.9
Overseas taxation	71.1	119.9
Deferred taxation (Note 22)	0.6	(9.2)
	<u>896.1</u>	<u>771.6</u>
Associated companies and joint ventures		
Hong Kong profits tax	37.9	32.9
Overseas taxation	29.0	22.8
	<u>66.9</u>	<u>55.7</u>
	<u>963.0</u>	<u>827.3</u>

Hong Kong profits tax is provided at the rate of 16.5% (1996:16.5%) 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\$6,391.5 million (1996: HK\$ 2,979.7 million).

## 7. DIVIDENDS

	1997 HK\$m	1996 HK\$m
Interim dividend paid of 32 cents (1996: 30 cents) per share	644.5	537.1
Proposed final dividend of 88 cents (1996: 84 cents) per share	<u>1,684.0</u>	<u>1,542.2</u>
	<u>2,328.5</u>	<u>2,079.3</u>

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

Interim dividend	330.2	288.3
Final dividend	*	836.8

\* Full provision has been made for the 1997 final dividend on the basis that all shareholders will elect to receive cash, being the alternative to their entitlements to the scrip dividend.

## NOTES TO THE ACCOUNTS

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit of HK\$5,312.0 million (1996: HK\$4,157.7 million) and the weighted average of 1,856.5 million shares (1996: 1,706.2 million shares) in issue during the year.

The fully diluted earnings per share is based on adjusted profit of HK\$5,337.3 million (1996: HK\$4,258.9 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 1,872.9 million shares (1996: 1,772.1 million shares) issued and issuable.

## 9. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

	1997 HK\$m	1996 HK\$m
Details of the emoluments paid to the Directors are as follows:		
Fees	1.3	0.9
Salaries and other emoluments	19.5	15.3
Contributions to retirement benefits	0.6	0.6
	<u>21.4</u>	<u>16.8</u>

The emoluments of the Directors fall within the following bands:

Emolument band (HK\$)	Number of individuals	
	1997	1996
0-1,000,000	9	10
1,500,001-2,000,000	-	1
2,000,001-2,500,000	1	1
2,500,001-3,000,000	1	2
3,000,001-3,500,000	2	-
6,000,001-6,500,000	-	1
9,000,001-9,500,000	1	-
	<u>14</u>	<u>15</u>

Fees paid to independent non-executive directors amounted to HK\$0.3 million (1996: HK\$0.2 million). There were no other emoluments paid to independent non-executive directors. None of the directors has waived the rights to receive their emoluments.



## 9. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Details of the emoluments paid to the five individuals, including two directors (1996: one director), whose emoluments were the highest in the Group are as follows:

	1997 HK\$m	1996 HK\$m
Salaries and other emoluments	22.9	22.5
Contributions to retirement benefits	0.3	0.2
	<u>23.2</u>	<u>22.7</u>

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

Emolument band (HK\$)	Number of individuals	
	1997	1996
3,000,001-3,500,000	2	1
3,500,001-4,000,000	2	1
4,000,001-4,500,000	—	1
5,500,001-6,000,000	—	1
6,000,001-6,500,000	—	1
9,000,001-9,500,000	1	—
	<u>5</u>	<u>5</u>

## 10. FIXED ASSETS

	Group						
	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	Total HK\$m
<b>Cost or valuation</b>							
At 1.7.1996	23,174.2	12,530.5	1,056.9	3,009.3	2,963.2	738.8	43,472.9
Translation difference	—	(1.0)	(4.5)	—	(0.9)	0.2	(6.2)
Disposal of subsidiary companies	—	(1,937.7)	—	—	(1,483.3)	—	(3,421.0)
Additions	—	408.0	604.4	207.9	888.8	453.2	2,562.3
Reclassification	585.0	—	0.5	272.4	2.9	(860.8)	—
Disposals	—	—	(101.2)	—	(139.8)	—	(241.0)
Revaluation surplus	3,327.9	1,587.2	—	—	—	—	4,915.1
At 30.6.1997	<u>27,087.1</u>	<u>12,587.0</u>	<u>1,556.1</u>	<u>3,489.6</u>	<u>2,230.9</u>	<u>331.4</u>	<u>47,282.1</u>
<b>Accumulated depreciation</b>							
At 1.7.1996	—	—	137.1	101.0	1,580.4	—	1,818.5
Translation difference	—	—	(0.2)	—	(0.3)	—	(0.5)
Disposal of subsidiary companies	—	—	—	—	(971.8)	—	(971.8)
Charge for the year	—	—	33.5	40.5	482.2	—	556.2
Written back on disposals	—	—	(80.8)	—	(99.2)	—	(180.0)
At 30.6.1997	<u>—</u>	<u>—</u>	<u>89.6</u>	<u>141.5</u>	<u>991.3</u>	<u>—</u>	<u>1,222.4</u>
<b>Net book value</b>							
At 30.6.1997	<u>27,087.1</u>	<u>12,587.0</u>	<u>1,466.5</u>	<u>3,348.1</u>	<u>1,239.6</u>	<u>331.4</u>	<u>46,059.7</u>
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>



## NOTES TO THE ACCOUNTS

## 10. FIXED ASSETS (Continued)

	Investment properties HK\$m	Company Land and buildings HK\$m	Total HK\$m
<b>Cost or valuation</b>			
At 1.7.1996	37.5	4.6	42.1
Revaluation surplus	2.5	—	2.5
Disposals	—	(0.1)	(0.1)
At 30.6.1997	40.0	4.5	44.5
<b>Accumulated depreciation</b>			
At 1.7.1996	—	0.8	0.8
Charge for the year	—	0.1	0.1
Written back on disposals	—	(0.1)	(0.1)
At 30.6.1997	—	0.8	0.8
<b>Net book value</b>			
At 30.6.1997	40.0	3.7	43.7
At 30.6.1996	37.5	3.8	41.3

## NOTES TO THE ACCOUNTS

## 10. FIXED ASSETS (Continued)

Cost or valuation of properties at 30 June 1997 was made up as follows:

	Investment properties	Hotel properties	Land and buildings			Total
	Hong Kong long lease HK\$m	Hong Kong long lease HK\$m	Hong Kong long lease HK\$m	Overseas long lease HK\$m	Overseas medium-term lease HK\$m	HK\$m
<b>Group</b>						
At cost	—	—	755.5	28.3	772.3	1,556.1
At 1997 professional valuation	27,087.1	12,587.0	—	—	—	39,674.1
	27,087.1	12,587.0	755.5	28.3	772.3	41,230.2
<b>Company</b>						
At cost	—	—	4.5	—	—	4.5
At 1997 professional valuation	40.0	—	—	—	—	40.0
	40.0	—	4.5	—	—	44.5

The investment properties and hotel properties were revalued on 30 June 1997 on an open market value basis by Chesterton Petty Limited and Vigers Hong Kong Limited.

