



New World Development Company Limited

ANNUAL REPORT 1998



HOTELS

SERVICES



PROPERTY



INFRASTRUCTURE



TELECOMMUNICATIONS

Since the early 1990s, New World has prudently pursued a strategy of diversification. Throughout this process we have broadened business lines and reinforced income streams. We are now positioned to meet the current economic adversity with our ongoing strategy of measured diversity, a more balanced business mix, and a strong emphasis on maintaining financial strength. We are ready to ride through the challenges ahead and emerge stronger in the new economic order.

Founded in 1970, New World is a leading Hong Kong-based enterprise. With operations focused on Hong Kong and China, the Group's business activities are concentrated on five core divisions – **property, hotels, infrastructure, services and telecommunications**. The Group is dedicated to maximising shareholder value, serving the community of Hong Kong and playing a key role in building tomorrow's China.

香港

[HONG KONG]

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中國

[CHINA]

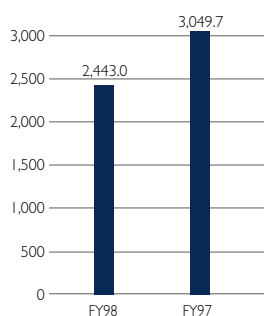


KEY FINANCIAL DATA

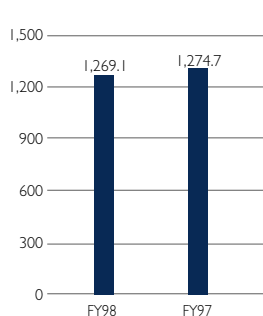
	Year Ended 30 June		Change
	1998	1997	
Turnover (HK\$ million)	20,389.9	19,975.9	2.1%
Attributable Operating Profit (HK\$ million)	4,009.5	4,863.8	(17.6%)
Profit Before Exceptional Items (HK\$ million)	3,345.1	3,996.0	(16.3%)
Profit Attributable to Shareholders (HK\$ million)	2,142.9	5,312.0	(59.7%)
Total Assets (HK\$ million)	103,904.7	108,433.7	(4.2%)
Long Term Liabilities (HK\$ million)	24,960.4	15,905.6	56.9%
Shareholders' Funds (HK\$ million)	54,812.1	64,309.9	(14.8%)
Earnings Per Share – Basic (HK\$)	1.11	2.86	(61.2%)
– Fully Diluted (HK\$)	1.10	2.85	(61.4%)
Dividends Per Share (HK\$)	0.64	1.20	(46.7%)
Debt to Equity Ratio	48.5%	32.5%	n/a

ANALYSIS OF ATTRIBUTABLE OPERATING PROFIT (“AOP”) BY BUSINESS SEGMENT

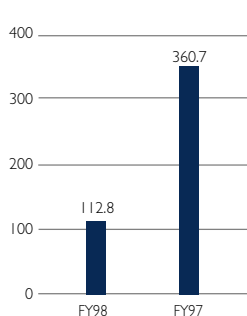
Property Sales
(HK\$ million)



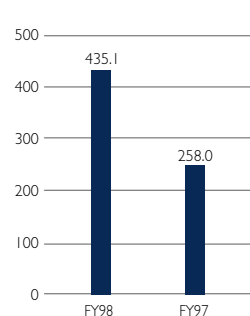
Rental Income
(HK\$ million)



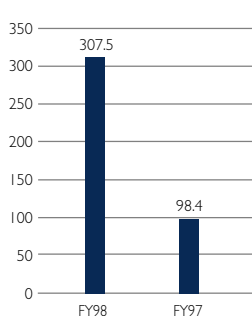
Hotel and Restaurant Operations
(HK\$ million)



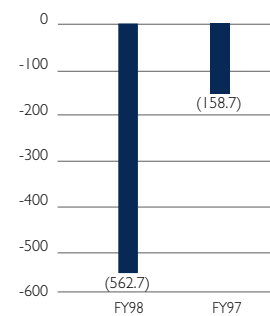
Infrastructure Operations
(HK\$ million)



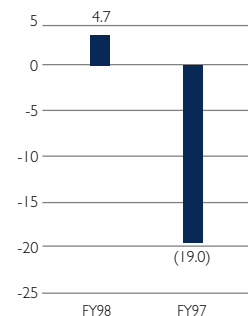
Construction & Engineering
(HK\$ million)



Telecommunication Services
(HK\$ million)

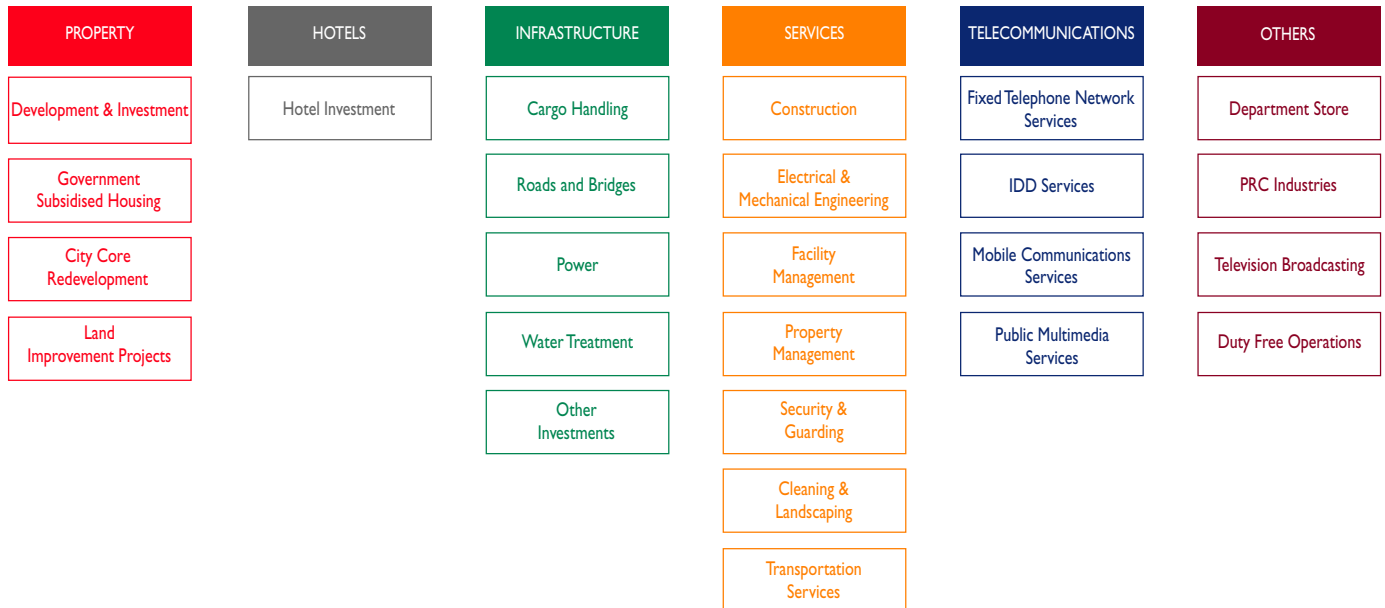


Others
(HK\$ million)



Attributable Operating Profit: Attributable profit before exceptional items, interest and other overhead items.

CORPORATE STRUCTURE

**BOARD OF DIRECTORS**

- * Dato' Dr. Cheng Yu-Tung
(Chairman)
- * Dr. Cheng Kar-Shun, Henry
(Managing Director)
- Dr. Lee Quo-Wei
- Lord Sandberg, Michael
- Dr. Ho Tim
- * Dr. Sin Wai-Kin, David
- 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

COMPANY SECRETARY

Leung Chi-Kin, Stewart

AUDITORS

Price Waterhouse
H.C. Watt & Company Limited

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.
Bank of America NT & SA
Bank of China
Bank of Communications
Banque Nationale de Paris
Chase Manhattan Bank, N.A.
Citibank. N.A.
Dai-ichi Kangyo Bank
Deutsche Bank
Hang Seng Bank
Hongkong and Shanghai Bank
Societe Generale
The Bank of Tokyo-Mitsubishi
The Sanwa Bank
The Sumitomo Bank
Westdeutsche Landesbank Girozentrale

REGISTERED OFFICE

30th Floor, New World Tower,
18 Queen's Road Central,
Hong Kong.
Tel: 2523 1056
Fax: 2810 4673

STOCK CODE

Hong Kong Stock Exchange 0017
Reuters 0017HK
Bloomberg 17HK

INVESTOR INFORMATION

For more information about the Group, please contact the Corporate Communications Department at: New World Development Company Limited, 33rd Floor, New World Tower, 18 Queen's Road Central, Hong Kong; or by telephone (852) 2844-3112, fax (852) 2525-9530 or e-mail : newworld@nwd.com.hk

Information may also be accessed on the Group's Internet homepage at, <http://www.nwd.com.hk>

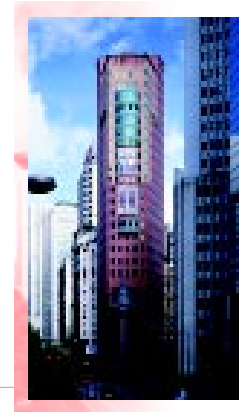
PROPERTY

Hong Kong (Details on page 18)

Eight sites with a total attributable gross floor area ("GFA") of approximately 3.6 million sq. ft. were acquired.

Five property projects for sale and one investment property project with a total attributable GFA of approximately two million sq. ft. were completed:

- JULY 1997** ■ Chow Tai Fook Centre
- OCTOBER 1997** ■ World Peace Centre
- DECEMBER 1997** ■ Discovery Park Phase II
- JANUARY 1998** ■ Methodist House
- MARCH 1998** ■ Discovery Park Phase III
- MARCH 1998** ■ Grand Millennium Plaza



China (Details on page 24)

Six conventional property projects and five Government Subsidised Housing ("GSH") projects with a total attributable GFA of 64.5 million sq. ft. were acquired.

- JULY 1998** ■ Beijing New World Centre Phase I was completed.



HOTELS

(Details on page 32)

Two hotels commenced operations:

- DECEMBER 1997** ■ New World Courtyard Hotel, Shunde
- JULY 1998** ■ New World Courtyard Hotel, Beijing
- JULY 1998** ■ New World Harbour View in Hong Kong and New World Hotel in Kowloon rebranded Renaissance Harbour View Hotel and New World Renaissance Hotel.
- JULY 1998** ■ Five hotels in China were rebranded under the Courtyard name.
- OCTOBER 1998** ■ A land premium of HK\$510 million was paid for the New World Centre extension. The extension has a GFA of 988,340 sq. ft. and is designated for hotel usage.



INFRASTRUCTURE

(Details on page 36)

Major investments made by New World Infrastructure Limited ("NWI"):

- JULY 1997** ■ 11.5% interest in China Internet Corporation Limited ("CIC")
- OCTOBER 1997** ■ 50.0% interest in Sino-French Holdings (Hong Kong) Limited ("Sino-French")
- OCTOBER 1997** ■ 9.9 % stake in Sichuan Expressway Company Limited ("Sichuan Expressway")
- MAY 1998** ■ 37.15% stake in Pacific Ports Company Limited ("PPC")

16 road projects totaling 490 km were contracted. 12 road projects totaling 319 km became operational.

One bridge project with a total length of 500 m was contracted.

Guangzhou Three New Bridges project became operational.

Two power projects with a total capacity of 405 MW were contracted and began operations.

Three water projects, with a total capacity of over 800,000 m³, were acquired through Sino-French.

One cement plant with a capacity of 250,000 tonnes per annum was contracted and began operations.



SERVICES

(Details on page 44)

Major contracts awarded to Hip Hing Construction Company Limited ("Hip Hing") last year :

- West Kowloon Station development
- Commercial development at Tung Chung Town Lot No. 2
- Housing development at Tung Chung Area 30
- Biological Science Building at the University of Hong Kong
- Outlying Islands Refuse Transfer Station



JULY 1997

- Ceremonies marking Hong Kong's return to Chinese sovereignty was held at the Hong Kong Convention and Exhibition Centre ("HKCEC").

SEPTEMBER 1997

- The Annual Meetings of the Boards of Governors of the World Bank and the International Monetary Fund were held at the HKCEC.

APRIL 1998

- New World First Bus Services Limited ("NWFB") was awarded a five-year franchise to operate 88 bus routes in Hong Kong. Four additional routes were subsequently granted by the Transport Department.

JULY 1998

- Mr. Nicholas Ng, Secretary for Transport, inaugurated the opening of the mobile customer service centre for NWFB.

SEPTEMBER 1998

- NWFB's bus services began operations.

TELECOMMUNICATIONS

(Details on page 50)

AUGUST 1997

- The PCS 009 mobile communications service was launched.

AUGUST 1997

- The exclusive right to provide public payphone services in the passenger terminal building at Chek Lap Kok Airport was awarded.

AUGUST 1997

- Residential fixed line service was launched.

JANUARY 1998

- A joint venture with China United Telecommunications Corporation ("China Unicom") and China Communications System Corporation Limited ("Chinacom") was established to provide GSM mobile network services in Jiangxi Province.



MARCH 1998

- The exclusive right to provide public payphone services at all Kowloon-Canton Railway ("KCR") East Rail stations was awarded.

MARCH 1998

- The International Simple Resale Fax Licence was awarded.

AUGUST 1998

- PCS 009 services was ranked first in terms of outdoor coverage in a survey conducted by the University of Hong Kong.

OCTOBER 1998

- PCS 009 led the Personal Communications Services ("PCS") market by securing a customer base of over 200,000.

OTHER GROUP ACTIVITIES

SEPTEMBER 1997

- New World Industrial Holdings Limited ("NWIH") was established to explore China's vast industrial market.

The Group signed Comprehensive Co-operation Agreements ("CAA") with six Chinese regions:

AUGUST 1997

- Jiangxi Province

OCTOBER 1997

- Leshan City, Sichuan Province

DECEMBER 1997

- Mianyang City, Sichuan Province

JANUARY 1998

- Zhuhai City, Guangdong Province

MARCH 1998

- Taiyuan City, Shanxi Province

APRIL 1998

- Xuzhou City, Jiangsu Province

Three department stores were opened:

OCTOBER 1997

- Tianjin New World Department Store

APRIL 1998

- Ningbo New World Department Store

JUNE 1998

- Beijing New World Department Store

JULY 1998

- The Group's duty free operations, selling alcohol and tobacco commenced at Chek Lap Kok airport and airport railway stations.



MAJOR FINANCING ACTIVITIES

NOVEMBER 1997

- The Group arranged a dual currency syndicated loan of HK\$6 billion.

MARCH 1998

- NWI issued US\$250 million worth of convertible bonds.

OCTOBER 1998

- The Group arranged a HK\$2.3 billion term loan facility for the Private Sector Participation Scheme ("PSPS") project at Choi Hung Road.



DIVERSITY *meets* ADVERSITY



Historians will record 1998 as a time when the impossible happened in Asia. It was a year when regional currencies and global stock markets fluctuated at previously unheard of levels. In Hong Kong, the property sector was badly battered and the very basis of the economic order was threatened. In Mainland China, the economy came under severe pressure as growth momentum slowed.

The current circumstances call for a strong focus on financial strength, a responsive business strategy and a clear commitment to creating shareholder value. For its part, New World is prepared for all eventualities. It is our belief that the corporations that navigate through these rough times will prosper as the region inevitably enters a new era of prosperity.

By any measure, the year under review was difficult. The Group reported a net profit of HK\$2,142.9 million, a 59.7% decrease compared with last year's HK\$5,312.0 million. Fully diluted earnings per share dropped 61.4% to HK\$1.10 from HK\$2.85 in the previous year. The Board of Directors recommended a final dividend of HK\$0.32 per share. Combined with an interim dividend of HK\$0.32 paid in June 1998, the pay-out is HK\$0.64 per share.

The question many investors ask is where is the Group going from here? First, it is important to understand that the foundation for achieving our long term goal of building a diversified group focusing on Hong Kong and China is in place. We are in the process of creating a group that has a broader business mix, better quality income streams and a stronger balance sheet. In doing so, our risk profile is spread out and we can better explore the growth potential across our five core businesses - property, hotels, infrastructure, services and telecommunications.