Toll roads and bridges, assets under construction and other assets comprising plant, machinery, equipment, telecommunication network and 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\$16,953.5 million (1996: HK\$15,380.1 million).

The net book value of fixed assets includes assets held under finance leases amounting to HK\$1.5 million (1996: HK\$123.3 million).



## NOTES TO THE ACCOUNTS

## 11. SUBSIDIARY COMPANIES

	1997 HK\$m	1996 HK\$m
Unlisted shares		
At cost	3,453.4	2,474.4
Provision for permanent diminution in value	(432.1)	(432.1)
	3,021.3	2,042.3
At Directors' valuation in 1972	72.0	72.0
	3,093.3	2,114.3
Amounts due by subsidiary companies less provision	36,518.9	29,265.6
	39,612.2	31,379.9
Amounts due to subsidiary companies	(13,287.4)	(15,213.7)
	26,324.8	16,166.2

Details of principal subsidiary companies are given in Note 29.

## NOTES TO THE ACCOUNTS

## 12. ASSOCIATED COMPANIES

	Group		Company	
	1997 HK\$m	1996 HK\$m	1997 HK\$m	1996 HK\$m
Unlisted shares, at cost less provision (Note a)	1,657.8	1,267.3	50.3	53.5
Share of undistributed post-acquisition reserves	2,546.2	1,694.6	—	—
Group's share of net assets	4,204.0	2,961.9	50.3	53.5
Amounts due by associated companies				
Current accounts less provision	6,659.4	5,534.4	116.1	124.5
Subordinated loans (Note a)	196.9	196.9	—	—
	6,856.3	5,731.3	116.1	124.5
Amounts due to associated companies	(212.4)	(939.7)	(83.8)	(97.6)
	6,643.9	4,791.6	32.3	26.9
	10,847.9	7,753.5	82.6	80.4

- (a) Shares and advances in the form of subordinated loans, totalling HK\$443.7 million (1996: HK\$443.7 million) have been pledged as part of the security for credit facilities of HK\$1,750.0 million (1996: HK\$3,070.0 million) granted to an associated company of which HK\$1,750.0 million (1996: HK\$2,054.1 million) had been utilised as at the balance sheet date.
- (b) Dividends received and receivable by the Group from associated companies were HK\$2,040.7 million (1996: HK\$42.6 million).
- (c) Details of principal associated companies are given in Note 30.



## NOTES TO THE ACCOUNTS

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

	Group		Company	
	1997 HK\$m	1996 HK\$m	1997 HK\$m	1996 HK\$m
Equity joint ventures				
Group's share of net assets (Note a)	1,203.5	963.5	230.9	219.5
Amounts due by joint ventures less provision	824.9	1,002.8	219.1	157.2
	2,028.4	1,966.3	450.0	376.7
Co-operative joint ventures				
Cost of investment less provision (Note b)	3,505.7	2,988.8	616.1	337.8
Share of undistributed post-acquisition results	299.7	133.9	—	—
Amounts due by joint ventures less provision	7,921.1	5,065.4	158.2	349.5
	11,726.5	8,188.1	774.3	687.3
Fixed return co-operative joint venture				
Capital and loan contribution, at cost	477.2	—	—	—
	12,203.7	8,188.1	774.3	687.3
Deposits paid for joint ventures (Note c)	1,728.4	1,040.4	—	—
	15,960.5	11,194.8	1,224.3	1,064.0

- (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 (1996: HK\$309.2 million) granted to the joint venture company.
- (b) The Group's interests in certain joint ventures have been pledged as part of the security to secure syndicated loan facilities of HK\$1,062.9 million (1996: HK\$1,062.9 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 31.

## NOTES TO THE ACCOUNTS

## 14. OTHER INVESTMENTS

	Group		Company	
	1997 HK\$m	1996 HK\$m	1997 HK\$m	1996 HK\$m
Unlisted shares, at cost less provision	100.3	182.3	44.0	44.0
Listed shares, at cost less provision				
Hong Kong	2,810.4	408.7	90.0	—
Overseas	25.1	208.5	—	—
	2,835.5	617.2	90.0	—
Investments in joint ventures				
At cost less provision	1,487.3	234.0	10.6	15.0
Advances to joint ventures	281.4	414.3	—	203.8
	1,768.7	648.3	10.6	218.8
	4,704.5	1,447.8	144.6	262.8
Market value of listed shares	3,638.9	802.2	85.0	—



## NOTES TO THE ACCOUNTS

## 15. LICENCE AGREEMENT

The Group entered into a long term licence agreement which grants the rights 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 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.

During the year, the right under this licence agreement had been disposed of pursuant to the sale of shares of RHG.

## 16. LONG TERM RECEIVABLES

	Group		Company	
	1997	1996	1997	1996
	HK\$m	HK\$m	HK\$m	HK\$m
Accounts receivable	203.6	—	—	—
Notes receivable	189.3	59.0	—	—
Mortgage loans	—	179.6	—	—
	392.9	238.6	—	—
Amounts receivable within one year included in current assets (Note 17)	(26.2)	(23.6)	—	—
	366.7	215.0	—	—

## NOTES TO THE ACCOUNTS

## 17. NET CURRENT ASSETS/(LIABILITIES)

	Group		Company	
	1997	1996	1997	1996
	HK\$m	HK\$m	HK\$m	HK\$m
Current assets				
Construction in progress (Note a)	(14.7)	176.8	—	—
Properties held for sale (Note b)	18,859.9	18,970.5	492.3	519.2
Stocks	373.9	304.1	—	—
Current portion of long term receivables (Note 16)	26.2	23.6	—	—
Other loans receivable	322.9	257.6	3.0	3.0
Debtors and prepayments	7,563.7	6,785.2	750.2	1,013.6
Cash and bank balances				
Restricted (Note c)	221.8	188.5	—	—
Unrestricted	3,140.7	5,617.3	9.9	84.6
	30,494.4	32,323.6	1,255.4	1,620.4
Current liabilities				
Creditors and accrued charges	8,335.4	7,644.7	762.6	741.5
Deposits received on sale of properties	643.8	1,308.2	—	—
Bills payable	13.2	11.6	—	—
Bank loans and overdrafts				
Secured	52.3	31.4	—	—
Unsecured	2,819.2	2,651.5	91.5	100.0
Other unsecured loans	306.8	105.7	7.4	55.0
Current portion of long term liabilities (Note 21)	3,250.5	5,496.3	—	—
Taxation	1,269.0	1,036.9	24.0	0.6
Proposed dividend	1,684.0	1,542.2	1,684.0	1,542.2
	18,374.2	19,828.5	2,569.5	2,439.3
	12,120.2	12,495.1	(1,314.1)	(818.9)