However, it is equally important to realise that diversification is an ongoing process. The Group realised this when it decided to gradually change its profile from that of a pure property company to an enterprise with a broader range of interests. The first step was taken in the early 1990s when the Group chose to tap the huge potential of the China market by moving into China's infrastructure and property sectors. In 1995, the Group entered the telecommunications arena to participate in a high-growth business that is ever more integral to the way of life in Hong Kong and China.

The development of new markets was combined with the consolidation and restructuring of the Group's hotel and service businesses. In the hotels sector, the Group divested operations in the United States, Australia and Europe. This move was in tune with the Group's defined geographic focus on Hong Kong and China, the regions we know best. Meanwhile, the Group's service businesses were strengthened by the consolidation of operations under one umbrella and the acquisition of new businesses. The strategy of building new income streams was demonstrated by the entrance of New World First Bus, a subsidiary of New World Services, into the Hong Kong bus service business in September of this year.

This year the results of our ongoing diversification strategy became more apparent as the infrastructure and service businesses substantially increased their contributions. The Group's profit will be further reinforced by income streams from telecommunications operations as the customer base of our telecommunications businesses becomes more significant.

Diversification does not mean that we have lost confidence in the long term prospects of the property market. Just the contrary is true. This year's dramatic declines in property prices have created an opportunity to replenish our land bank. We believe that strong demand still exists in the residential sector given Hong Kong's increasing population, a substantial price reduction and government incentives to stimulate the market. While the commercial sector needs a different kind of stimulus, the long term prospects remain strong. After all, Hong Kong is the strategic gateway to China and a major international financial centre.

While the broadening of the income streams underpins long term growth, our current task is to place an even greater emphasis on strengthening the balance sheet and appropriately managing the Group's debt. Financial resources are carefully allocated to ensure long term growth. Sufficient credit facilities were committed last year to

MEASURED DIVERSIFICATION

AN ONGOING PROCESS

PROMISING INCOME STREAMS

ENSURING FINANCIAL STRENGTH

provide for the required flexibility during this period. In addition, we will seek financing alternatives to meet growth requirements, including the use of Rmb loans for our China projects to hedge against any currency movements. The spin-off of our services and China property divisions are on the agenda. The aim is to create the financial independence of these two divisions and to strengthen the Group's overall liquidity and fund-raising capability.

HONG KONG AND CHINA'S ECONOMIC PROSPECTS

One year after the hand-over of Hong Kong to Chinese sovereignty, the people in Hong Kong and around the world have witnessed the successful implementation of the "One Country, Two Systems". We have also watched the governments of Hong Kong and China dedicated their efforts to stabilise their economies.

Thanks to the unyielding spirit and professional management style of its people, Hong Kong is expected to be among the first to recover from the regional financial crisis. Hong Kong is fortunate to be supported by a sound banking system and adequate foreign exchange reserves. The Government has acted in a resolute manner to defend the peg of the Hong Kong dollar against its US counterpart. All this, coupled with China's expanding economy and Hong Kong's unique position as its gateway, reinforces future prospects.

As for China, the PRC Government's handling of the Asian crisis has buoyed our belief in the enormous development potential of this nation. With healthy GDP growth, foreign reserves hovering around the US\$140 billion mark and a positive balance of payments, we believe that steady growth will likely be maintained into the next century. The Government's plan to invest heavily into infrastructure and housing offers some assurance in this regard.

In 1998, the PRC Government has withstood great pressure to devalue the Rmb. This stance has won appreciation from world leaders and set the stage for the increased importance of China's economy in the regional equation. In the year ahead, China is expected to continue its policy of currency stabilisation.

LOOKING AHEAD

Our strategy of measured diversity and prudent management practices will combine with inherent strengths to lead New World into a period of growth and profitability. In the home base of Hong Kong, our hands-on management style and 28 years of operational experience have proven invaluable. The Group's business knowledge and network coupled with a comprehensive cooperation with various levels of government have allowed us to excel in the China market.

In the short run, we will proactively meet the challenge of these unsettled times by closely monitoring our business and financial performance, and take proper actions according to changes in the operating environment. As the diversification process continues to unfold, the Group will strive to create long term value for its shareholders by further strengthening its core businesses and capture the opportunities that lie ahead. We will make an added effort to keep shareholders informed and deal with the issues in which they are most concerned.

Finally, I wish to express my gratitude to our dedicated employees who have stood by the Group through this period, to our directors for their advice and guidance, and to our shareholders for their continued support.

Dato' Dr. Cheng Yu-Tung
Chairman

Hong Kong, 26 October 1998

MEETING *the* CHALLENGE

The year under review was shadowed by unprecedented economic turmoil in the Asian region. In response to dramatic changes in the economies in which the Group operates, the ongoing strategy of creating a diversified and broader income stream was carefully implemented and constantly reviewed. Meanwhile, the Group worked to maintain its financial strength to ensure that it could ride through the crisis in the best possible manner. The Group is continuing to pursue this approach to meet the challenges ahead while increasing transparency and disclosure to allow for a better dialogue with shareholders and investors.



The profit for the fiscal year ended 30 June 1998 amounted to HK\$2,142.9 million, a decrease of 59.7%. The results were affected by the Asian disorder, a decline in economic growth and a significant downturn in the Hong Kong property market. To put this year's performance into better perspective, it is worth noting that profit before exceptional items declined by only 16.3% and amounted to HK\$3,345.1 million. 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 56.

REVIEW OF RESULTS

REVIEW OF OPERATIONS

Operations of the Group's divisions were guided by the strategic objectives of measured diversification, an emphasis on financial strength and a renewed focus on the Hong Kong and China markets.

PROPERTY

Last year, the Group benefited from its cautious view on the Hong Kong property market when it sold its Discovery Park Phase II and Phase III properties at the peak of the market. The timely sale of the project had a positive impact on the Group's profit and cash flow.

No major land acquisitions were made last year. However, the Group has gradually expanded its agricultural land bank (almost 20 million sq. ft.) and steadily converted a number of farm sites into residential usage. The Group is monitoring the market for the proper time to finalise land premiums on the converted sites.

In terms of maintaining a quality income stream, close attention is being paid to the Group's rental portfolio as well as to its tenants. Though there is downward pressure on rental rates, rental income remains relatively stable given the addition of new investment properties like Discovery Park Shopping Mall and Palace Mall. During the year, rental rate reductions were initiated for some retail properties to ensure that tenants can overcome the current market situation so as to maintain the occupancy of our shopping malls.

The China property market continues to be a prime focus for the Group. Greater concentration is being placed on the medium- to low-end of China's residential markets. These market segments are strongly supported by the PRC Government's pronouncements on housing reform to provide more affordable housing for domestic buyers. In addition, the Group has spread project development across a broader geographic base. This regional expansion is backed by cash generated from completed projects. Borrowings of Rmb loans to finance new projects are in progress.

HOTELS

Following the sale of the Renaissance Hotel Group NV ("RHG") and Hotel Property Investments (B.V.I.) Limited ("HPI"), the Group consolidated its existing operations and improved competitiveness. This was accomplished by instituting cost cutting programmes, improving service quality and rebranding the Group's hotels. Two hotel projects in Southeast Asia were postponed until prospects of that region improve. Recently, the Group finalised the land premium paid for the extension of New World Centre in Tsim Sha Tsui. The property, which has a GFA of approximately one million sq. ft., is designated for hotel usage. This development will underpin the growth of our recurring income in the future years.

INFRASTRUCTURE

New World Infrastructure produced another year of impressive results. Income and cash flow from the division is growing along with the number of completed projects and the signing of new projects. NWI's investment portfolio is widely spread across China, Hong Kong and Macau, but the emphasis remains on China. Due to the current environment, NWI is upholding its prudent investment and risk management practices. Capital expenditures are carefully monitored and financing for new projects will be carried out in the Rmb currency whenever possible.

SERVICES

New World Services is adding new operations for its long term growth and increasing activities in existing businesses. This year that vision was exemplified with the award of the franchise to operate 88 bus routes in Hong Kong by the SAR Government to New World First Bus. Increasing activities in the existing businesses of construction, electrical and mechanical engineering, property management and others have laid the foundation for further growth opportunities. Various business lines have become increasingly active in bidding for government-related projects given the current weak performance of the private market. Substantial synergies were realised in terms of pooling expertise and sharing resources, thus improving overall efficiencies and competitiveness.

TELECOMMUNICATIONS

Though New World Telephone registered losses last year, its businesses are growing at an impressive rate. Last year, NWT increased visibility and improved market share in all business lines. The launch of the cellular network PCS009 has enabled NWT to become a comprehensive and increasingly important operator in the Hong Kong telecommunications industry. As the customer base continues to grow, the Group is looking to break even in its telecommunications division in the coming years. Last year, NWT took a bold step to enter the PRC telecommunications market by forming a joint venture with China Unicom and Chinacom to provide a GSM mobile network for Jiangxi Province.

In Hong Kong, the Group's focus on all five of its core businesses will remain. The businesses within each of these core divisions will continue to grow based on solid foundations laid by the Group.

In China the spotlight is primarily on infrastructure and property. The Group's China activities were once centred around the cities of Beijing, Guangzhou and Wuhan. Going forward, the Group will look for opportunities in other fast growing regions to produce greater returns. In recent years, this policy has been backed by the signing of Comprehensive Co-operation Agreements with various levels of the PRC Government across the country. Some 18 CCAs have been signed at the municipal and provincial levels. The ability to use CCAs to spread project risk across the country offers a hedge to the overall portfolio.

GEOGRAPHIC FOCUS

FINANCIAL POSITION

Keeping the Group on a sound financial footing is the highest priority during this period. The current intention is to reduce the debt level and carefully monitor capital expenditures in an effort to reinforce the Group's financial strength.

Last year, the Group's book debt rose to HK\$26,589.4 million, an increase of 27.4% compared with the previous year. Of this amount, HK\$5,760.1 million is attributable to NWI. To increase cash inflows the Group will continue to sell development properties at the appropriate time and maintain the stream of recurring income.

While book debt rose 27.4% and Hong Kong experienced interest rates rise due to a tight credit environment, net interest expense increased by only 14.9%. This was attributed to the increase in interest income and the Group's effort to balance borrowings between Hong Kong and US dollars.

To prolong maturities and reduce borrowing costs, the Group arranged a HK\$6 billion seven-year dual currency syndicated loan in November 1997. The loan was arranged at an opportune time, achieving a cost of fund of 50 basis points above LIBOR and HIBOR. Despite the tightening of the financing markets, the Group managed to secure financing for its expansion needs. For instance, in October 1998, a HK\$2.3 billion syndicated loan was arranged for a property project under the Hong Kong Government's Private Sector Participation Scheme.

Another important addition to the Group's financial strategy is emanating from China. Rmb financing is being sought to back the development of property and infrastructure projects in China. These Rmb loans will act as a natural hedge to any currency movements, and the loans can be serviced with local earnings.

**OUTLOOK FOR HONG KONG ...
AND THE IMPACT ON THE GROUP**

The year 1998 was challenging for Hong Kong and its business community. Hong Kong entered into a recession and all indications show that this recession will continue into 1999. To ease Hong Kong out of its malaise, the Government introduced a number of measures.

In October 1998, Chief Executive Tung Chee-Hwa offered concrete policies to stimulate the property market, support the tourism industry, invest in infrastructure and diversify the economy into a broader based service economy. The Group expects these measures to have a positive impact on its business operations, particularly in the property, hotels and services divisions.

On the telecommunications front, the broadening of deregulatory initiatives in the IDD area and the portability of cellular phone numbers offer new business opportunities. In terms of fixed network business, the Group is monitoring regulatory developments and actively lobbying the Hong Kong Government to remove hurdles in order to create a level playing field.

The Hong Kong Government's activities in currency and stock markets are also notable. The Government has staunchly defended the HK dollar's peg to the US dollar as the currency was attacked by speculators in the past year. The defence of the peg is important to the stability of Hong Kong, and the stability of Hong Kong is of critical importance to the Group.

While Hong Kong entered recession in 1998, China managed to maintain a moderate level of economic growth.

A number of policy initiatives have a positive effect on the Group's China businesses. The PRC Government's substantial investment programme for the infrastructure and housing sectors is crucial to economic growth and beneficial to the infrastructure and China property divisions of the Group. Reform of the housing sector will further stimulate the domestic demand for residential properties. The Government's desire to restructure State-Owned Enterprises ("SOEs") has positive implications for New World Industrial Holdings Limited, an investment company established last year to seek opportunities in China's industrial sector.

One important government initiative is the defence of the Rmb currency. China has won stature in the eyes of world and Asian leaders by refusing to allow a devaluation of the Rmb. Despite pressure from a volatile Japanese yen and declines in the balance of payments, China has stood its ground. The Government will strive to keep the Rmb as strong as possible in 1999. While the Group has faith in the resolution of maintaining the Rmb's value by the PRC Government, prudent action has been taken to prepare the contractual and operational aspects of the businesses for any currency fluctuations.

In the coming year, the Group is prepared to meet the ongoing challenge of an economy in transformation. The strategy of measured diversification will improve the quality of future income streams while prudent financial management is on the top of the agenda. The focus on Hong Kong and China will provide synergies as the two economies merge and the Group's role in China expands.

Each of the five core divisions are at different stages of creating long term value, and the Group will follow through on its existing strategy.

As the policy of diversification evolves, the professionalism of the management and employee team will guide the Group through this period and enable it to emerge stronger as Asia resumes its course of growth.

Dr. Cheng Kar-Shun, Henry
Managing Director

Hong Kong, 26 October 1998

OUTLOOK FOR CHINA ... AND THE IMPACT ON THE GROUP

LOOKING AHEAD

Dato' Dr. Cheng Yu-Tung, D.P.M.S., LL.D (Hon.), D.B.A. (Hon.), D.S.Sc. (Hon.) (aged 73), 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 to The Selection Committee for The First Government of The Hong Kong Special Administrative Region of The People's Republic of China in November 1996.

Dr. Cheng Kar-Shun, Henry, B.A., M.B.A., D.B.A. (Hon.), LL.D. (Hon.) (aged 51), 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 Services Limited, New World Development (China) Limited, New World Telephone Holdings Limited, New World First Bus Services 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. 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. 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. He is the eldest son of Dato' Dr. Cheng Yu-Tung and the brother of Mr. Cheng Kar-Shing, Peter.

The Honourable, Lee Quo-Wei, G.B.M., J.P. (aged 80), was appointed Director in October 1972. He is the Honourary Chairman of Hang Seng Bank Limited and the Deputy Chairman of Hysan Development Company Limited. He is a Director of Miramar Hotel & Investment Company Limited, Shaw Brothers (Hong Kong) Limited and Shanghai Industrial Holdings Limited. He is also a Life Member of the Council 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.

Lord Sandberg, Michael, C.B.E. (aged 71), 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, Chev. Leg.d' Hon., J.P., D.S.Sc. (Hon.), D.B.A. (Hon.) (aged 89), 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, D.S.Sc. (Hon.) (aged 69), was appointed Executive Director in June 1970. He is the Chairman of Myer Jewelry Manufacturer Limited, Honourary Chairman of Hip Hing Construction Company Limited and Vice-Chairman of Miramar Hotel & Investment Company Limited. He is a Director of Hang Seng Bank Limited, Kumagai Gumi (Hong Kong) Limited, King Fook Holdings Limited and New World First Bus Services Limited. Dr. Sin is also a Council Member of The Chinese University of Hong Kong.

Mr. Cheng Yue-Pui (aged 69), 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 53), was appointed Director in November 1979 and became Executive Director in 1986.

Mr. Yeung Ping-Leung, Howard (aged 41), was appointed Director in November 1985. He is also the Chairman of King Fook Holdings Limited.