## NOTES TO THE ACCOUNTS

## NOTES TO THE ACCOUNTS

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

	Group		Company	
	1997	1996	1997	1996
	HK\$m	HK\$m	HK\$m	HK\$m
(a) Construction in progress				
At cost	4,712.6	3,031.9	-	-
Provision for anticipated losses	(14.5)	(3.0)	-	-
Progress payments received and receivable	(4,712.8)	(2,852.1)	-	-
	(14.7)	176.8	-	-
(b) Properties held for sale				
Properties under development, at cost	16,838.2	18,408.8	492.3	335.6
Completed properties, at cost less provision	2,021.7	256.6	-	183.6
	18,859.9	18,665.4	492.3	519.2
Overseas properties, at cost less provision	-	305.1	-	-
	18,859.9	18,970.5	492.3	519.2
(c) Restricted bank balances				

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

## 18. INTANGIBLE ASSETS

	Group	
	1997	1996
	HK\$m	HK\$m
Hotel management and franchise agreements	-	480.5
Franchise rights and trademarks	-	289.8
	-	770.3
Accumulated amortisation	-	(433.3)
	-	337.0

During the year, the intangible assets had been disposed of pursuant to the sale of shares of RHG.

## 19. SHARE CAPITAL

	1997	1996
	HK\$m	HK\$m
Authorised:		
Shares of HK\$1 each	2,100.0	2,100.0
Issued and fully paid:		
Shares of HK\$1 each		
Balance at 1 July	1,761.0	1,674.3
Conversion of bonds (Note a)	49.5	-
Placement of shares (Note b)	75.0	-
Issued as scrip dividends (Note c)	23.5	30.1
Exercise of warrant subscription rights	-	56.6
Balance at 30 June	1,909.0	1,761.0

## (a) Conversion of bonds

During the year, 49,473,084 new shares were issued upon conversion of bonds issued by a subsidiary company at the conversion price of HK\$35.15 per share.

## (b) Placement of shares

During the year, 75,000,000 shares were issued at HK\$37.10 per share to finance property development, telecommunication investments and to provide for general working capital of the Group.

## (c) Issued as scrip dividends

During the year, 16,653,632 and 6,915,183 new shares were issued at HK\$50.246 and HK\$47.7628 per share for the settlement of 1996 final scrip dividend and 1997 interim scrip dividend respectively.



## 20. RESERVES

	Group					
	Share premium HK\$m	Asset revaluation reserve HK\$m	Capital reserve HK\$m	General reserve HK\$m	Retained profits HK\$m	Total HK\$m
Balance as at 1.7.1996	9,093.9	27,086.2	—	94.4	13,224.7	49,499.2
Conversion of bonds	1,689.6	—	—	—	—	1,689.6
Placement of shares	2,707.5	—	—	—	—	2,707.5
Scrip dividends	1,143.5	—	—	—	—	1,143.5
Share issue expenses	(44.0)	—	—	—	—	(44.0)
Asset revaluation surplus for the year	—	4,527.9	—	—	—	4,527.9
Share of surplus of associated companies	—	402.5	—	—	—	402.5
Release of asset revaluation deficit upon disposal of subsidiary companies	—	186.9	—	—	—	186.9
Goodwill on acquisition of subsidiary companies	—	—	(702.5)	—	—	(702.5)
Reserves arising from reorganisation (Note)	—	(234.0)	—	19.8	85.7	(128.5)
Release of goodwill on acquisition upon disposal of subsidiary companies	—	—	117.6	—	—	117.6
Retained profit for the year	—	—	—	—	2,983.5	2,983.5
Transfer from capital reserve	—	—	584.9	—	(584.9)	—
Transfer to general reserve	—	—	—	26.8	(26.8)	—
Translation difference	—	—	—	—	17.7	17.7
Balance as at 30.6.1997	14,590.5	31,969.5	—	141.0	15,699.9	62,400.9
Retained by:						
Company and subsidiary companies	14,590.5	30,875.6	—	141.0	15,563.0	61,170.1
Associated companies and joint ventures	—	1,093.9	—	—	136.9	1,230.8
	14,590.5	31,969.5	—	141.0	15,699.9	62,400.9

## Note:

During the year, a reorganisation of the service businesses undertaken by the Group took place whereby the Group's interests in the service businesses were transferred to and consolidated under New World Services Limited ("NWS"), a new subsidiary company incorporated.

In order to rationalise and streamline the corporate structure of the NWS group and consolidate the minority interests of the various subsidiary companies comprising the NWS group, a share exchange was effected between NWS and these minority shareholders of the various subsidiary companies transferring into the NWS group. The share exchange is based on the relative proportion between the valuation of the NWS group (aggregate of the valuation of all the service businesses transferred in) and the valuation of the shareholdings attributable to these minority shareholders. Following the above-mentioned share exchange, the consolidation of the reorganised NWS group under the historic cost convention has given rise to net movements from reserves to minority interests.

## 20. RESERVES (Continued)

	Company			
	Share premium HK\$m	Asset revaluation reserve HK\$m	Retained profits HK\$m	Total HK\$m
Balance as at 1.7.1996	9,093.9	36.0	5,904.9	15,034.8
Conversion of bonds	1,689.6	—	—	1,689.6
Placement of shares	2,707.5	—	—	2,707.5
Scrip dividends	1,143.5	—	—	1,143.5
Share issue expenses	(44.0)	—	—	(44.0)
Asset revaluation surplus for the year	—	2.5	—	2.5
Retained profit for the year	—	—	4,063.0	4,063.0
Balance as at 30.6.1997	14,590.5	38.5	9,967.9	24,596.9

Distributable reserves of the Company at 30 June 1997 amounted to HK\$9,967.9 million (1996: HK\$5,904.9 million).

## 21. LONG TERM LIABILITIES

	Group		Company	
	1997 HK\$m	1996 HK\$m	1997 HK\$m	1996 HK\$m
Bank loans				
Secured	7,209.9	9,658.9	—	—
Unsecured	4,637.3	4,958.8	—	—
Other secured loans wholly payable within five years	250.0	482.8	—	—
Other unsecured loans				
Wholly payable within five years	54.2	175.3	—	—
Not wholly payable within five years	—	927.9	—	—
Obligations under finance leases				
Wholly payable within five years	0.7	0.9	—	—
Not wholly payable within five years	—	150.0	—	—
Convertible bonds (Note a)	12,152.1	16,354.6	—	—
Debentures (Note b)	5,221.9	4,272.5	—	—
Loans from minority shareholders (Note c)	321.0	303.2	—	—
	1,461.1	1,325.7	—	—
Amounts repayable within one year included in current liabilities (Note 17)	19,156.1	22,256.0	—	—
	(3,250.5)	(5,496.3)	—	—
	15,905.6	16,759.7	—	—



## 21. LONG TERM LIABILITIES (Continued)

	Group				
	Secured bank loans	Unsecured bank loans	Other secured loans	Other unsecured loans	Obligations under finance leases
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
The maturity of long term borrowings is as follows:					
Of less than one year	2,121.5	1,123.4	—	5.2	0.4
Of more than one year, but not exceeding two years	1,152.3	—	250.0	—	0.3
Of more than two years, but not exceeding five years	3,936.1	3,453.9	—	49.0	—
Of more than five years	—	60.0	—	—	—
	7,209.9	4,637.3	250.0	54.2	0.7
					12,152.1

	Group	
	1997	1996
	HK\$m	HK\$m
(a) Convertible bonds		
Bonds to be converted into shares of:		
The Company (Note (i))	583.9	2,340.0
Subsidiary companies (Note (ii) and (iii))	4,638.0	1,932.5
	5,221.9	4,272.5

- (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 ("NWI"), 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 NWI at the current conversion price of HK\$19.61 per share, at any time until 2 July 2001.

## 21. LONG TERM LIABILITIES (Continued)

## (a) Convertible bonds (Continued)

- (iii) A subsidiary company, New World China Finance Limited, has issued US\$350 million mandatorily convertible guaranteed bonds which carry interest at 4% per annum payable in arrears. 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 on the occurrence of a complying initial public offering ("Complying IPO") of shares on or before 31 December 1999. If no Complying IPO occurs on or before 31 December 1999, the bonds will be redeemed at 111.645% of their principal amount together with accrued interest on that date.

## (b) 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.

## (c) Loans from minority shareholders

The loans from minority shareholders include loans of HK\$537.4 million (1996: HK\$345.6 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 remaining balance is unsecured, interest free and has no specific repayment terms.

## 22. DEFERRED TAXATION

	Group	
	1997	1996
	HK\$m	HK\$m
Balance at 1 July	3.0	12.2
Transfer from/(to) profit and loss account (Note 5)	0.6	(9.2)
Balance at 30 June	3.6	3.0
The amount provided is in respect of:		
Accelerated depreciation allowances	3.6	6.1
Other timing differences	—	(3.1)
	3.6	3.0

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.



## 23. PENSIONS AND RETIREMENT BENEFITS

During the year, 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 88% 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. Following the disposal of the subsidiary companies in Europe and North America during the year, these schemes were discharged by the Group. The total amount charged to the profit and loss account in respect of all the Group's pension and retirement schemes was HK\$52.5 million (1996: HK\$70.5 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\$46.0 million (1996: 56.3 million) after netting off forfeited contribution of HK\$8.1 million (1996: HK\$10.8 million).

The Group's defined benefit schemes were 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\$6.5 million (1996: HK\$7.1 million).

## 24. COMMITMENTS

	Group		Company	
	1997 HK\$m	1996 HK\$m	1997 HK\$m	1996 HK\$m
(a) Capital commitments				
(i) Contracted but not provided for				
Fixed assets	1,375.8	379.9	—	—
Investments in joint ventures	3,598.0	5,021.4	1,546.4	1,552.8
	<b>4,973.8</b>	<b>5,401.3</b>	<b>1,546.4</b>	<b>1,552.8</b>
(ii) Authorised but not contracted for				
Fixed assets	9.5	19.6	—	—
Investments in joint ventures	1,815.0	1,815.1	—	—
	<b>1,824.5</b>	<b>1,834.7</b>	<b>—</b>	<b>—</b>

## 24. COMMITMENTS (Continued)

	Group	
	1997 HK\$m	1996 HK\$m
(b) Commitments under operating leases payable in 1997/98 expiring:		
(i) Land and buildings		
In the first year	30.7	43.1
In the second to fifth years inclusive	184.5	208.3
After the fifth year	22.1	500.9
	<b>237.3</b>	<b>752.3</b>
(ii) Other assets		
In the first year	—	22.1
In the second to fifth years inclusive	—	29.0
After the fifth year	—	0.4
	<b>—</b>	<b>51.5</b>
	<b>237.3</b>	<b>803.8</b>

## 25. CONTINGENT LIABILITIES

	Group		Company	
	1997 HK\$m	1996 HK\$m	1997 HK\$m	1996 HK\$m
Guarantees for the performance and completion of construction contracts and performance bonds	1,226.5	775.7	237.5	131.9
Guarantees for credit facilities granted to:				
Subsidiary companies	—	—	24,519.8	23,015.7
Associated companies	3,814.7	2,260.6	2,860.6	1,899.9
Investee companies included under other investments	23.7	95.4	23.7	5.5
Joint ventures in the People's Republic of China	2,128.5	1,671.9	1,648.9	1,531.3
	<b>7,193.4</b>	<b>4,803.6</b>	<b>29,290.5</b>	<b>26,584.3</b>



## 26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	Year ended 30 June	
	1997 HK\$m	1996 HK\$m
Operating profit	4,303.8	4,119.1
Depreciation	556.2	409.9
Loss/(profit) on disposal of		
Associated companies	—	(33.3)
Fixed assets, including investment properties	34.1	(148.5)
Joint ventures in the People's Republic of China	(64.1)	—
Other investments	—	18.3
Provision against other investments	180.0	45.6
Amortisation of		
Intangible assets	38.5	44.1
Deferred expenditure	26.0	33.6
Discount on zero coupon bonds	—	53.5
Licence agreement	12.3	24.6
Write off issuing expenses of bonds	76.8	62.8
Exchange loss/(gain)	19.1	(4.5)
Increase in stocks	(106.6)	(65.4)
Decrease/(increase) in construction in progress	191.5	(194.2)
Increase in properties held for sale	(10.8)	(2,684.7)
Increase in debtors and prepayments	(1,781.9)	(1,674.8)
Increase in other loans receivable	(65.3)	(225.6)
Increase in creditors and accrued charges	966.8	1,219.2
(Decrease)/increase in deposits received on sale of properties	(664.4)	1,308.2
Net interest expenses and dividend income	596.3	640.7
Net cash inflow from operating activities	4,308.3	2,948.6