Mr. Cha Mou-Sing, Payson (aged 56), was appointed Director in April 1989. He is Managing Director of HKR International Limited and Joint Managing Director of The Mingly Corporation Limited. He is the Chairman of Ocean Park Corporation, a Member of the Independent Commission on Remuneration for Members of the Executive Council and the Legislature of the Hong Kong SAR, Chief Executive's Commission on Innovation & Technology, and Airport Consultative Committee. Mr. Cha is a Member of The National Committee of the Chinese People's Political and Consultative Conference and was 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 a Member of Advisory Council of Stanford University Graduate School of Business in the United States.

Mr. Cheng Kar-Shing, Peter (aged 46), was appointed Director in October 1994. He is a Director of New World Hotels (Holdings) Limited and New World Services 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 59), was appointed Director in October 1994 and has been the Group General Manager since May 1988. Mr. Leung is a Director of New World Infrastructure Limited, New World Hotel Company Limited, New World First Bus Services Limited, Hip Hing Construction Company Limited, Asia Television Limited and Huey Tai International Limited.

Mr. Chan Kam-Ling (aged 58), was appointed Director in October 1994. He is Managing Director of Hip Hing Construction Company Limited and New World Services Limited, a Director of New World Development (China) Limited, New World First Bus Services Limited and Executive Director of New World Infrastructure Limited.

Mr. Chow Kwai-Cheung (aged 56), was appointed Director in October 1994. He is a Director of Hip Hing Construction Company Limited.



Mr. Tung Chee-Hwa, Chief Executive of HKSAR, Dr. Cheng Yu-Tung and Dr. Cheng Kar-Shun, Henry unveiled the Cheng Yu Tung Management Institute

COMMUNITY RELATIONS

The Group, its senior management and staff continue to demonstrate their commitment and devotion to the well-being of Hong Kong and the Mainland by making generous donations.

Education development is one of the significant issues that the Group and its senior management address. Last year, Dr. Cheng Kar-Shun, Henry donated Canadian dollar five million (approximately HK\$27.0 million) in honour of Dr. Cheng Yu-Tung to fund the establishment of the Richard Ivey School of Business's first campus outside Canada in the Hong Kong Convention and Exhibition Centre. Unveiled in September 1998, the facility is known as the Cheng Yu-Tung Management Institute of the Richard Ivey School of Business.

The Group is a regular participant in fund-raising events. Last year, the staff participated in a number of events, including the New Airport Tour for Millions organised by the Community Chest, and the Hike the Hills for Hospice Care launched by the Society for the Promotion of Hospice Care.

The recent flooding in China has aroused global concerns. To assist victims in rebuilding their homes, the Group has sponsored a number of fund raising programmes, including the Hong Kong Red Cross China Relief Fund.

EMPLOYEE RELATIONS

The Group's total work force reached 16,512 as of 30 June 1998. The Group's staff is principally grouped among its five core business divisions and its investments in New World Industrial Holdings Limited and New World Department Stores Limited. Each division shares the common view that people are the most important asset. The Group keeps up with market trends in its remuneration policy with regards to competitive salary rates and fringe benefits that include medical and insurance coverage as well as provident fund and low interest rate mortgage loans. Bonuses are accorded on the basis of performance and salary packages are reviewed annually.

The Group continues to put strong emphasis on the recruitment and retention of a skilled and versatile work force. Employee empowerment is regarded as a key corporate principle. The goal is to ensure that staff can adapt to changing market conditions, make prudent decisions and tailor business solutions to the environment in which they operate. To strengthen staff members' skills and knowledge, the Group provides in-house courses covering such diverse subjects as PRC taxation and law, sales and marketing, information technology, etc. In addition, each employee is allotted an annual allowance to attend external courses and workshops according to individual development needs.

The Group motivates its staff by promoting a friendly and healthy working environment where team work and flat organisation structures are strongly emphasised. Employees are given greater exposure and responsibility to enlarge their knowledge base and to strengthen managerial and technical skills. Corporate directions are frequently communicated through e-mails and newsletters to allow employees to better understand where the Group is heading. Meanwhile, sporting and social events are arranged regularly to enable employees to get to know one another better and to encourage the development of team spirit so as to create a harmonious working environment.

Hong Kong Property

Page 18 Property

China Property

Page 32 Hotels

HOTELS

Page 36 Infrastructure

Infrastructure

Page 44 Services

SERVICES

Page 50 Telecommunications

Telecommunications

Page 55 Others

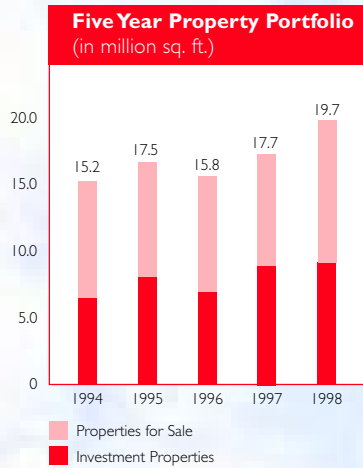
Others

The Group is confident about the long term prospects of the property market and is building its portfolio at opportune times





Discovery Park



The Hong Kong property market experienced tremendous volatility in the wake of the Asian financial crisis. Over the past year a sharp fall in property prices has led to a decrease in asset values and a drop in public confidence.

Throughout the year, the Hong Kong Government has introduced a number of measures to stimulate the residential market and to address the market's needs. On the supply side, land sales are frozen to March 1999. On the demand side, housing demand is bolstered by providing assistance to first home buyers and extra liquidity was made available through the establishment of the Hong Kong Mortgage Corporation. All these factors are expected to have a positive impact on the property market.

Despite projected difficulties in the market over the near term, the long term fundamentals remain strong. It is projected that Hong Kong's population will increase from 6.62 million in 1997 to 8.21 million in 2016^(*). By the year 2016, there will be nearly 2.5 million people in the 25 to 44 age demographic, accounting for 30.1% of the population. This age group is expected to have the strongest earning power and a greater propensity to start families. This long term demographic equation is expected to fuel the residential market. Substantial investments earmarked for the construction of Hong Kong's infrastructure will further boost the economy and allow for the efficient use of land for housing development. Finally, the affordability of housing is being restored after an almost 50% drop in property prices from the 1997 peak.

Additional stimulus will be needed in the office and retail sectors of the market, but a turnaround is expected along with the gradual improvement of the local economy. Hong Kong's strong fundamentals as a gateway to China and its role as an international financial centre will increase business activities in the region, thereby supporting the development of the commercial property market.

PROPERTY PORTFOLIO

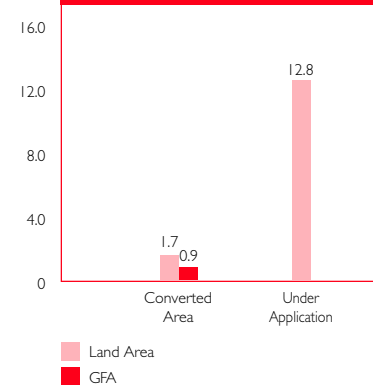
The Group's sizeable property portfolio totals about 19.7 million sq. ft. This comprises 32 projects developed for sale with an attributable GFA of 10.9 million sq. ft.; 15 investment properties with an attributable GFA of 7.8 million sq. ft.; and one investment property under development with an attributable GFA of one million sq. ft..

During the year, the Group acquired eight sites with an attributable GFA of about 3.6 million sq. ft. The Group's agricultural land reserve has been enlarged to 19.4 million sq. ft. from last year's 15.9 million sq. ft.. Applications have been filed for converting 13 agricultural sites with a site area of 12.8 million sq. ft. At prevailing market conditions, agricultural land conversion remains the Group's core strategy to expand the development land bank and it is expected that negotiations on land premiums with the Government will be finalised at reasonable price levels.

^(*) Source of data: Census and Statistics Department, *Hong Kong Population Projections 1997-2016*. Hong Kong: Census and Statistics Department, Hong Kong.

Agricultural Land Bank

	Total Land Area (sq. ft.)	Group's Share of Land Area (sq. ft.)
FY1997	18,342,000	15,875,000
Yuen Long	15,642,000	14,095,000
Fanling	2,160,000	2,160,000
Shatin/Tai Po	2,160,000	2,160,000
Sai Kung	1,090,000	855,520
Tuen Mun	150,000	150,000
FY1998	21,202,000	19,420,520

Agricultural Land Conversion in FY1998
(in million sq. ft.)**PROPERTY DEVELOPMENT**

Last year, five projects – two residential, two office and one industrial – were completed and/or offered to the market for sale. The Group intends to launch eight new development projects in FY1999. Details of the Group's principal property development projects in Hong Kong can be found on page 80.

Residential

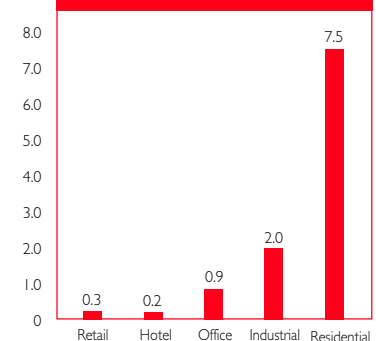
Satisfactory responses were recorded for the timely sale of Phase II and Phase III of Discovery Park in mid-1997. These sales took place right before the property market experienced a sharp decline. In view of the market downturn, the Group has provided second mortgages to buyers at competitive terms. Approximately 100% and 70% of the buyers for Phase II and Phase III of Discovery Park have completed the transactions respectively. It is the Group's intention to re-launch the defaulted units in the coming year.

Office

Chow Tai Fook Centre, located at the junction of Nathan Road and Dundas Street, was completed and sold in July 1997. In September 1998, a major sales programme was launched at Grand Millennium Plaza and the response is gradually improving. The conversion of Victoria Apartments into office space was completed in August 1998. The sale of the converted office space was contracted in early 1997 when office prices were substantially higher. So far, the Group has collected 30% of its share of the total proceeds as deposits and negotiations with buyers to finalise the transactions are in progress.

Industrial

The Group has four industrial projects totaling approximately two million sq. ft. of GFA. The World Peace Centre, with GFA of 299,155 sq. ft., was put on the market during the year and the response has been slow so far.

Property Development Breakdown in FY1998
(in million sq. ft.)**Projects Acquired in FY1998**

	Usage	Site Area (sq. ft.)	Total GFA (sq. ft.)	Attributable Interest (%)	Group's Share of GFA (sq. ft.)
1. Tung Tau, Yuen Long DD115	Residential	331,940	995,821	33.3	331,608
2. Yuen Long DD115	Residential	120,000	69,300	100.0	69,300
3. Yuen Long DD129	Residential	220,000	147,000	100.0	147,000
4. Sai Kung DD 217, 219, & 222	Residential	1,000,000	340,000	100.0	340,000
5. Sai Kung DD 221	Residential	160,000	126,000	65.3	82,278
6. Fanling DD 91 & 100	Residential	200,000	184,800	100.0	184,800
7. Kennedy Town Redevelopment Project	Residential/Retail	73,409	749,598	100.0 ⁽¹⁾	749,598
8. Choi Hung Road Private Sector Participation Scheme Project	Residential/Retail	377,988	1,943,902	89.6	1,741,736
Total			4,556,421		3,646,320

Notes: ⁽¹⁾ Project in which the Group's return is pre-determined in accordance with the terms and conditions of the joint development agreement.

Projects Completed and / or Offered for Sale in FY1998

	Usage	Total GFA (sq. ft.)	Attributable Interest (%)	Group's Share of GFA (sq. ft.)
1. Discovery Park Phase II	Residential	755,482	50.0	377,741
2. Discovery Park Phase III	Residential	755,482	50.0	377,741
3. Grand Millennium Plaza	Office / Retail	922,208	100.0 ⁽¹⁾	922,208
4. Chow Tai Fook Centre, Mongkok	Office / Retail	129,396	100.0 ⁽¹⁾	129,396
5. World Peace Centre, Kwai Chung	Industrial	299,155	50.0	149,578
	Total	2,861,723		1,956,664

Projects to be Completed and / or to be Offered for Sale in FY1999

	Usage	Total GFA (sq. ft.)	Attributable Interest (%)	Group's Share of GFA (sq. ft.)
1. Grand Millennium Plaza	Office / Retail	922,208	100.0	922,208
2. Harmony Garden, Tsuen Wan	Residential	163,516	100.0	163,516
3. Bijou Court, 171 Prince Edward Road West	Residential	67,978	50.0	33,989
4. Tung Chung Crescent	Residential	1,828,572	16.4 ⁽¹⁾	299,886
5. Belair Monte, Luen Wo Hui, Fanling	Residential	1,150,166	12.0	138,020
6. YLTL 463 Fung Kam Street, Yuen Long	Residential	316,934	7.0	22,185
7. NKIL 4850RP, Tai Po Road	Residential	190,586	50.0	95,293
8. Belcher Gardens Redevelopment	Residential	2,661,641	10.0	266,164
	Total	7,301,601		1,941,261

Note: ⁽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 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.

PROPERTY INVESTMENT

The economic downturn resulting from the Asian turmoil has put pressure on rental rates and slowed the demand for rental properties in Hong Kong at large. However, with the completion of Palace Mall and Discovery Park Shopping Mall, contributions from the rental portfolio remained stable. The Group will continue to improve the competitiveness of its investment properties by constantly reviewing and upgrading service quality. Details of the Group's principal property investment projects in Hong Kong can be found on page 82.

Office

The Group owns approximately 1.3 million sq. ft. of office space throughout Hong Kong. All existing office buildings achieved stable occupancy and rental income levels. The Group's flagship office buildings - New World Tower, Manning House and offices at New World Centre - have consistently registered over 90% occupancy. Methodist House in Wanchai was completed this year and is now being marketed.

Residential

The Group's residential properties include a hostel at 2 Macdonnell Road and service apartments at New World Centre, totaling about 540,000 sq. ft. of GFA. Both properties recorded satisfactory occupancy levels throughout the year due to their superior locations, and high quality services.



New World Centre Palace Mall

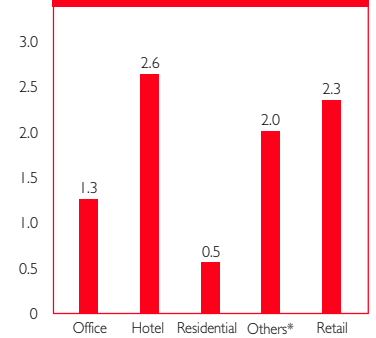
Retail

The Group has a total of seven shopping malls as well as shopping space in New World Tower, Manning House and Hong Kong Convention and Exhibition Centre. Total GFA amounts to 2.3 million sq. ft.. During the year, the retail market was particularly affected by weak consumer sentiment and a decrease in tourist arrivals. Advertising campaigns are being conducted to attract consumers to the Group's shopping malls, and rental rates are reviewed to ensure the tenants' ability to overcome the current market situation.

On average, occupancy levels remained above 90% for the New World Centre complex. An underground tunnel is under construction to connect the Palace Mall, New World Centre, and Salisbury Garden to the shopping areas on Nathan Road. Extra shopping space will be provided and an increase in traffic volume is anticipated upon completion of the tunnel by the end of 1999.

Telford Plaza, one of the major shopping attractions in East Kowloon, continued to enjoy full occupancy. Since its opening in late 1997, the Discovery Park Shopping Mall has provided a fresh shopping spot for the Tsuen Wan District and achieved an occupancy rate of over 90%. The Pearl City in Causeway Bay achieved full occupancy during the year under review.

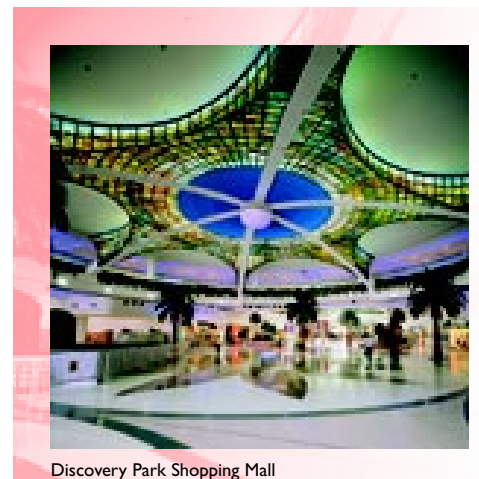
Property Investment Breakdown in FY1998
(in million sq. ft.)