## 26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

	1997 HK\$m
(b) Acquisition of subsidiary companies	
Net assets acquired	
Associated companies	922.7
Debtors and prepayments	246.0
Creditors and accrued charges	(451.0)
Minority interests	468.9
Goodwill on consolidation	702.5
Interest in subsidiary companies acquired originally held by the Group	1,889.1
	(299.1)
	1,590.0
Satisfied by:	
Cash	795.1
Contributions from minority interests pursuant to the issue of shares by a subsidiary company	794.9
	1,590.0
(c) Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiary companies	
Cash consideration	795.1



## 26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

	1997 HK\$m
(d) Disposal of subsidiary companies	
Net assets disposed	
Fixed assets	2,636.1
Associated companies	255.6
Other investments	119.6
Licence agreement	875.7
Intangible assets	298.5
Debtors and prepayments	1,241.4
Deferred expenditure	20.1
Properties held for sale	304.1
Stock	36.8
Cash and bank balances	2,380.9
Creditors and accrued charges	(727.7)
Taxation	(37.7)
Bank loans and overdrafts	(2.2)
Long term liabilities	(3,060.6)
Goodwill	117.6
Minority interests	(410.5)
	4,047.7
Profit on disposal of subsidiary companies	372.2
	4,419.9
Cash consideration	4,419.9

The subsidiary companies disposed during the year contributed HK\$965.8 million to the Group's net cash flow from operating activities, paid HK\$315.1 million in respect of net returns on investment and servicing of finance, paid HK\$68.9 million in respect of taxation, utilised HK\$1,164.8 million for investing activities and paid HK\$668.3 million in respect of financing.

## (e) Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiary companies

Cash consideration	4,419.9
Cash and bank balances disposed	(2,380.9)
Bank overdrafts discharged	2.2
	2,041.2

## 26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

## (f) 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 1.7.1996	10,854.9	22,256.0	307.2	8,105.0	41,523.1
Net cash inflow/(outflow) from financing	2,738.5	1,623.0	(0.4)	2,243.3	6,604.4
Scrip dividends issued	1,167.0	—	—	—	1,167.0
Redemption of convertible bonds	1,739.1	(1,739.1)	—	—	—
Effect of group reorganisation (Note 20)	—	—	—	128.5	128.5
Issuing expenses on convertible bonds	—	76.8	—	—	76.8
Acquisition of subsidiary companies	—	—	—	(468.9)	(468.9)
Disposal of subsidiary companies	—	(3,060.6)	—	(410.5)	(3,471.1)
Dilution of investment in subsidiary companies	—	—	—	(148.9)	(148.9)
Minority interests' share of profit and reserves	—	—	—	1,946.3	1,946.3
Dividends paid to minority shareholders	—	—	—	(1,335.7)	(1,335.7)
Translation difference	—	—	—	3.1	3.1
Balance at 30.6.1997	16,499.5	19,156.1	306.8	10,062.2	46,024.6

## (g) Analysis of cash and cash equivalents

	1997 HK\$m	1996 HK\$m
Cash and bank balances	3,362.5	5,805.8
Bank loans and overdrafts	(2,871.5)	(2,481.4)
Bills payable	(13.2)	(11.6)
	477.8	3,312.8

## 27. COMPARATIVE FIGURES

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

## 28. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 11 November 1997.



# NOTES TO THE ACCOUNTS

## 29. PRINCIPAL SUBSIDIARY COMPANIES

As at 30 June 1997

	Ordinary share capital issued <sup>a</sup>		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
<b>Incorporated and operated in Hong Kong</b>					
Arlaken Development Limited	40	100	100	100	Investment Holding
Atlantic Land Properties Limited	2	1	100	100	Investment Holding
Billionable Investment Limited	4,998	1	—	57	
	2*	1	—	100	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	2	10,000	—	74	
	3,000*	10,000	—	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
Extensive Trading Company Limited	600,002	1	—	74	Trading of Building Materials
	1,500,000*	1	—	15	Engineering Services/Trading/Project Management
Far East Engineering Services Limited	186,714	10	—	74	Consultancy
	233,288*	10	—	55	
Fook Hong Enterprises Company Limited	10,000	100	100	100	Property Investment
Fuji (China) Decoration & Engineering Company Limited	5,000,000	1	—	74	Interior Decoration
General Security (H.K.) Limited	8,402	100	—	74	
	11,600*	100	—	38	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
					Construction, Civil Engineering,
Hip Hing Construction Company Limited	200,000	100	—	74	
	600,000*	100	—	59	Investment Holding

# NOTES TO THE ACCOUNTS

## 29. PRINCIPAL SUBSIDIARY COMPANIES (Continued)

As at 30 June 1997

	Ordinary share capital issued <sup>a</sup>		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
<b>Incorporate and operated in Hong Kong (Continued)</b>					
Hong Bridge Trading Company Limited	24,002	10	—	74	Trading of Electrical Equipment
	26,000*	10	—	87	Operation and Management of the Hong Kong Convention and Exhibition Centre
Hong Kong Convention and Exhibition Centre (Management) Limited	3	1	—	74	Convention and Exhibition Centre
	1*	1	—	100	
Hong Kong Island Development Limited	2,000,000	5	100	100	Property Investment
Hong Kong Island Landscape Company Limited	40,002	10	—	74	Trading, Landscaping
	20,000*	10	—	100	Project Contracting
Honour Shares Limited	100	1	—	100	Investment Holding
International Property Management Limited	100,000	10	—	71	Property Management/ Tenancy Services
	95,500*	10	—	58	
Island Sauna Company Limited	10,000	1	—	100	Sauna & Fitness Centre
Joint Profit Limited	2	1	100	100	Property Investment
Keen Sales Limited	2	1	—	57	
	2*	1	—	100	Investment Holding
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	2	100	—	74	
	1,002*	100	—	74	Property Management
Kiwi Kleeners Limited	1,000	100	—	74	Trading of Linen
Lord City Development Limited	10,000	1	—	88	Investment Holding
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 China Steam Laundry Company Limited	2	1	—	74	
	704,000*	1	—	51	Laundry Services
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



## 29. PRINCIPAL SUBSIDIARY COMPANIES (Continued)

As at 30 June 1997

	Ordinary share capital issued <sup>a</sup>		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
<b>Incorporated and operated in Hong Kong (Continued)</b>					
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 Insurance Services Limited	1,000,000	1	—	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 PCS Limited	100	1	—	68	Communication Services
New World Suncity (Shanghai) Company Limited	2	1	—	100	Investment Holding
New World Tacko (Xian) Limited	10,000	1	—	45	Investment Holding
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
Pollution & Protection Consultant Limited	2	100	—	74	Cleaning Services
Pollution & Protection Services Limited	14,420*	100	—	28	
Polytown Company Limited	2	1	—	74	Cleaning Services
Pontiff Company Limited	500,020*	1	—	28	
Pridemax Limited	2	10	—	74	Property Investment
Ready City Limited	100,000*	10	—	100	
Tai Yieh Construction & Engineering Company Limited	2	1	—	100	Property Investment
Tao Yun Company Limited	10,000,000	1	—	100	
The Dynasty Club Limited	2	1	—	100	Property Investment
	2	1	—	100	
	2	1	—	100	Property Investment
	2	1	—	100	
	200	1	—	52	Investment Holding
	2	1,000	—	74	
	10,000*	1,000	—	49	Construction and Civil Engineering
	2	10	—	100	
	2	1	100	100	Property Trading
	2	1	100	100	
	2	1	100	100	Club Operation
	2	1	100	100	
	2	1	100	100	Proprietary
	2	1	100	100	

## 29. PRINCIPAL SUBSIDIARY COMPANIES (Continued)

As at 30 June 1997

	Ordinary share capital issued <sup>a</sup>		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
<b>Incorporated and operated in Hong Kong (Continued)</b>					
Thyme Company Limited	500	10	70	89	Property Investment
True Hope Investment Limited	4,998	1	—	57	
	2*	1	—	100	Investment Holding
Tridant Engineering Company Limited	14,400,002	1	—	74	Electrical Contracting/Instrument Sales
Try Force Limited	15,600,000*	1	—	87	
	4,998	1	—	57	
	2*	1	—	100	Investment Holding
Tsuen Wan Property Limited	200	100	—	100	Property Investment
Urban Property Management Limited	10,500	1	—	74	Property Management
Vibro (HK) Limited	6,666,668	3	—	74	Piling and Caisson
Waking Builders Limited	10,000	1,000	—	74	Construction
World Empire Property Limited	2	1	100	100	Property Investment
<b>Incorporated and operated in Jersey</b>					
Bianchi Holdings Limited	1,000	US\$1	100	100	Investment Holding
<b>Incorporated and operated in Canada</b>					
Guildford Park Enterprises Limited	100	CS1	—	58	Property Trading
<b>Incorporated in Cayman Islands and operated in Hong Kong</b>					
NW China Homeowner Development Limited	5,070,038	US\$0.01	—	57	Investment Holding
New World China Finance Limited	50,000	US\$1	100	100	Financial Services
New World Infrastructure Limited	878,927,340	HK\$1	—	57	Investment Holding
New World Services Limited	975,000,000	HK\$0.10	74	74	Investment Holding
<b>Incorporated and operated in the Philippines</b>					
New World International Development Philippines, Inc.	6,988,016	Peso100	—	26	Hotel Operation

<sup>a</sup> Represented ordinary share capital, unless otherwise stated

\* Non-voting deferred shares



## 29. PRINCIPAL SUBSIDIARY COMPANIES (Continued)

As at 30 June 1997

	Registered capital/ issued share capital		Attributable interest <i>(Notes)</i>		Principal activities
	Number/ Amount	Par value per share	By the Company	By the Group	
<b>Incorporated and operated in the People's Republic of China</b>					
Dalian New World Plaza International Co., Limited	RMB58,000,000	—	—	35	Property Investment
New World (Tianjin) Development Co., Limited	US\$4,960,918	—	100	100	Property Investment
Wuhan Bridge Construction Co., Limited	502,857,143	RMB3.5	—	28	Operation of Toll Bridges
Guangzhou Xin Sui Tourism Centre Co., Limited	HK\$100,000,000	—	—	80	Operation of Resort and Recreation Centre
Guangdong Xinzhaogao Highways Co., Limited	RMB80,000,000	—	—	40	Operation of Toll Road
Qingdao Eastern Light Entertainment Co., Limited	HK\$30,000,000	—	—	51	Hotel operation
Zhaoqing Xinde Highways Co., Limited	RMB165,867,000	—	—	26	Operation of Toll Road
Zhaoqing Xinfeng Highways Co., Limited	RMB94,000,000	—	—	26	Operation of Toll Road
Zhaoqing Xingao Highways Co., Limited	RMB54,000,000	—	—	23	Operation of Toll Road
Zhaoqing Xinning Highways Co., Limited	RMB90,000,000	—	—	31	Operation of Toll Road
Zhaoqing Xinhui Highways Co., Limited	RMB103,500,000	—	—	28	Operation of Toll Road
Shenyang New World Lumingchun Building Co., Limited	RMB68,000,000	—	—	40	Hotel Operation
Shenyang New World Department Store Limited	RMB30,000,000	—	—	90	Department Store Operation
Tianjin New World Department Store Limited	US\$5,000,000	—	—	100	Department Store Operation
Wuxi New World Department Store Limited	US\$5,000,000	—	—	100	Department Store Operation

Notes:

- (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.