* This represents 1,916,604 sq. ft. of warehouse space in Asia Terminals Centre and 91,621 sq. ft. of private club at HKCEC.



Telford Plaza



Discovery Park Shopping Mall

The Group's property projects in China are tailored for each individual market's needs and are in line with the Government's initiatives to promote home ownership



Beijing New World Centre Phase I

Continuous urbanisation and healthy economic growth have led to increased activities in the PRC urban property market. Improvements in the legal and financial framework combined with a rising affluent class have contributed to a more active residential market. Overall, investment in property development reached Rmb317.8 billion in 1997, representing an increase of 69.0% between 1994 and 1997. The annual sales of commodity and residential buildings increased 76.7% and 92.7% respectively during the same period. Total sales of commodity buildings amounted to some Rmb179.9 billion in 1997 alone, of which Rmb140.8 billion was attributed to residential buildings.

The PRC Government has recognised that property investment is a key component of fixed asset investment and has a significant impact on related industries. This realisation has caused the Government to designate the property industry as a major growth driver in the next century. In March 1998, Premier Zhu Rongji released plans for housing reform to pave the way for the maturing of the property market in the coming years.

As part of its property policy, the PRC Government calls for an improvement in the quality of living and wants to raise the average living space per capita to between 86.1 sq. ft. to 107.6 sq. ft. by 2000. It appears that medium- to low-end housing is the backbone for future growth in the residential property market. Those market segments are more affordable to the general populace. Affordability is being further improved through the easing of liquidity.

To reform the PRC housing system is a lengthy and complex process. The initiative entails scrapping the welfare housing allocation system and commercialising residential units. People must rent property at market rates or buy homes at the market price out of their savings or with the financial assistance of banks or the Housing Provident Fund to which they contribute.

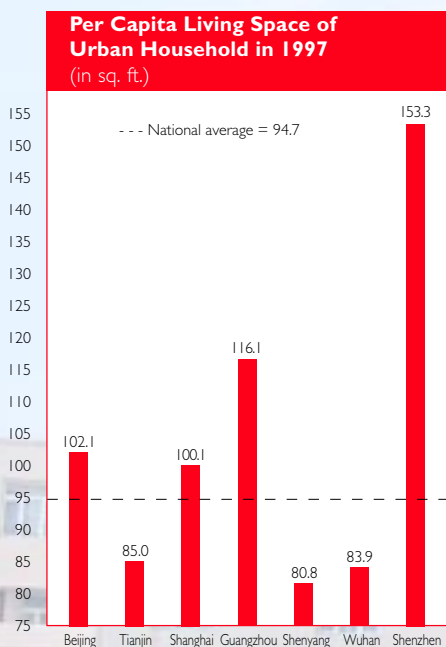
The Government aims to increase home ownership by substantial investment in the property sector, the encouragement of home loans, and pushing for more contributions to the Housing Provident Fund from employers and employees. The reduction in interest rate in recent years has helped to stimulate the property market. In addition, banks can finance a greater portion of a project's development at terms of between three to five years, up from the previous one-year term. More banks are providing mortgages and the construction and mortgage loan portions of their lending portfolios have increased.

Government support of the property sector, the rise in standards of living, continued economic growth, more infrastructure development and spending, are all positive factors on the horizon of the China property market.

PROPERTY PORTFOLIO

The Group has a diversified property portfolio in China in terms of project type and geographic location. Most conventional property projects are targeted at the medium-end market, while the Group's Government Subsidised Housing are targeted mainly for the low-end market. Through joint ventures with local government authorities in City Core Redevelopment ("CCR") projects, the Group has secured development rights to large parcels of prime land in cities such as Beijing, Tianjin and Guangzhou. The plan is to develop and modernise these areas into multi-functional communities. In so doing, the Group's GSH projects play a part in the local government's effort to relocate existing tenants from old districts into new urban dwellings.

In terms of its massive China property portfolio, the Group has adopted a phased approach to development. The objective is to reduce cash outlays and maximise returns. Proceeds from completed phases and deposits collected during the pre-sale



Property Portfolio in FY1998

	Total GFA (sq. ft.)	Group's Share of GFA (sq. ft.)
Completed Properties Held For Long Term Investment	7,951,230	2,519,658
Properties Under Development		
– Conventional Property	174,455,328	100,520,162
– Government Subsidised Housing	103,162,565	59,215,313
Total	285,569,123	162,255,133
Land Bank	Site Area (sq. ft.)	Group's Share of Site Area (sq. ft.)
City Core Redevelopment	54,833,930	35,331,540
Land Improvement Project	102,220,000	47,075,000
Total	157,053,930	82,406,540

Projects Acquired in FY1998

	Usage	Site Area (sq. ft.)	Total GFA (sq. ft.)	Attributable Interest (%)	Group's Share of GFA (sq. ft.)
Conventional Property					
1. Beijing Paxim Tower	Commercial / Residential	144,184	578,888	60.0	347,333
2. Beijing New World Garden	Residential / Commercial	568,128	2,198,773	60.0	1,319,264
3. Shenzhen Xili Lake	Residential	625,382	312,040	90.0	280,836
4. Shenzhen Sha Tau Kok	Residential	961,395	1,615,076	90.0	1,453,568
5. Tianjin Xin An Garden	Residential	216,797	770,308	51.0	392,857
6. Shenyang Wangjiazhuang	Residential	21,082,068	35,703,832	90.0	32,133,449
Government Subsidized Housing					
1. Project in Qing Yuan	Residential	5,595,200	10,071,360	57.4	5,780,961
2. Project in Zeng Cheng	Residential	3,050,191	5,215,834	57.4	2,993,889
3. Project in Haikou	Residential	2,224,845	3,204,005	57.4	1,839,099
4. Project in Zhuhai	Residential	3,636,880	5,819,008	57.4	3,340,111
5. Project in Hefei, Phase I	Residential	933,000	1,183,600	57.4	679,386
Phase II	Residential	16,148,070	24,222,105	57.4	13,903,488
Total			90,894,829		64,464,241

of new projects are used to finance remaining phases. Future projects will only start after assessing local demand, affordability and market conditions.

During the year the Group acquired six conventional projects and five GSH projects with a total attributable GFA of 64.5 million sq. ft.. Details of the Group's China property portfolio can be found on page 85.

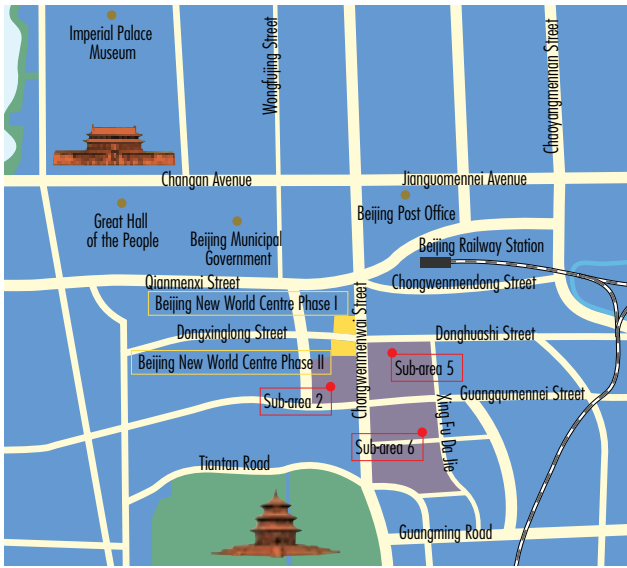
REVIEW OF KEY CITIES**Beijing***Market Overview*

Beijing is the political and cultural centre of China as well as one of the country's most densely populated cities. Its GDP is among the highest in the country, reaching Rmb181.0 billion in 1997. Between 1993 and 1997 per capita GDP increased 103.1% to Rmb16,735. As the capital city of the country, Beijing is an attractive city for domestic and foreign organisations to set up branch and representative offices.

Despite the Asian turmoil, some multinational investors are moving ahead with expansion plans as economic ties between China and foreign economic powers improved over the past year. The demand for residential and office space in prime locations is strong, although supply is prominent. Certain excellent sales of high-end residential projects were achieved in the first half of 1998 due to their good locations.



Beijing New World Centre Phase I – Shopping Mall



Beijing CCR Projects



Beijing New World Centre Phase I - South Office Tower

The sales of residential property in Beijing reached Rmb4.0 billion in 1997, a 98.1% increase over the previous year. The Individual Purchase Ratio of Residential Buildings rose from 24.0 % in 1994 to 39.7% in 1997. Since early 1990s, the living space per capita has been consistently higher than the national level, achieving 102.1 sq. ft. last year.

Project Overview

The Group has 12 property projects in Beijing with a prime focus on the Chongwen District. Due to the relatively higher incomes of the Beijing populace and the presence of a critical mass of foreign investment and activities, the Group has developed a wide spectrum of properties. These properties range from high-end office and service apartments to medium-end residential properties.

Beijing New World Centre is the centre-piece of the Group's CCR project in Chongwen District. Completed in mid-1998, the development comprises one service apartment building, two office towers, one hotel and a mega-shopping mall. Almost all service

apartments and over 65% of the space in the South Office Tower are sold. The North Office Tower is retained for investment purpose and leasing is in progress. New World Courtyard Hotel Beijing has generated satisfactory customer flow from business and leisure travelers. The shopping mall was opened in July 1998 and the occupancy has been satisfactory.

Of the seven Sub-areas which make up the Chongwen District, the Group has secured Sub-areas One, Two, Five and Six for development. Completion of infrastructure works, such as the widening of the two-kilometre Chongwenmen Wai Street and the construction of pedestrian tunnels connecting both sides of the street have brought increased road and pedestrian traffic to the street. Phase II of Beijing New World Centre is under construction and due for completion in 1999. A residential project in Sub-area Two targeted at local buyers, Beijing New World Garden, is under construction and expected to be completed by 2001. Demolition and relocation work in Sub-areas Five and Six are in progress.

The two-phased Dynasty Garden is a conventional property project located between the downtown business district and the Beijing International Airport. Due to its premium location and quality over 75% of Phase I has already been sold. Phase II will be completed by 2000.

Tianjin

Market Overview

Tianjin is one of China's top 10 cities in terms of economic growth and is an important sea port in Northern China. Its GDP reached Rmb124.0 billion in 1997, a 12.5% increase over the previous year. From 1993 to 1997, per capita GDP rose 127.1% to Rmb13,796. These factors have improved the purchasing power of Tianjin residents in terms of home buying and that trend is reflected in the growth rate of total sales for residential property in recent years.

Total residential sales amounted to Rmb3.8 billion in 1997, representing a 55.0% increase over the previous year. Per capita living space has gradually improved and stood at 85.0 sq. ft. per capita in 1997. The Individual Purchase Ratio of Residential Buildings was 60.5% in 1997, 13.2% higher than 1996. The buoyant market is supported by financial institutions, which are encouraged to assist families in buying homes by providing mortgage financing.

Project Overview

In Tianjin, the Group has a total of nine projects. The Group adopted a phased approach to developing land secured through CCR projects in Tianjin. The development of the Group's land bank is dependent on market conditions and the main target is the domestic residential market.

The CCR projects are located in three central Tianjin districts – Nankai, Hongqiao and Heping. Tianjin New World Anderson Centre is the landmark of the Group's CCR project in the Nankai District and a satisfactory occupancy rate was achieved during the year under review. Tianjin Xin An Garden, a residential project, is being developed beside New World Anderson Centre.

Xin Chun Hua Yuan is being developed on Land Lot 603 of the CCR project in Hongqiao District. The project is expected to be completed by 1999 and the market response is satisfactory. Tianjin Huayuan Residential Area, located at the southwestern tip of Tianjin, is the Group's first GSH project in Tianjin. Phase I has been sold and Phase II will be completed in April 2000. Phase II has been put on the market and the response is encouraging.



Tianjin CCR Projects

Shanghai

Market Overview

The fast growing city of Shanghai is the economic and financial centre of East China. In 1997, Shanghai's GDP reached Rmb336.0 billion. From 1993 to 1997, GDP per capita rose 120.0% to Rmb25,750.

Since the adoption of the Open Door Policy in the late 1970s, foreign investors have played an active role in the economic development of Shanghai. The impressive growth in the municipal economy is reflected by a 3.7 times surge in savings deposits among urban and rural residents between 1993 and 1997. Meanwhile, the transportation network was improved by the completion of a number of highways and Phase I of the underground rail. This necessary improvement in infrastructure creates a favourable investment environment and supports property development.

Competition among high-end properties for buyers and tenants is aggressive due to an excess in supply. However, housing reform and other government incentives for the property market have created opportunities for investors. As elsewhere in China, banks in Shanghai are increasing the amount of housing mortgages in proportion to their lending portfolio to allow residents to buy their own homes. Sales of residential property reached Rmb17.2 billion in 1997, a 9.6% increase over the previous year. The Individual Purchase Ratio of Residential Buildings rose from 53.0% in 1994 to 65.4% in 1997. The living space per capita increased 27.4% from the previous year to reach 100.1 sq. ft. in 1997.

Project Overview

The Group has seven projects in Shanghai which are diversified among the premier districts. The Group's strategy is to focus on the development of projects in key locations that can be sold to foreign or domestic buyers.

Hong Kong New World Tower, situated on the famous Huaihai Road Central, is the flagship development in Shanghai. Phase I will be completed in mid-2000 and Phase II will come on stream in early 2001. As well, Zhong Shan Square is ideally located next to the elevated inner ring road in the Hongqiao Business District, thus allowing convenient access to Hongqiao Airport and the city centre. This project is composed of a modern commercial and residential complex. Phase I comprises three residential blocks and the sale is in steady progress.



Tianjin New World Anderson Centre



Tianjin Huayuan Residential Area



Regent Place, Shanghai



Wuhan Changqing Garden

Wuhan

Market Overview

Wuhan is the transportation, trading and commercial centre of Central China. From 1993 to 1997, Wuhan's GDP increased 155.4% to Rmb91.2 billion. Over the same period, per capita GDP increased 144.1% to Rmb12,673.

Residential property sales in Wuhan reached Rmb2.2 billion in 1997, a 68.2% increase from the previous year. The Individual Purchase Ratio of Residential Buildings rose from 28.5% in 1996 to 50.5% in 1997. The living space per capita in the urban area increased 20.0% to 83.9 sq. ft. from 1993 to 1997. The Wuhan Government plans to improve living standards and increase living space per capita in the city where the average living space has been lower than the national average. A main task of the Government is to narrow the affordability gap of residential housing prices by offering financial assistance from banks or the Housing Provident Fund.

Project Overview

The Group has eight projects in Wuhan and the prime development focus is on Changqing Garden, the largest GSH project in China. Upon completion, Changqing Garden will accommodate over 200,000 people. Phase I is over four million sq. ft. and has already been sold. Phase II is under construction and due for completion by 1999. Over 80% of Phase II has been sold so far. The development of the remaining phases is being planned and will proceed when market conditions permit. Other projects in the city include retail, office and residential developments which are primarily targeted at the local market.



Guangzhou New World Riverside Villa

Guangzhou

Market Overview

Guangzhou is the metropolitan and commercial centre of South China. GDP reached Rmb164.6 billion in 1997, an almost 122.2% increase over 1993. From 1993 to 1997, per capita GDP more than doubled to Rmb24,895.

The Individual Purchase Ratio of Residential Buildings rose from 50.0% in 1996 to 64.3% in 1997. From 1993 to 1997, living space per capita in the urban area rose 21.4% to 116.1 sq. ft. The residential market is dominated by domestic sales and remained active in 1998. Housing reform and the easing of mortgage loans from the banking sector contributed to the increase in demand. A higher loan ceiling and lower interest rates also stimulated the residential property market.

Project Overview

In Guangzhou, the Group has a total of 13 projects. Since purchasing power is higher in Guangzhou, the Group's developments include high-end property as well as medium- to low-end units, thus meeting the demand of each market segment.