## 29. PRINCIPAL SUBSIDIARY COMPANIES (Continued)

As at 30 June 1997

	Ordinary share capital issued		Percentage of equity shares held		Principal activities
	Number/ Amount	Par value per share	By the Company	By the Group	
<b>Incorporated in the British Virgin Islands</b>					
Lotsfund Limited	100	US\$1	—	57	Investment Holding
Master Services Limited	1,000,000	US\$0.01	—	33	Investment Holding
Mombasa 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
Rich Funds Limited	1	US\$1	—	100	Investment Holding
Young's Engineering Holdings Limited	2,500,000	US\$1	—	74	Investment Holding



## NOTES TO THE ACCOUNTS

## 30. PRINCIPAL ASSOCIATED COMPANIES

As at 30 June 1997

	Ordinary share capital issued <sup>#</sup>		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
Asia Terminals Limited	100,000	1	—	31	
	20,000 **	1	—	45	Operation of Cargo
	39,000 *	1	—	39	Handling and
	15,918 ***	1	—	39	Storage Facilities
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
Far East Landfill Technologies Limited	1,000,000	1	—	22	Landfill
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
New World-Guangdong Highway Investments Co. Limited	100 *	100	—	50	Investment Holding
Ocean Champion Development Limited	10,000	1	—	50	Property Investment
Pure Jade Limited	1,000	1	—	20	Property Investment
					Production and
Quon Hing Concrete Limited	200,000	100	—	37	Sale of Concrete
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'	1	—	—	Operation of Container
	5,000 'B'	1	—	17	Terminal
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
					Duty-free, Liquor and
Sky Connection Limited	100	1	—	37	Tobacco Sales
Super Lion Enterprises Limited	2	1	50	50	Property Investment
Tate's Cairn Tunnel Company Limited	1,000,000	0.01	—	16	Operation of Toll
	600,000,000 *	1	—	28	Tunnel
Yargoan Company Limited	150,000	100	—	24	Stone Quarrying

# Represented ordinary shares, unless otherwise stated.

\* Non-voting deferred ordinary shares.

\*\* Non-voting preference shares.

\*\*\* Non-voting deferred preference shares.

## NOTES TO THE ACCOUNTS

## 30. PRINCIPAL ASSOCIATED COMPANIES (Continued)

As at 30 June 1997

	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 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
Incorporated in the British Virgin Islands					
Right Choice International Limited	200	US\$1	—	18	Property Investment



## NOTES TO THE ACCOUNTS

## NOTES TO THE ACCOUNTS

## 31. PRINCIPAL JOINT VENTURE COMPANIES

As at 30 June 1997

	Registered capital	Attributable Interest <i>(Note)</i>		Principal activities
		Amount	By the Company	
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
Guangzhou Guang-Xin Industrial Development Co., Limited	RMB28,853,000	—	45	Investment Holding
Guangzhou Oriental Power Co., Limited	RMB990,000,000	—	14	Generation and Supply of Electricity
Guangzhou Pearl River Power Co., Limited	RMB420,000,000	—	28	Generation and Supply of Electricity
Hong Kong Jiang-Guang Development Ltd	HK\$1,000,000	—	20	Hotel Operation
Shandong Jianshe Best Wide Cement Co. Ltd	US\$34,630,000	—	25	Operation of Cement Plant
Shangdong Zhangdian Best Wide Cement Co. Ltd	US\$22,645,800	—	25	Operation of Cement Plant
Shangdong Zibo Best Wide Cement Co. Ltd	US\$22,140,000	—	25	Operation of Cement Plant
Yantai Jinhe Cement Co. Ltd	US\$17,940,000	—	25	Operation of Cement Plant
Yantai Baoqiao Best Wide Cement Co. Ltd	US\$16,470,000	—	25	Operation of Cement Plant
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

## 31. PRINCIPAL JOINT VENTURE COMPANIES (Continued)

As at 30 June 1997

	Registered capital Amount	Attributable Interest (Note)		Principal activities
		By the Company	By the Group	
Incorporated and operated in the People's Republic of China (Continued)				
Co-operative Joint Ventures				
Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) Co., Limited	RMB580,000,000	—	11	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
Foshan Country Club Co., Limited	US\$52,923,600	—	22	Golf Club Investment
Grand New World Hotel Company Limited	US\$10,800,000	—	22	Hotel Operation
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 Co. Limited	RMB200,000,000 (Phase I)	—	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	—	35	Operation of Toll Road
Guangzhou Jixian Zhuang New World City Garden Development Limited	US\$12,000,000	—	34	Development of Government Subsidised Housing Projects in PRC
Huizhou City Hui-Ao Roadway Co. Ltd	RMB75,000,000	—	28	Operation of Toll Road



## 31. PRINCIPAL JOINT VENTURE COMPANIES (Continued)

As at 30 June 1997

	Registered capital	Attributable Interest (Note)		Principal activities
	Amount	By the Company	By the Group	
<b>Incorporated and operated in the People's Republic of China (Continued)</b>				
<i>Co-operative Joint Ventures (Continued)</i>				
Huizhou City Huixin Expressway Co., Ltd	RMB21,500,000	—	28	Investment Holding and Operation of Toll Road
Huizhou New World Development Enterprise Limited	RMB80,000,000	—	62	Property Investment Development of Government Subsidised Housing Projects in PRC
Huizhou New World Housing Development Limited	RMB80,000,000	—	35	Property Investment
Jing Xin Development Co., Limited	RMB60,000,000	—	60	Generation and Supply of Electricity
Qingyuan Qiaoyuan Power Plant Co., Limited	US\$37,500,000	—	16	Development of Government Subsidised Housing Projects in PRC
Shenyang New World Housing Development Limited	RMB96,000,000	—	34	Development of Government Subsidised Housing Projects in PRC
Tianjin New World Housing Development Co., Limited	RMB80,000,000	—	34	Operation of Toll Road Development of Government Subsidised Housing Projects in PRC
Wuhan Airport Road Development Limited	RMB60,000,000	—	23	Property Investment
Wuhan New World Housing Development Limited	RMB96,000,000	—	34	Property Investment
Wuhan Wu Xin Property Co., Limited	RMB15,000,000	—	45	Hotel Operation
Wuhan Xinhua Development Co., Limited	RMB30,000,000	—	50	
Wuxi Ramada Hotels Co., Limited	US\$10,040,000	—	26	
<i>Fixed Return Co-operative Joint Venture</i>				
Shunde De Power Plant Co. Ltd	US\$86,230,000	—	34	Generation and Supply of Electricity
<i>Domestic Joint Venture</i>				
Huishen (Yantian) Expressway Huizhou Co., Limited	RMB2,400,000	—	19	Operation of Toll Road

Notes:

(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.

## GENERAL TERMS

"ADR"	American Depository Receipt
"ATL"	Asia Terminals Limited
"ATV"	Asia Television Limited
"BVI"	British Virgin Islands
"CCR"	City Core Redevelopment
"CIC"	China Internet Corporation Limited
"Company", "New World" and "NWD"	New World Development Company Limited
"Group"	New World Development Company Limited and its subsidiaries
"CT3"	Container Terminal Three
"E&M"	Electrical and Mechanical Engineering
"FY"	fiscal year, 1st July to 30th June
"GDP"	gross domestic product
"General Security"	General Security (HK) Limited
"GFA"	gross floor area
"GSH"	Government Subsidised Housing
"Hip Hing"	Hip Hing Construction Company Limited
"HK"	Hong Kong
"HK\$"	Hong Kong Dollar(s), the lawful currency of Hong Kong
"HKCEC"	Hong Kong Convention and Exhibition Centre
"HKSE"	The Stock Exchange of Hong Kong
"KCRC"	Kowloon-Canton Railway Corporation
"LDC"	Land Development Corporation
"LIP"	Land Improvement Projects
"MTRC"	Mass Transit Railway Corporation



## GLOSSARY OF TERMS

"NENT"	North East New Territories Landfill
"NWCE"	New World China Enterprises Limited
"NWCI"	New World China Investment Limited
"NWDC"	New World Development (China) Limited
"NWI" and "New World Infrastructure"	New World Infrastructure Limited
"NWS"	New World Services Limited
"NWT" or "New World Telephone"	New World Telephone Holdings Limited
"PRC"	People's Republic of China
"RHG"	Renaissance Hotel Group N. V.
"Rmb" or "Renminbi"	the lawful currency of People's Republic of China
"Sino-French"	Sino-French Holdings (Hong Kong) Limited
"Sky Connection"	Sky Connection Limited
"SLOT"	Sea-Land Orient Terminals Limited
"sq. ft."	square feet
"US\$"	United States Dollar(s), the lawful currency of United States (US\$1 = HK\$7.74)

## FINANCIAL TERMS

"Book Debts"	the aggregate of bank loans, convertible bonds and loans from minority shareholders
"Earnings Per Share" or "EPS"	<u>Profit attributable to shareholders</u> <u>Weighted average number of shares in issue during the year</u>
"Exceptional Items"	Items of income and expense within profit or loss from ordinary activities that are of such size, nature or incidence that their disclosure is relevant to explain the performance of the enterprise for the period
"Gearing Ratio"	<u>Book Debts less Cash and Bank Balances</u> <u>Shareholders' funds</u>
"Interest Coverage"	<u>Operating profit before interest plus share of results of associated companies and joint ventures</u> <u>Interest expense including capitalised interest</u>

## GLOSSARY OF TERMS

## TECHINICAL TERMS

"CCA(s)"	Comprehensive Co-operation Agreement(s)
"CJV"	cooperative joint venture
"EJV"	equity joint venture
"FTNS"	Fixed Telecommunications Network Services
"IDD"	International Direct Dialing
"JSC"	joint stock company
"km"	kilometer(s)
"kW"	kilowatt(s), equal to 1,000 watts
"kWh"	kilowatt hour(s), a unit of measurement of electric energy consumption, which is equal to the work done by one kilowatt of electric power in one hour
"m <sup>3</sup> /day"	cubic meter per day
"MW"	megawatt(s), equal to 1,000kW
"MWh"	megawatt hour(s), equal to 1,000 kWh
"PCo"	private company
"PowerPhone"	multimedia payphone
"PCS"	Personal Communications Service
"pmph"	port move per hour
"TEU" or "TEUs"	Twenty-Foot Equivalent Unit - a standard of measurement used in container transport for expressing the volume of the trade and the capacity of the container ship, and for other statistical purposes, as well as for freight quotations. It is based on the dimensions of a cargo container 20 feet long x 8 feet wide x 8 feet 6 inches high with a maximum load approximately 9 tonnes
"WFE"	wholly foreign-owned enterprises



# FIVE-YEAR FINANCIAL SUMMARY

	1997 HK\$	1996 HK\$	1995 HK\$	1994 HK\$	1993 HK\$
<b>Consolidated balance sheet</b>					
Fixed assets	46,059.7	41,654.4	39,879.0	39,676.3	31,735.0
Associated companies	10,847.9	7,753.5	6,847.7	7,881.6	4,652.2
Joint ventures in the People's Republic of China	15,960.5	11,194.8	7,413.8	5,612.2	3,189.9
Other investments	4,704.5	1,447.8	1,527.6	1,018.7	938.0
Licence agreement	—	888.0	912.6	937.5	943.3
Long term receivables	366.7	215.0	227.1	542.4	1,050.5
Current assets	30,494.4	32,323.6	22,369.8	19,798.5	10,287.3
	108,433.7	95,477.1	79,177.6	75,467.2	52,796.2
Less: Current liabilities	18,374.2	19,828.5	14,135.7	13,811.1	8,384.7
	90,059.5	75,648.6	65,041.9	61,656.1	44,411.5
Intangible assets	—	337.0	833.8	925.4	897.1
Deferred expenditure	221.8	142.3	87.8	16.6	57.0
	90,281.3	76,127.9	65,963.5	62,598.1	45,365.6
Share capital	1,909.0	1,761.0	1,674.3	1,593.3	1,575.3
Reserves	62,400.9	49,499.2	45,892.6	46,139.7	34,740.6
Shareholders' funds	64,309.9	51,260.2	47,566.9	47,733.0	36,315.9
Minority interests	10,062.2	8,105.0	4,644.9	3,705.5	3,037.0
Long term liabilities	15,905.6	16,759.7	13,739.5	11,144.3	6,000.7
Deferred taxation	3.6	3.0	12.2	15.3	12.0
	90,281.3	76,127.9	65,963.5	62,598.1	45,365.6
<b>Consolidated profit and loss account</b>					
Turnover	19,975.9	16,715.5	17,456.7	18,590.6	13,320.1
Operating profit	4,303.8	4,119.1	3,616.3	4,968.0	4,141.6
Exceptional gains	1,316.0	1,148.6	—	—	—
Profit from ordinary activities	5,619.8	5,267.7	3,616.3	4,968.0	4,141.6
Share of results of associated companies and joint ventures	2,020.7	359.6	393.8	343.1	204.0
Profit before taxation	7,640.5	5,627.3	4,010.1	5,311.1	4,345.6
Taxation	(963.0)	(827.3)	(373.9)	(775.6)	(593.7)
Profit after taxation	6,677.5	4,800.0	3,636.2	4,535.5	3,751.9
Minority interests	(1,365.5)	(642.3)	(225.3)	(239.2)	(290.2)
Profit attributable to shareholders	5,312.0	4,157.7	3,410.9	4,296.3	3,461.7
Dividend per share (cents)					
- interim	32	30	28	28	25
- final	88	84	78	78	62
	120	114	106	106	87

NWD can be visited 24 hours a day at:  
<http://www.nwd.com.hk>

A Chinese version of this report is available upon request. 如有需要，可向本公司索取本年报之中文譯本。