The Group has two residential projects on Er Sha Island, Guangzhou's premier residential community. Site 14, Guangzhou New World Riverside Villa, consists of 67 houses, 85% of which have been sold. Construction work for Site 13, New World Palm Garden, commenced in July 1998. The Group plans to build 25 low-rise resort type apartments by mid-2000.

New World Eastern Garden is one of the Group's largest developments in Guangzhou targeted at the domestic medium-end market. The project is located near the new Tianhe train station and other public transportation networks. The project will be developed in three phases. Some 90% of Phase I has been sold and Phase II is expected to be completed by 2000.

The Group also has a GSH project in Ji Shien Zhuang, located in Baiyun District, to be developed in multiple phases over the next five to seven years.

Shenyang

Market Overview

Shenyang is an important industrial, transportation and trading hub in Northeast China. Shenyang's GDP reached Rmb85.1 billion in 1997, a 100.2% increase over 1993. Over the same period, per capita GDP rose over 95.1% to Rmb12,658.

The living space per capita in the urban area reached 80.8 sq. ft. in 1997, below the national average of 94.7 sq. ft. For that reason, the Shenyang Government decided to make residential property development a key component for economic growth. While Shenyang's population is 0.54% of the nation's total, savings are 1.48% of the total. In recent years, the purchase of private housings by individuals has increased. This trend is likely to move upward after the implementation of housing reforms and the releasing of mortgage funds by the banking sector.

Project Overview

In Shenyang, the Group focused on the development of the Wangjiazhuang project. This project is located at the southern part of the city and attached to the second ring road. It is a comprehensive project to be developed in line with the municipal government plan to move the city centre southwards. The project will be developed in phases over the next 10 years. Phase I is currently under construction and due for completion by 1999.

Shenzhen

Market Overview

As China's first Special Economic Zone, Shenzhen is a pioneer in terms of attracting foreign investment. Located close to Hong Kong, Shenzhen's superior location is buoyed by an efficient transportation network. Shenzhen's GDP amounted to Rmb113.0 billion in 1997, 151.5% increase from 1993. Shenzhen has achieved China's highest per capita GDP with a per capita rise of 89.4% to Rmb30,619 from 1993 to 1997.

Last year, the city's total investment in property development amounted to Rmb13.7 billion, in which commercial housing accounted for nearly 62.6%, one of the highest among major cities. Per capita living space gradually increased to 153.3 sq. ft. These positive factors are partially due to a tripling of total saving deposits from 1993 to 1997.

Recently, the property market has been encouraged by lower interest rates, a mortgage ceiling of 70% for a maximum tenure of 20 years, and the offer of secondary market mortgages. The sales of residential property in Shenzhen reached almost Rmb10.9 billion in 1997, a 48.5% increase over the previous year.

Project Overview

In Shenzhen, the Group has two projects with a total of 1.7 million sq. ft. of GFA. Shenzhen Xili Lake, is the Group's first residential development in Shenzhen. Completion of Phase I is due for 2000 and 2003 for the entire project. The Shenzhen Sha Tau Kok project, to be completed in 2004, comprises deluxe houses, a high-rise building and a club house.

Others

The Group also has investments in other key cities in China. Developments are built according to the market conditions of each city.

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The Group continues to improve the competitiveness of its hotels in Hong Kong, China and Southeast Asia



Grand Hyatt Hong Kong



Grand Hyatt Hong Kong

Due to the volatile economic conditions in Asia, performance of the Group's hotels have been adversely affected. The Group's hotel portfolio comprises 17 hotels with a total of 8,109 rooms. Two more hotels will be opened in Nanjing and Shanghai in the next two to three years, adding 975 rooms to the portfolio. In addition, the land premium payment was finalised for the New World Centre Extension in Tsim Sha Tsui. The property is currently designated for hotel usage and has a GFA of approximately one million sq. ft..

STRATEGIC ALLIANCE WITH MARRIOTT INTERNATIONAL INC. ("MARRIOTT")

With the exception of The Regent and Grand Hyatt Hong Kong, the Group's hotels are managed by Marriott. Major milestones were achieved during the year with the aim of building a larger customer base, improving service quality and increasing marketability. This includes the integration of the international booking network of Marriott with that of the Group's hotels. Reservations can now be made for the Group's hotels through the Marriott Automated Reservation System for Hotel Accommodations ("MARSHA"). Those hotels that have been covered by MARSHA have had an instant increase in occupancy.

In addition, the two New World hotels in Hong Kong were rebranded under the Renaissance banner and five hotels in China were rebranded under the Courtyard name during the year.

HONG KONG

Performance of the Group's four hotels in Hong Kong was affected by the decrease in tourist arrivals resulting from the Asian economic downturn. However, due to convenient locations and competitive hotel rates, the Group's hotels generally outperformed the industry. Given the adverse operating environment, the Group's hotels made a substantial effort to improve service quality with the aim of increasing market share. For instance, The Regent was the first Hong Kong hotel to offer Internet and e-mail access in guest rooms. Over the years, both The Regent and Grand Hyatt Hong Kong have consistently been named by renown industry magazines as the "Best Business Hotels in Asia". Satisfactory revenue at food and beverage outlets helped to maintain profitability.

Hotel Portfolio Breakdown		
Location	Number of Hotels	Number of Rooms
Existing Hotels		
Hong Kong	4	2,491
China	9	3,595
Southeast Asia	4	2,023
Sub total	17	8,109
Under Development		
China	2	975
Southeast Asia	2	721
Sub total	4	1,696
Grand Total	21	9,805

CHINA

During the year, performance of the Group's hotels in China varied. The trend in recent years has been for an increasing number of travelers to seek accommodation in mid-range priced hotels with convenient locations. The Group's hotels in China are targeted at such a market segment and have established themselves as the preferred destination by business and leisure travelers due to convenient locations and quality of service.

The Group's hotel business in China is being upgraded and expanded. A major renovation of the China Hotel in Guangzhou was completed during the year. In December 1997, the New World Courtyard Hotel, Shunde was opened. New World Courtyard Hotel, Beijing was opened in July 1998 as a major component to the Beijing New World Centre.

SOUTHEAST ASIA

Results of the Group's four hotels in Kuala Lumpur, Manila and Ho Chi Minh City were affected by the economic situation of the region. In view of the downturn in the regional markets, the Group has delayed its hotel developments in Vietnam and Malaysia until the economic prospects of the region become clearer.

For more details on New World's hotel investment portfolio, please refer to page 84 of this Annual Report.



Hotel Distribution



Coffee Shop at The Regent

New World Infrastructure is well-positioned to seize the opportunities of the ever-growing China infrastructure market



Guangzhou Three New Bridges, Hedong Bridge

The investments involved in the development of infrastructure in China are staggering by any measure. Over the next few years alone the PRC Government has announced a massive investment programme that could bring up to US dollar one trillion of investment into the infrastructure arena. All areas of China's infrastructure will be positively affected by this growth in spending, as will the underlying economy. Given this environment, opportunities abound for those with the expertise and desire to build the China of the 21st century.

In October 1995, New World Infrastructure Limited became the first infrastructure company to list on the Hong Kong Stock Exchange. Today NWI is ranked as one of the largest infrastructure investors in Hong Kong, Macau and China. With investments in over 1,100 kilometres of expressways, nine bridges, 5,328 MW of power generating units, and 1.7 million cubic metres of water treatment plants, NWI has pioneered the way in the PRC.

NWI has produced another year of impressive results in the year under review. This is attributed to the growing portfolio of operational businesses and the acquisition of new investments and projects. NWI has now acquired and developed a diversified portfolio of infrastructure investments which include roads, bridges, cargo handling, power, water, and others.

ROADS AND BRIDGES

Road Projects

The road sector is by far the largest and most active segment of the infrastructure operations and is the leading contributor to NWI's profit figures.

Despite the ongoing and steady growth of the road network, transportation bottlenecks restrain economic growth. China is expected to invest a total of Rmb500 billion on roads between 1998 and 2000. An increase in road spending is a key component of the infrastructure development programme. Next year, the Central Government has decided to invest Rmb180 billion on highways, up from Rmb120 billion in 1998. This reflects the Government's intention to revamp and upgrade roads to improve the efficiency of the transportation system.

One of the first infrastructure projects ever funded by NWI, the Guangzhou City Northern Ring Road, is still a top performer. In June 1998, NWI paid US\$11.92 million to acquire an additional 4.65% stake in the project, increasing its interest to 65.29%. The Guangzhou City Northern Ring Road is located in the busiest district of Guangzhou and after several years of successful operations, traffic growth is now regularly fueled by other road networks.

Currently, NWI is striving to develop integrated road systems rather than concentrate on individual projects. With Guangzhou City Northern Ring Road located at the centre of the hub, the Guangdong-Guangxi road system spans three networks: Zhaoqing-Guangxi Road Network, Huizhou Road Network and Qingyuan Road Network.

Zhaoqing-Guangxi is the first road network in which NWI has invested since 1994. The Zhaoqing-Guangxi Network absorbs cross-border traffic between Guangdong and Guangxi. The Huizhou Section of Shenzhen-Huizhou Expressway links Huizhou City with the Shenzhen Special Economic Zone and connects to the Yantian Port. The Qingyuan Road Network provides important linkages between Huaiji, Qingyuan and southern Guangdong.

Other road projects that compose NWI's road portfolio include the Guangzhou-Zhuhai Section of the Beijing-Zhuhai Expressway; the Chengdu Ring Expressway (East Section), which forms the eastern section of the road circling Chengdu in Sichuan Province; the Tianjin North Section of Tianjin Expressway, a cross-province road serving Tianjin; and the Wuhan Airport Expressway, the only connection between Wuhan Tianhe Airport and Wuhan.

Besides its operations in China, NWI is active in the Hong Kong transport sector. NWI owns a stake in Tate's Caim Tunnel, which links Diamond Hill in Kowloon and Siu Lek Yuen in Shatin. Revenues of the tunnel remained steady during the year under review.

Strategic Alliances

In the road sector, NWI has formed strategic alliances with a number of companies. In May 1997, NWI bought a 3.12% stake in Jiangsu Expressway Company Limited.

In September 1997, NWI signed an agreement to acquire 9.9% in Sichuan Expressway Company Limited.

Bridge Projects

The bridge sector is an important part of the transport network. One of the highest profile bridge projects is the Wuhan Bridge Development – New Yangtze Bridge, Han River Bridge No.1, and Han River Bridge No.2, all located in Wuhan City. The Guangzhou Three New Bridges – Hedong Bridge, Jiefang Bridge and Jiangwan Bridge located in the heart of Guangzhou provide vital crossings over the Pearl River. All three bridges were opened during the year. Other bridges include Zhaoqing Deqing Xijiang Bridge, located in Zhaoqing City in Guangdong Province; Gaoming Bridge, located in Gaoming City in Guangdong Province.



Shenzhen – Huizhou Roadway



Guangzhou Three New Bridges, Jiefang Bridge



Container Terminal 3, Kwai Chung

CARGO HANDLING

Trade has always been a critical component in the Hong Kong economy. The frenetic activity experienced in one of the few deep water ports along the China coast has made a mark on the world. More recently, the emergence of China as a major trading power has enhanced Hong Kong's position in the cargo handling business. At the same time, China's growth as an export market has created opportunities for ports along the coast.

NWI's cargo handling business is a steady performer and the sector remains a major source of recurring income flows. NWI participates in cargo handling primarily through strategic alliances with Sea-Land Service Inc. ("Sea-Land"), a wholly-owned subsidiary of CSX Corporation. Currently, the joint venture has two cargo handling projects in Hong Kong - Sea-Land Orient Terminals Limited ("SLOT") and Asia Terminals Limited ("ATL"). NWI strengthened its investment in Hong Kong by increasing its stakes in both projects.

SLOT operates Container Terminal 3 ("CT3") in Kwai Chung and provides container services to shipping companies. Subsequent to the acquisition of an additional 16.5% interest in SLOT in 1997, NWI increased its stake in May 1998 from 30.34% to 33.34% for HK\$285 million. SLOT is a consortium member of Asia Container Terminals Limited ("ACT") and ACT is a consortium member to develop Container Terminal 9 ("CT9") which will be operational early in the next century. The most efficient container terminal in Hong Kong, SLOT emphasises process improvement, equipment upgrades and cost reduction to maintain competitiveness.

ATL operates a Container Freight Station and cargo distribution centre at CT3. NWI's Asia Terminals Centre is the world's largest multi-storey drive-in container freight storage building. ATL is working to achieve process improvement and cost reduction. Last year, ATL acquired new equipment to increase operating efficiency and streamlined its operations by outsourcing.

China Developments

Rapid economic growth and rising trade has spurred demand for container ports and related services in China. By 2000, the country would have built 100 new berths and increased its annual handling capacity by 200 million tonnes.

NWI embarked on its first China cargo handling project with Sea-Land in January 1997 through the acquisition of 24.5% of Sea-Land Orient (Tianjin) Container Terminals Co., Limited ("SLOTT"). SLOTT operates four container berths and one coal berth at the Dongtuti South Terminal in Tianjin Xingang. Meanwhile, another NWI China venture, United Asia Terminals (Yantian) Limited, is a leading provider of freight storage, warehousing and distribution services in South China.

In the year under review, NWI joined forces with another strategic partner to increase its presence in China. NWI acquired a 37.15% stakes in Pacific Ports Company Limited, an Asian port company listed in Hong Kong. The acquisition allows NWI to expand into the eastern coastal region of China and to strengthen its port and related business in the Mainland. PPC's port business is expected to benefit from geographical advantages and port infrastructure development.

POWER

NWI's China power business spreads across the provinces of Guangdong, Sichuan and Hebei as well as the city of Macau. In the high-growth Guangdong Province, the power projects include Zhujiang Power Station Phase I, Zhujiang Power Station Phase II and Shunde De Sheng Power Plant. In Sichuan Province, NWI acquired a 60% stake in a coal-fired power plant located in Qianwei County in October 1997.

NWI has a strong alliance in Hebei Province with Beijing Datang Power Generation Company Limited, one of China's largest independent power producers.

Macau's electricity is supplied solely by Companhia de Electricidade de Macau-CEM, S.A.R.L. ("CEM"). In 1985, the Macau Government granted CEM the exclusive right to supply electricity for a 25-year period. NWI owns a 20.25% effective interest in CEM through its 50% ownership in Sino-French Holdings (Hong Kong) Limited, which was acquired in October 1997.

Power Outlook

Overall, China's power sector is going through great change. Government's reform of regulation, the development of new financing alternatives and the evolution of pricing schemes have had a major impact on the sector.

PRC electricity generation seems sufficient to meet domestic needs. In fact, some regions are experiencing an excess of supply. This is attributed to the rapid addition of installed capacity coupled with the lower than expected demand for electricity from industrial consumers. However, a closer look reveals that there is leeway for growth. In terms of per capita installed capacity, China ranks 85th in the world with an average far below that of the developing countries.

To meet the demand for electricity, the Government plans to increase its level of investment and invite foreign capital and expertise. Between 1998 and 2005, some Rmb200 billion will be invested in power networks to improve transmission and increase the accessibility of electricity.

All indications point to rising demand and improved prospects for the power sector in the years ahead. In the short run, the Government is determined to achieve the economic growth targets of the Ninth Five Year Plan and improving accessibility of electricity is critical.

WATER TREATMENT

NWI's key strategic partner in the water sector is Suez Lyonnaise des Eaux S.A. ("SLDE"). In August 1997, NWI acquired a 50% equity interest in Sino-French Holdings (Hong Kong) Limited, a company principally engaged in water and electricity supply. The remaining 50% stake in Sino-French is owned by SLDE and Lyonnaise Asia Water Limited.



Zhujiang Power Station



Macau Water Plant

The alliance with one of France's largest water companies enables NWI to achieve business diversification within China and extend its business activities to Macau. The move into water treatment and supply is an extension of NWI's existing portfolio of infrastructure projects. Sino-French is expected to contribute to NWI's long term profitability and growth based on its operating history and track record in producing positive cash flows.

At present, Sino-French has seven operational projects and is committed to the development of two more projects. This mix of operational and new projects is important in terms of cash flow streams. In addition, Sino-French owns a 85% stake in Sociedade de Abastecimento de Aguas de Macau, SARL ("SAAM"), also known as the Macau Water Supply Co. Limited. SAAM is operating under a 25-year monopoly concession granted by the Macau Government that ends in July 2010.

Water Treatment Outlook

The potential of the water treatment industry looks promising. China is facing a severe shortage of safe drinking water, and the water treatment industry is poised to take on the challenge. Over half of China's 600 large and medium-sized cities suffer from shortages and more than 100 are severely deprived. In some cases, the situation is so bad that urban residents stand in line for hours to obtain a few gallons of drinking water. The percentage of the PRC population with access to safe drinking water is now estimated at below 70%.

The water treatment industry is primed for new investment and development. Presently, water for industrial use accounts for over 50% of consumption, and residential use accounts for over one-third. The residential share is expected to increase as the population urbanises and hundreds of millions of the population turn from village wells to indoor plumbing. Meanwhile, industrial use will rise along with economic growth.

OTHER INVESTMENTS

Cement

NWI has six cement plants operating in China, five are located in Shandong Province and one in Guangdong Province. NWI holds a 51% stake in Qing Yuan Cement Plant located in Guangdong Province. The Plant has an annual capacity of 250,000 tonnes.

Shandong is the major centre of NWI's cement business. Its five cement plants have an aggregate production capacity of 2.41 million tonnes per annum.

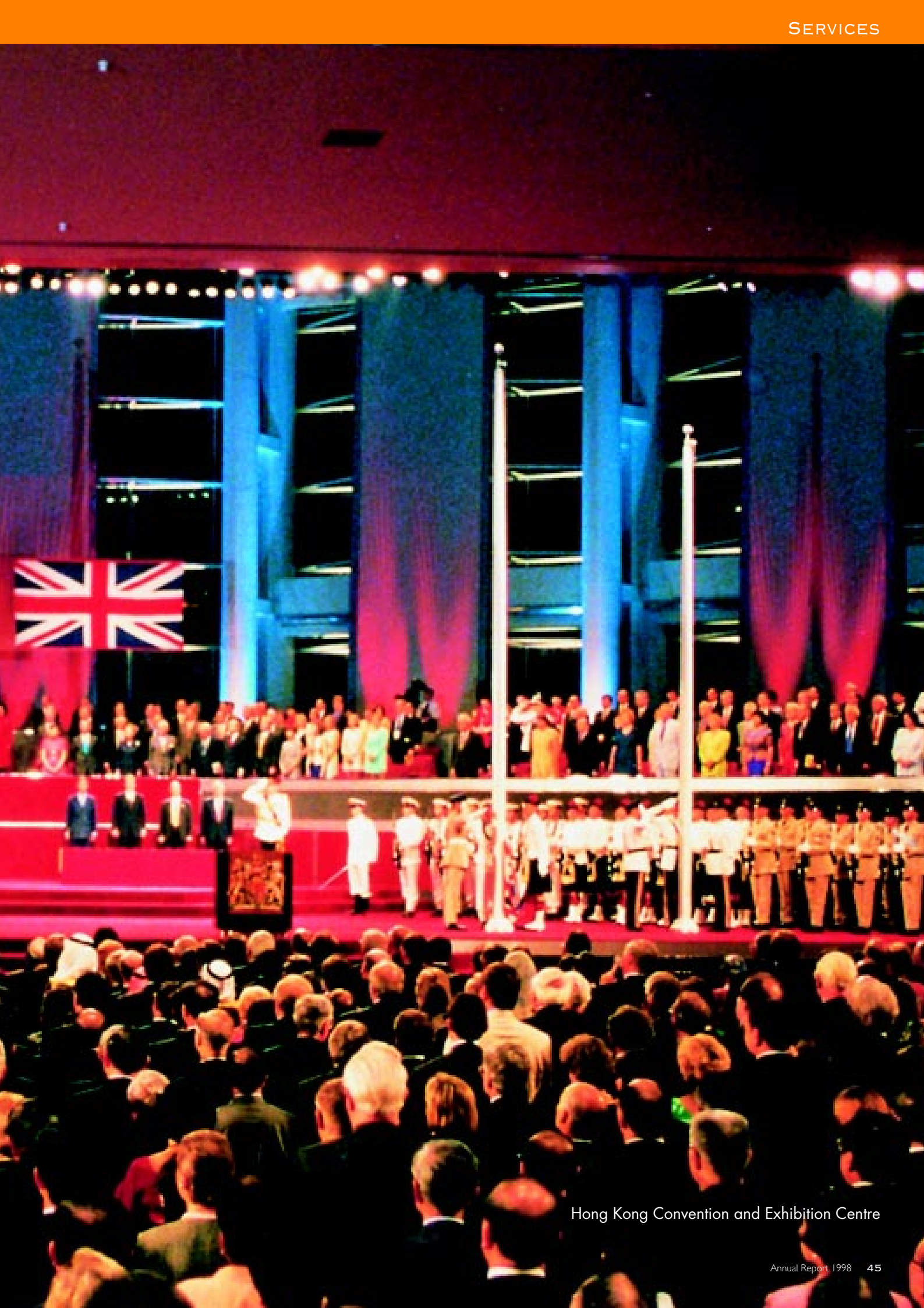
Information Infrastructure

In July 1997, NWI acquired 11.5% interest in China Internet Corporation Limited. Up to June 1998, NWI owns 12.7% interest (on a fully-diluted basis) in CIC. CIC provides online Internet-based business information services in both the Chinese and English language. The base of this service is the China Wide Web ("CWW") – the country's first nationwide subscriber-based Internet.

CIC is in the process of developing new revenue streams and changing the nature of its underlying business. The objective is to become a one-stop media services provider that generates fees from subscriptions and advertising. In addition, global alliances will be signed with leading Internet service providers to enhance the service.

New World Services is determined to be the leader in its chosen fields of business





New World Services Limited is the Group's newly formed service arm. NWS is organised into seven divisions: construction, electrical and mechanical engineering, facility management, property management, security and guarding, cleaning and landscaping and transport services.

Despite challenging market conditions, NWS recorded satisfactory results in the year under review. Significant milestones were achieved with the acquisition of new businesses and solid performance was registered by existing operations. With all the Group's service businesses incorporated into one company, synergies have resulted as different operations are becoming more integrated and greater economies of scale enhance competitiveness.

Given the economic climate in Hong Kong and Asia, NWS has concentrated more effort on securing government-related projects. This is especially important with private developers delaying or shelving projects in a weak Hong Kong property market. With the Government's pledge to provide more public housing and increased investments in infrastructure development, the various divisions of NWS are ready to capture any opportunities that arise.

CONSTRUCTION

The NWS construction division is recognised as a preferred contractor in both the private and public sectors. Its principal company, Hip Hing Construction Company Limited ("Hip Hing"), is one of Hong Kong's largest and best established building contractors. Hip Hing is supported by Vibro (HK) Limited, which specialises in foundation works; Quon Hing Concrete Limited, a producer of ready-mixed concrete; and Barbican Construction Company Limited, a civil engineering company. Team Deco International Limited, which specialises in interior design, joined the division during the year. This addition has strengthened competitiveness in a wider range of vertically integrated services.

During the year, the construction division achieved generous growth, primarily as a result of the completion of a number of major projects. Among those projects are Discovery Park in Tsuen Wan, Citic Tower in Admiralty, Grand Millennium Plaza at Wing Lok Street, the DCH Building in Quarry Bay, Henley Building at 5 Queen's Road Central, Chi Lin Nunnery Redevelopment and the Housing Society project of Verbena Garden at Tseung Kwan O Area 19B.

As of July 1998, the division held contracts totaling HK\$18 billion. This amount is represented by HK\$13.6 billion of contracts in Hong Kong, HK\$4.2 billion in the PRC and the balance from other Asian countries.

Significant new projects awarded during the past year include the West Kowloon Station development, the commercial development at Tung Chung Town Lot No. 2, the housing development at Tung Chung Area 30, the Biological Science Building at the University of Hong Kong and Outlying Islands Refuse Transfer Station.



Chi Lin Nunnery Redevelopment

Additional new projects will sustain the division's growth for the next two years. These include Housing Authority's Sau Mau Ping Redevelopment Projects Phases V and XV and the PSPS project at Choi Hung Road. Pre-qualification and tenders are being requested from the Housing Authority, Architectural Services Department, West Rail Development, Tseung Kwan O MTRC, KCRC Freight Yard Development at Hung Hom Bay and other related infrastructure construction.

ELECTRICAL AND MECHANICAL ENGINEERING

The electrical and mechanical engineering division provides and installs a wide range of building-related electrical and mechanical equipment. Companies in the division include Young's Engineering Holdings Limited, Tridant Engineering Company Limited, Far East Engineering Services Limited and Matsuden Trading Company Limited.

Major projects completed during the year by Young's Engineering Holdings Limited include Beijing New World Centre Phase I, the Beijing Xin Quia Hotel extension, Guangzhou Aquarium, Zhuhai International Building and Beijing Palace Hotel. A total of HK\$3.2 billion of contracts were secured. Significant new projects include Beijing Oriental Plaza, Dalian Allied Tower, Beijing Industrial and Commercial Bank of China, Shanghai Pudong Shangri-La Hotel, Beijing New World Centre Phase II and KCRC Kowloon Station.

Major projects completed during the year by Tridant Engineering Company Limited include Beijing New World Centre Phase I, Outward Science and Trade Centre, Tseung Kwan O Area 24 and Lam Tin Estate Phase IV. Contracts on hand totaled about HK\$2.6 billion.

Major contracts completed by Far East Engineering Services Limited include the Shanghai Pudong Shangri-La Hotel, the 1997 Annual Meetings of the Boards of Governors of the World Bank and the International Monetary Fund, H1-3 Sea Rescue, World Peace Centre and Shun Tak Centre Phase III. Contracts on hand now amount to HK\$153 million.

Major contracts completed by Matsuden Trading Company Limited include the Suzhou Wugong Hotel, Tuen Mun 395, Grand Millennium Plaza and Qingdao Shangri-La Hotel. HK\$282 million worth of contracts have been secured.

FACILITY MANAGEMENT

The facility management division comprises convention and exhibition management, car park management and landfill management. The following is a breakdown of the various activities:

Hong Kong Convention and Exhibition Centre

NWS manages the Hong Kong Convention and Exhibition Centre, one of the world's most prestigious multi-function facilities. Phase II of the HKCEC became fully operational during the year. The rental space utilisation rate for the 689,000 sq. ft. facility was over 50%. The opening of Phase II enables HKCEC to accommodate larger events.



Electrical and Mechanical Engineering



Asian Information Technology Exhibition was held at HKCEC



Hong Kong Convention and Exhibition Centre

A total of 2,078 events, including the historic ceremony marking Hong Kong's return to Chinese sovereignty and the 1997 Annual Meetings of the Boards of Governors of the World Bank and the International Monetary Fund, were held at the HKCEC.

To deal with the regional economic challenges, the HKCEC and its industry partners have devised strategies and incentives to promote Hong Kong's exhibition and conference business.

Parking

Urban Parking Limited commenced business in October 1997 and has since taken over the management of 4,347 car park spaces at HKCEC Phases I and II, New World Centre, Palace Mall, New World Tower, Tai Po Plaza, Riviera Garden and Telford Plaza.

Landfill

NWS has a 30% interest in the landfill and related environmental business of Far East Landfill Technologies Limited. Far East Landfill Technologies Limited operates the North East New Territories Landfill ("NENT"). NENT has a total capacity of 35 million tonnes worth of void space and the ability to process 6,000 tonnes of waste daily. Satisfactory results were recorded for NENT during the year under review.

PROPERTY MANAGEMENT

The Group's property management division provides a wide range of management and agency services. This division is operated by Urban Property Management Limited ("UPML"), International Property Management Limited ("IPML"), Kiu Lok Service Management Company Limited ("Kiu Lok") and Kiu Lok Property Service (China) Limited ("Kiu Lok China"). Steady profit growth for this division was reported for the year under review.

The property management division together managed 93,000 residential units, 12.3 million sq.ft. of commercial/office space, 5.1 million sq. ft. of industrial area and over 25,000 car parking spaces.

During the year, UPML and IPML achieved a retention rate of 100% and over 90% respectively. Satisfactory results have been achieved by Kiu Lok and Kiu Lok China's property management and agency businesses.

Some of the larger contracts awarded in Hong Kong include former government military sites, Hoi Tak Gardens in Tuen Mun, Magazine Gap Towers in Mid-Levels, Grand Millennium Plaza, Ching Wah Court on Tsing Yi Island, Tin Shui Shopping Centre and Tin Yiu Shopping Centre in Tin Shui Wai.

In China, property management and agency contracts awarded include Beijing New World Centre, Shunde New World Convention Centre, Shanghai Regent Place and Beijing Dynasty Garden.

SECURITY AND GUARDING

The Group's security division is one of Hong Kong's leading providers of security services. Responsible for over 235 properties, the principal companies in the division are General Security (HK) Limited and Uniformity Security Company Limited. Major



Quality Property Management Team

milestones achieved during the year include the securing of contracts with renowned customers such as the provision of guarding services for Airport Express site stations and ancillary buildings, the 1997 Annual Meetings of the Boards of Governors of the World Bank and the International Monetary Fund and the Government Explosive Depot at Kau Shat Wan.

CLEANING AND LANDSCAPING

Among its diversified range of services, NWS provides commercial and general cleaning services, laundry services, as well as landscaping and plant supply to the commercial, residential and office markets.

Pollution & Protection Services Limited ("P&P") focuses on commercial and general cleaning. New contracts awarded included the Grand Millennium Plaza, Discovery Park, World Peace Centre, Methodist House, and construction sites of Hip Hing. P&P was also awarded the bus cleaning contract for New World First Bus.

Positive advancements were achieved by New China Steam Laundry Limited. Positioned as a specialist in fabric care, the first retail valet shop was opened in June 1998 and a second shop will be opened in late 1998.

New contracts were also awarded to Hong Kong Island Landscape Company Limited. This company specialises in landscaping and plant supply in Hong Kong and China.

TRANSPORTATION SERVICES

In April 1998, New World First Bus Services Limited was awarded a five-year franchise to operate 88 routes in Hong Kong after operating rights of China Motor Bus ("CMB") Company Limited expired on 31 August 1998. In addition, four more routes were subsequently granted to NWFB in September. NWFB is a wholly-owned subsidiary of New World First Holdings Limited, a joint venture between NWS, which owns 74%, and Britain's First Group plc, which owns 26%.

The transition of the bus operations from CMB to NWFB was regarded as one of the most successful ever handled. It was especially notable given the tight working schedule and the fact that the first day of operation coincided with the start of the new school term in Hong Kong.

NWFB is committed to providing a comfortable traveling environment for its passengers. 710 buses were purchased from CMB, of which 199 were air-conditioned. NWFB has ordered 258 buses and 20 chassis. 52 new buses were ready on the first day of operation. A further 154 buses will arrive by the end of 1998, and the remaining buses will come in 1999. Besides the provision of new buses, other measures to upgrade the fleet are gradually being implemented with the aim to further improve the quality of services.



New World First Bus

New World Telephone is dedicated to providing a comprehensive range of quality, innovative and premium communications services





新世界電話

NEW WORLD TELEPHONE

\$0 機價出機
新世界流動電話

“香港好!
九龍好!
新界好!”

New World Telephone outlet in Central

The telecommunication business offers promising growth opportunities within the Hong Kong economic sphere of activity. One reason for Hong Kong's rise as a regional telecommunications hub is its dedication to building infrastructure. Currently, Hong Kong has more submarine cable capacity and more satellite communications links than anyone in the region. This infrastructure supports the many multinationals and local businesses that use Hong Kong as regional headquarters. This level of corporate activity, coupled with Hong Kong's position as the gateway to China, has acted as a catalyst for growth in terms of the quantity and quality of telecommunication services.

The mobile telecommunication sector has undergone robust development since the Hong Kong Government introduced competition to the market. For instance, since 1997 mobile users has grown exponentially after six new networks launched Personal Communications Services. Overall the mobile user population has increased from 1.21 million at the end of 1996 to 2.56 million in August 1998. That gives Hong Kong one of the highest mobile penetration rates in the world. A recent report states that total penetration will rise to some 40% of the population by the next century.

In the fixed line telephone network sector, effective competition is not yet in place. More needs to be done by the Hong Kong Government to ensure a level playing field is available to the three new fixed line service providers. Owing to economic development and the rapid evolution of telecommunications technology, it is envisaged that fixed network services—encompassing multimedia transmission—will have a wider application in every day life. Given these factors, the potential for growth in fixed line networks is notable.

NEW WORLD TELEPHONE OVERVIEW

New World Telephone Holdings Limited ("NWT"), the Group's telecommunications arm, is dedicated to providing a comprehensive range of quality, innovative and premium communications services. NWT tailors its fixed network, mobile and paging services to meet the different needs of corporations and individuals. Despite the competitive environment in the telecommunications sector, NWT's "Power of One" advantage allows the Group to offer integrated services at competitive prices. This in turn has translated into a substantial increase in market share for each business line.

During the year under review, NWT actively expanded its reach to most major populated areas in Hong Kong. As of October 1998, a total of 30 NWT retail outlets were opened, including three mega-customer service centres providing sales and customer support. Special attention was paid to matching the customer base with the population growth profiles of new towns. In addition, NWT turned its attention to the potentially lucrative China market for the first time.

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

With constantly improving service quality and a competitive tariff, the IDD 009 long distance business is rapidly expanding its market presence. IDD 009 has now secured a customer base of over 400,000 users, and maintained its IDD traffic volume despite the economic downturn in Hong Kong.

In anticipation of an early termination of the Hong Kong monopoly for international telecommunication services and facilities, NWT has completed strategic alliances with global players. These alliances ensure NWT is placed to offer quality services at attractive prices when the Hong Kong Government issues External Voice licences on 1 January, 1999. Last year, NWT was awarded a "214 Facility Based Licence" in the United States, allowing the Company to build facilities and to resell long-distance services like other major international carriers in that country.



New World Telephone joined the Asia Communitex 97

In terms of FTNS, NWT provides corporate and residential services to over 12,000 lines. Sophisticated corporate networking services for the transmission of voice, data and video are available to meet the needs of companies and industries of all different sizes. To ensure that investor interests are safeguarded, NWT is closely monitoring regulatory developments and actively establishing a dialogue with the Hong Kong Government to stress the importance of an open and fair competition. NWT is prepared to gain a bigger slice of the local FTNS when regulatory uncertainties are removed from the market.

NWT has a strong commitment to developing telecommunication infrastructure in Hong Kong. Two optic fibre backbone networks running through all MTR stations and extending to the airport at Chek Lap Kok are close to completion. This will increase the coverage of NWT's FTNS to high density business and residential areas. NWT has also stepped up efforts to build fibre optic local access rings to connect backbone networks with selected districts. In addition to the three fibre optic exchanges in Tsim Sha Tsui, Chai Wan and Tung Chung, the construction of two new switches in Chek Lap Kok and Central will allow NWT to reach a broader customer base.

MOBILE COMMUNICATIONS SERVICES

With its quality service and competitive pricing, PCS 009 has led the way by winning over one-third of the total PCS market. From the launch of PCS 009 in August 1997 to October 1998, some 200,000 subscribers have signed up for the service.

PCS 009 has made progress in increasing coverage in all areas. NWT was the first network operator to deploy a second switching centre. The network is now composed of over 550 transmitting stations, providing outdoor coverage in excess of 95%. A survey conducted by the University of Hong Kong in August 1998 suggested that in terms of overall network performance and outdoor coverage NWT's PCS service was the best in Hong Kong. NWT also achieved desirable coverage in 11 tunnels, 31 MTR stations and five Airport Express stations by October 1998. By the end of 1998 there will be 600 transmitting stations offering full coverage in MTR stations and major tunnels. New World PCS Limited plans to unveil its new brand identity – New World Mobility in November 1998. The new brand identity signifies a new era of "interactive" mobile communications services committed by New World PCS Limited. In the near term, New World Mobility will be awarded by the China Team as an official sponsor in the 13th Asian Olympic Games.

NWT is committed to providing value-added services to meet different mobile telecommunication needs. Its information-on-demand and fax-on-demand services have been well-received by users. NWT is now prepared to capture the market opportunities generated by the implementation of mobile number portability in March 1999, which is expected to enlarge the customer base.

As for paging services, New World Paging Limited continues to provide a reliable and personalised paging service as part of NWT's total telecommunication solutions.

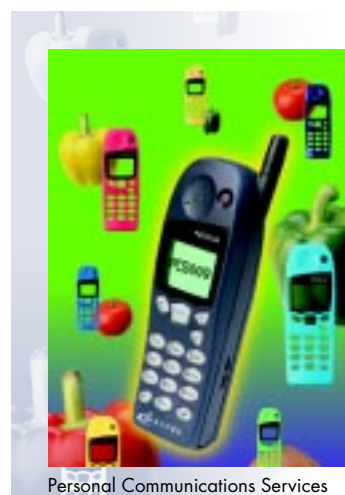
PUBLIC MULTIMEDIA SERVICES

The service network of PowerPhone – Asia's first multimedia interactive payphone – has undergone rapid growth since its debut in June 1997. Now, over 600 PowerPhones are in service at the new airport, all MTR stations, KCR East Rail stations, the Hong Kong Convention and Exhibition Centre as well as many major shopping arcades.

Besides providing local and international calling services, PowerPhone leads the market by providing e-mail, fax and data jack functions in many airport units. Offering a full range of interactive on-line information, PowerPhone serves as an innovative advertising medium. Cathay Pacific, CNN, Hong Kong Tourist Association and Airport Express are among the advertisers who have deployed PowerPhone to disseminate corporate information and the latest news.



PowerPhones at the new airport



Personal Communications Services



Signing Ceremony of Jiangxi GSM project

CHINA DEVELOPMENT

With the transformation of the PRC economy from a planned to a market-oriented economy, the telecommunication industry has benefited from rapid growth in investment and technological improvements.

Currently, telecommunications is one of the fastest growing industries and the PRC network is among the largest in the world in terms of subscribers. While the number of subscribers for fixed line and cellular services has increased substantially in the last five years, penetration rates remain low compared with other Asian markets. This indicates potential for further rapid growth.

During the year NWT established a joint venture with China Unicom and Chinacom to provide a GSM mobile network for Jiangxi Province. At present, Jiangxi has around 110,000 mobile users in a population over 40 million, a penetration rate of only 0.3%. The venture will provide a GSM network with a total capacity of 170,000 subscribers and is scheduled to be in service by the end of 1998. The first phase of the project will provide wireless coverage for the provincial capital of Nanchang, Jiujiang and a number of major cities. Apart from the Jiangxi GSM initiative, NWT also plans other strategic forays across the country.

STRATEGIC INVESTMENTS IN H-SHARE AND RED-CHIP COMPANIES

The Group has acquired strategic holdings in ten PRC companies at the time of their initial public offering on the Hong Kong Stock Exchange. Wherever possible, the Group will maintain strategic partnerships with these companies to explore all future business opportunities in the China market.

NEW WORLD INDUSTRIAL HOLDINGS LIMITED

The establishment of NWIH in September 1997 was designed to capture the opportunities unveiled by the PRC Government's determination to reform its State-Owned Enterprises ("SOEs"). NWIH intends to invite foreign technology partners to co-invest in projects in an effort to introduce advanced technologies and management expertise. In this way, NWIH can improve the quality and marketability of products manufactured by SOEs as well as to maximise the efficiency of their production capacity.

During the last year, NWIH actively explored and investigated potential investment opportunities. A number of such opportunities were selected for a more thorough evaluation and assessment. The investigation and evaluation process has been narrowed to explore a selected number of industries that fall into the NWIH investment objective. With this measured strategy in place, NWIH will continue to seek promising opportunities within the PRC industrial sector.

DEPARTMENT STORE OPERATIONS

New World Department Stores Limited ("NWDS") was launched in 1993 to play a role in China's expanding consumer market. During the year under review, three new department stores were opened in Beijing, Tianjin and Ningbo, bringing the total of operational stores to seven. Depending on market conditions, the Group intends to expand its department store chain to different cities where NWDS can take advantage of market prospects and achieve greater economies of scale.

In May 1998, NWDS moved its operations, finance, human resources and administrative departments to Guangzhou in order to minimise the operational costs and to strengthen competitiveness.

DUTY FREE OPERATIONS

In July 1997, Sky Connection Limited ("Sky Connection") (48% owned by the Group), was awarded a licence to operate duty free tobacco and alcohol sales at Chek Lap Kok Airport. Sky Connection was subsequently granted a licence by the Mass Transit Railway Corporation to operate four duty free concessions along the Airport Railway. Operations of duty free outlets commenced in July 1998, in line with the opening of the new airport.



The opening of New World Department Store in Ningbo.

Department Stores		
Store Location	Total GFA (sq. ft.)	Actual / Planned Opening Date
Existing		
Wuhan	98,000	November 1994
Shenyang	90,000	November 1995
Wuxi	170,000	January 1996
Harbin	120,000	November 1996
Tianjin	150,000	October 1997
Ningbo	110,000	April 1998
Beijing	180,000	June 1998
Under Construction		
Dalian	500,000	1999
Chongqing	120,000	1999
Wuhan Phase II	240,000	2000

Summary of Results

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FINANCIAL POSITION

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Cash Flow Analysis

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SUMMARY OF RESULTS

Consolidated Profit and Loss Statement			
	FY1998 (HK\$ million)	FY1997(HK\$ million)	Change
Turnover	20,389.9	19,975.9	2.1%
Operating profit before interest	4,901.8	4,960.5	(1.2%)
Share of results of associated companies and joint ventures	637.1	2,020.7	(68.5%)
Exceptional items	(1,202.2)	1,316.0	n/a
Net interest expense	(754.6)	(656.7)	14.9%
Taxation	(735.2)	(963.0)	(23.7%)
Minority interests	(704.0)	(1,365.5)	(48.4%)
Profit attributable to shareholders	2,142.9	5,312.0	(59.7%)
Earnings Per Share (HK\$)	1.11	2.86	(61.2%)
Dividends Per Share (HK\$)	0.64	1.20	(46.7%)

Turnover

The Group's turnover increased by 2.1% to HK\$20,389.9 million. Growth was recorded in property sales, rental income, construction and engineering, infrastructure operations, and telecommunication services. This growth was offset by a significant decline in revenues in the hotel and restaurant operations, owing to the disposal of the Renaissance Hotel Group N.V. ("RHG") and Hotel Property Investments (B.V.I.) Limited ("HPI") and the impact of the Asian economic turmoil.

Operating Profit

Operating profit before net interest expense decreased by 1.2% and amounted to HK\$4,901.8 million. Increased contributions from property sales, construction and engineering, and infrastructure operations were not enough to offset a significant drop in contribution from hotel and restaurant operations as well as the loss incurred by telecommunication services.

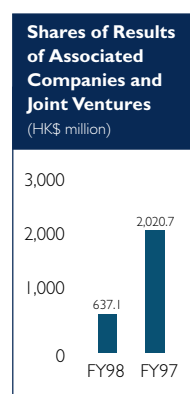
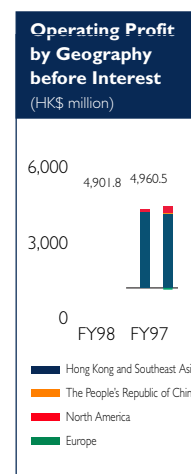
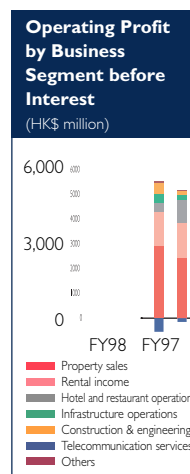
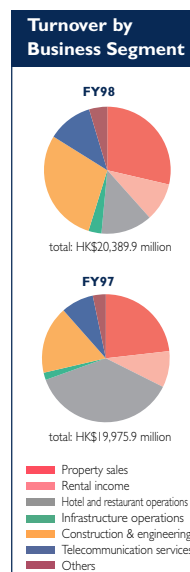
Hong Kong remained the major contributor to operating profit, representing over 90%. Operating profit from China decreased by 39.9% and amounted to HK\$240.5 million. Profit generated from China property and infrastructure projects was offset by the unsatisfactory performance of certain hotel operations and newly opened department stores.

Shares of Results of Associated Companies and Joint Ventures

The share of results from associated companies and joint ventures amounted to HK\$637.1 million, a decrease of 68.5%. The sharp decline was due to the sale of Hotel Victoria which made a significant contribution to last year's result.

HK\$690.6 million was contributed by NWI, the Group's infrastructure arm, a 55.2% increase compared with last year. The substantial increase reflected the strong organic growth from existing projects and new projects that had become operational.

Contributions from China property sales were primarily attributed to the sales of New World Riverside Villa, Beijing New World Centre service apartments, and Dongguan New World Garden. Rental income represented the contribution from the ground floor to fourth floor portion of Pearl City and Shun Tak Centre. Contributions from construction and engineering were derived from the completion of a number of joint venture projects during the year, such as Citic Tower and the Hong Kong Convention and Exhibition Centre Phase II. Associated companies incurred losses during the year include several hotels in the PRC, the operations of ATV before its partial disposal, certain property projects and a power project.



Exceptional Items

Exceptional (Loss)/Gain	FY1998 (HK\$ million)	FY1997(HK\$ million)
Gain on disposal of associated companies	132.0	–
Profit on repurchase of convertible bonds	49.8	–
Provision for investment in:		
Cooperative and equity joint ventures	(132.3)	–
Other joint ventures	(137.9)	–
Listed shares	(344.8)	–
Provision for diminution in value of properties held for sale	(769.0)	–
Profit on disposal of investments in subsidiary companies	–	372.2
Profit on dilution of interest in a subsidiary company	–	943.8
Total	(1,202.2)	1,316.0

The partial disposal of the Group's interest in ATV, from 27.5% to 13.75% has resulted in a gain in the year under review.

During the year, NWI repurchased some convertible bonds at discounts. A total of US\$13.5 million and US\$14.5 million in face value were repurchased from the convertible bonds due 2001 and 2003 respectively, resulting in a total profit of HK\$49.8 million.

Provisions have been made for cooperative and equity joint ventures in the PRC in respect of several cement projects in Shandong and a property project in Beijing.

Provision for other joint ventures was attributed to certain hotel projects in Southeast Asia, which amounted to HK\$ 137.9 million.

A HK\$344.8 million provision was made for listed shares. These shares include Beijing Enterprises Holdings Limited, Beijing North Star Company Limited, Beijing Yanhua Petrochemical Co. Limited, China Southern Airlines Co. Limited, Chongqing Iron & Steel Co. Limited and Tianjin Development Holdings Limited. The values of these shares were written down to the closing market price as at 30 June, 1998.

HK\$769.0 million was provided for the diminution in value of the Group's properties mainly for 35-47 Tsing Yi Road, Tsing Yi, 15-19 Luk Hop Street, San Po Kong and 6-10 Black's Link.

Net Interest Expense

Net interest expense increased by 14.9% to HK\$ 754.6 million. Gross interest expense amounted to HK\$ 2,055.2 million, an increase of 63.8% from last year. The rise in interest expense was primarily due to the rise in interest rate as a result of the Asian economic turmoil and an increase in the overall debt position. Capitalised interest amounted to HK\$103.8 million.

Gross interest income amounted to HK\$1,300.6 million, an increase of 117.4% from FY1997. The increase in interest income was resulted from the recognition of interest income from property and infrastructure projects in China and interest earned on stakeholders' account for proceeds from property sales.

Taxation

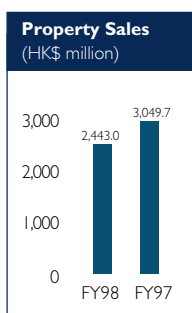
Though the profit before taxation and minority interests decreased by 53.1% and taxation by 23.7% only. This is because certain gains recognised in FY1997 were not subject to Hong Kong tax. The effective tax rate remained stable for both years.

Minority Interests

Minority interests decreased by 48.4%, in line with the drop in profit.

ANALYSIS OF CONTRIBUTION

Analysis of Attributable Operating Profit ("AOP") by Business Segment			
	<u>FY1998 (HK\$ million)</u>	<u>FY1997(HK\$ million)</u>	<u>Change</u>
Property sales			
Operating Profit	2,909.3	2,432.4	
Share of results of associated companies and joint ventures	(58.3)	1,485.4	
Taxation and minority interests	(408.0)	(868.1)	
	<u>2,443.0</u>	<u>3,049.7</u>	(19.9%)
Rental income			
Operating Profit	1,378.7	1,414.8	
Share of results of associated companies and joint ventures	35.5	10.5	
Taxation and minority interests	(145.1)	(150.6)	
	<u>1,269.1</u>	<u>1,274.7</u>	(0.4%)
Hotel and restaurant operations			
Operating Profit	348.6	890.7	
Share of results of associated companies and joint ventures	(6.0)	9.8	
Taxation and minority interests	(229.8)	(539.8)	
	<u>112.8</u>	<u>360.7</u>	(68.7%)
Infrastructure operations			
Operating Profit	400.3	231.4	
Share of results of associated companies and joint ventures	619.7	386.9	
Taxation and minority interests	(584.9)	(360.3)	
	<u>435.1</u>	<u>258.0</u>	68.6%
Construction & engineering			
Operating Profit	433.8	179.1	
Share of results of associated companies and joint ventures	71.7	99.2	
Taxation and minority interests	(198.0)	(179.9)	
	<u>307.5</u>	<u>98.4</u>	212.5%
Telecommunication services			
Operating Profit	(646.2)	(195.2)	
Taxation and minority interests	83.5	36.5	
	<u>(562.7)</u>	<u>(158.7)</u>	254.6%
Others			
Operating Profit	77.3	7.3	
Share of results of associated companies and joint ventures	(25.5)	28.9	
Taxation and minority interests	(47.1)	(55.2)	
	<u>4.7</u>	<u>(19.0)</u>	n/a
Attributable Operating Profit	<u>4,009.5</u>	<u>4,863.8</u>	(17.6%)
Exceptional (loss)/gain	(1,202.2)	1,316.0	n/a
Exceptional loss/(gain) attributable to minority shareholders	122.0	(134.0)	n/a
Net interest expense	(754.6)	(656.7)	14.9%
Other overheads	(31.8)	(77.1)	(58.8%)
Profit Attributable To Shareholders	<u>2,142.9</u>	<u>5,312.0</u>	(59.7%)



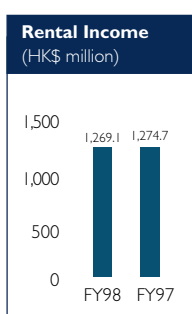
Property Sales

AOP from property sales amounted to HK\$2,443.0 million, a 19.9% decrease compared with last year. One of the reasons for the decrease in AOP was due to the sale of Hotel Victoria, which made a significant contribution to last year's result. Major contributors to profit included the sale of Chow Tai Fook Centre, a joint venture project with LDC; Phase II and III of Discovery Park and one floor of Grand Millennium Plaza. Major contributors to AOP from China included the sale of the service apartments of Beijing New World Centre Phase I and the GSH projects in Wuhan and Tianjin.

Outlook

Contributions for the coming year will depend on the sentiments of the Hong Kong property market. The default and unsold units of Discovery Park Phase III will be put on the market in FY1999. The Group has collected 30% of its share of the total proceeds as deposit from the buyers of the former Victoria Apartments. Contribution from this project will depend on the completion of the sale.

The Group expects contributions from property sales in China to continue to grow as more projects are due for completion in the next few years. The announcement of new housing reform policies and the easing of mortgage financing will stimulate property sales.



Rental Income

AOP from rental income amounted to HK\$1,269.1 million, a 0.4% decrease compared to last year.

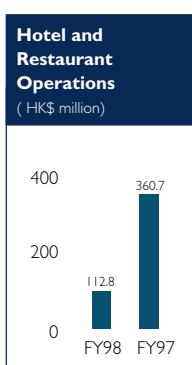
Retail properties were affected by the Asian economic downturn as the Group's anchor shopping malls are located in the tourist area of Tsim Sha Tsui. To assist tenants in overcoming adverse operating conditions, a rent reduction was initiated for some retail properties during the year. The completion of Discovery Park Shopping Mall and New World Centre Palace Mall compensated the decrease in contribution as a result of rental reductions. Overall occupancy remained relatively stable throughout the year.

The HKCEC, grouped under the facility management division of NWS, maintained its profit level in FY1998 as Phase II of the HKCEC became fully operational and an overall utilization rate of over 50% was achieved.

The Group's office buildings and service apartments recorded a slight decrease in contribution due to the decline in occupancy and a downward pressure on rents.

Outlook

Contributions from rental properties are anticipated to remain sluggish as long as the economy is weak. Rental reductions for some retail spaces initiated in early 1998 will be subject to review by the end of calendar year 1998. Office buildings will continue to face downward rental pressure. The performance of HKCEC is expected to be maintained given the enlarged rentable area to be filled by a continuous flow of conventions, exhibitions and other events.



Hotel and Restaurant Operations

AOP from hotel and restaurant operations decreased significantly in FY1998, largely reflecting the impact of Asia's economic downturn and the disposal of RHG and HPI in the second half of FY1997. The main contributors in this sector are four hotels in Hong Kong, namely The Regent, Grand Hyatt Hong Kong, New World Renaissance and Renaissance Harbour View. During the year, the four hotels in Hong Kong experienced the effects of the reduction in tourist arrivals. Hotels in Southeast Asia and China showed a decrease in contribution. The food and beverage operations of the HKCEC performed as forecasted.

Outlook

Contributions from hotel and restaurant operations are expected to improve in the coming years. This is supported by a rise in tourist arrivals in Hong Kong in the last four months. An increase in events at the HKCEC will buoy the contribution.

Infrastructure Operations

AOP from Infrastructure operations increased by 68.6% to HK\$435.1 million. Although the Group increased its stake in SLOT and ATL, cargo handling recorded a slight downturn in contributions in comparison with the previous year.

The increase in contribution from the toll road and bridge divisions was primarily resulted from the organic growth of existing projects, particularly in Guangzhou City Northern Ring Road, Wuhan Bridges and new projects that became operational during the year.

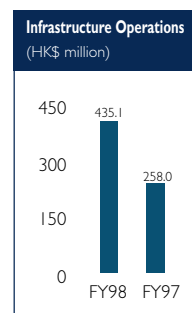
The acquisition of CEM in November 1997 accounted for a significant portion of the profit increase in power division. Organic growth in existing projects, including Shunde De Sheng Power Plant and Guangzhou Zhujiang Power Station Phase II, created modest improvement in profit. The increase in contribution from this division also attributed to the share of Beijing Datang's result which became an associated company during the year.

The water treatment division showed additional contributions from the acquisition of a 50% interest in Sino-French Holding (Hong Kong) Limited, which in turn acquired an indirect interest in Macau Water Plant and other PRC water plants.

Outlook

The contributions from cargo handling are expected to be stable next year. Further growth in the road division is expected as roads, which became operational in 1998 will have full-year contributions in 1999, and more roads are expected to be operational. The bridge division is expected to maintain its level of performance next year.

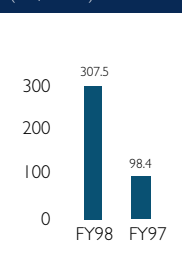
Growth is expected from the power division as Beijing Datang will have a full-year contribution as an associated company and the contribution from Shunde De Sheng Power Plant will improve. In the water division, improved results from the Macau Water Plant are expected after a tariff increase in March 1998 and the commencement of operations of new projects.



Analysis of AOP – NWI (extracted from the annual report of NWI)			
	FY1998 (HK\$ million)	FY1997 (HK\$ million)	Change
Cargo handling	273.6	279.0	(1.9%)
Roads	341.0	210.0	62.4%
Bridges	140.9	88.7	58.9%
Power	340.3	104.5	225.6%
Water treatment	6.1	–	n/a
Others	1.3	–	n/a
Attributable Operating Profit	1,103.2	682.2	61.7%
Head Office Items			
Amortisation of deferred expenditure	(23.2)	(12.5)	85.6%
Convertible bonds interests	(123.1)	(96.4)	27.7%
Other interest expenses	(100.8)	(29.3)	244.0%
Interest income	38.5	119.0	(67.6%)
Interest capitalised	38.8	–	n/a
Other overheads	(99.5)	(50.6)	96.6%
	(269.3)	(69.8)	285.8%
Exceptional Items			
Profit on repurchase of convertible bonds	49.8	–	n/a
Provision for diminution in value of investments	(60.0)	–	n/a
Profit Attributable to Shareholders	823.7	612.4	34.5%

Construction & Engineering

(HK\$ million)


Construction & Engineering

AOP from the construction and engineering division increased substantially and amounted to HK\$307.5 million.

Hip Hing continued to show strong performance in FY1998 due to the completion of major construction contracts such as Discovery Park Phase II, HKCEC Phase II, Citic Tower, DCH Building and a Housing Authority project at Tseung Kwan O Area 19B.

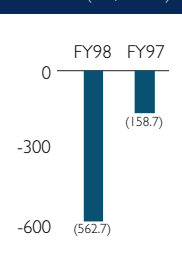
The four E & M companies reported a healthy contribution in FY1998 resulting from the completion of projects in Hong Kong and China.

Outlook

More activities from construction and engineering services are expected due to the award of new projects in the past two years. In addition, the division is looking for more opportunities in the PRC and to bid for more public projects in Hong Kong.

Telecommunication Services

(HK\$ million)


Telecommunication Services

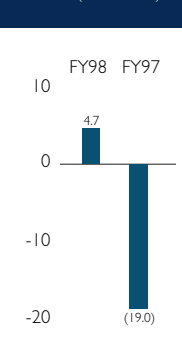
Loss incurred by telecommunication services amounted to HK\$562.7 million. The loss incurred was mainly due to the initial low subscriber base of the PCS operations, high start-up and promotion cost and amortisation of pre-operating expenses. Since the launch of PCS in August 1997, NWT has secured 200,000 subscribers as of October 1998. The FTNS has a subscriber base of 400,000.

Outlook

As the customer base of FTNS and PCS's operations increase, the profit margin will improve and gradually surpass the break even point to a positive contribution.

Others

(HK\$ million)


Others

NWS' operations grouped under others include the operations of property management, security and guarding and cleaning and landscaping. Businesses that also fall under this category include the department store operations and the Dynasty Club. The AOP of businesses under this category amounted to HK\$ 4.7 million. Contributions are mainly derived from the strong performance of operations grouped under NWS, which are offset by the loss incurred by some of the newly opened department stores.

Analysis of AOP – NWS (extracted from the annual report of NWS)

	FY1998 (HK\$ million)
Construction	337.5
Electrical and Mechanical Engineering	91.4
Facilities management	142.4
Property management	73.8
Security and Guarding	47.0
Cleaning & Landscaping	25.3
Operating Profit	717.4
Share of results of associated companies and joint ventures	101.7
Taxation and minority interests	(125.6)
Attributable Operating Profit	693.5
Net interest income	16.9
Other overheads	(21.8)
Profit Attributable to Shareholders	688.6

FINANCIAL POSITION

Summary of Assets			
	FY1998 (HK\$ million)	FY1997(HK\$ million)	Change
Fixed assets	37,545.1	46,059.7	(18.5%)
Associated companies	14,246.7	10,847.9	31.3%
Joint ventures in the PRC	18,386.7	15,960.5	15.2%
Other investments	4,493.6	4,704.5	(4.5%)
Long term receivable	692.6	366.7	88.9%
Net current assets	13,282.3	12,120.2	9.6%

Fixed Assets

A major decline in fixed assets was due to the decrease in value of the Group's investment and hotel properties, that amounted to HK\$8,660.4 million and HK\$2,968.0 million respectively. The decrease in fixed assets was partially compensated for by the additions of new investment property projects, toll roads, bridges and telecommunication equipment.

Associated Companies

There was a 31.3% increase in the share of associated companies' net assets to HK\$14,246.7 million from HK\$10,847.9 million. This was primarily attributed to the additions of certain associated companies, including Sino-French Holdings (Hong Kong) Limited, Pacific Ports Company Limited, Beijing Datang Power Generation Company Limited and Sichuan Expressway Company Limited. An additional 3% stake of investment in SLOT was acquired in May 1998.

Joint Ventures in the PRC

The majority of the increase in joint ventures was attributed to NWI.

Other Investments

Despite the additions of investments in China Internet Corporation, China Telecom (Hong Kong) Limited, China Southern Airlines Co. Limited, and Tianjin Development Holdings Limited, during the year, a net decrease of HK\$210.9 million was recorded. This was mainly attributed to the reclassification of Beijing Datang from other investments to associated companies and the provisions made for certain H-Shares and Red Chip Shares.

Net Current Assets

The increase in net current assets was mainly due to the refinancing of short term debts. This was more than offset by the reduction of cash, bank balances, debtors and prepayments.

Summary of Liabilities and Equity			
	FY1998 (HK\$ million)	FY1997(HK\$ million)	Change
Share capital	1,984.9	1,909.0	4.0%
Reserves	52,827.2	62,400.9	(15.3%)
Shareholders' funds	54,812.1	64,309.9	(14.8%)
Minority interests	9,079.6	10,062.2	(9.8%)
Long term liabilities	24,960.4	15,905.6	56.9%
Deferred taxation	17.0	3.6	372.2%

Share Capital

Share capital increased by HK\$75.9 million as a result of the conversion of bonds to 4.6 million shares and the issuance of 71.3 million shares in satisfaction of scrip dividends.

Reserves

The decrease was primarily attributed to the reduction in value of investment and hotel properties.

Long Term Liabilities

The increase in long term liabilities was primarily the result of a drawdown of bank loans and the issuance of a US\$250 million convertible bond by NWI in March 1998.

Minority Interests

A fall in the minority interests was due to the decline in profit in FY1998 and the decrease in value of investment properties and hotel properties.

DEBT PROFILES

Debt Profiles						
	Total			Excluding NWI		
	FY1998 (HK\$ million)	FY1997 (HK\$ million)	Change	FY1998 (HK\$ million)	FY1997 (HK\$ million)	Change
Within one year	4,021.4	6,428.8	(37.4%)	3,743.8	6,198.3	(39.6%)
1 to 2 years	7,749.8	1,402.6	452.5%	7,687.8	1,159.0	563.3%
2 to 5 years	9,143.9	12,660.9	(27.8%)	3,723.4	10,561.4	(64.7%)
Over 5 years	5,674.3	381.0	1,389.3%	5,674.3	381.0	1,389.3%
Total	26,589.4	20,873.3	27.4%	20,829.3	18,299.7	13.8%

The total Book Debt amounted to HK\$26,589.4 million, an increase of 27.4% over the previous year. The debt of NWI increased by HK\$3,186.5 million in FY1998 compared to FY1997.

A number of major financing activities were arranged during the year such as the HK\$6 billion syndicated loan arranged in November 1997 and NWI's convertible bond in March 1998. These facilities were aimed at prolonging the Group's maturity profile by retiring short term debt.

Interest Rate Profile						
	Total			Excluding NWI		
	FY1998 (HK\$ million)	FY1997 (HK\$ million)	Change	FY1998 (HK\$ million)	FY1997 (HK\$ million)	Change
Fixed rate	7,112.0	5,542.9	28.3%	3,454.0	3,610.4	(4.3%)
Floating rate	19,477.4	15,330.4	27.1%	17,375.3	14,689.3	18.3%
Total	26,589.4	20,873.3	27.4%	20,829.3	18,299.7	13.8%

Group borrowings denominated in Hong Kong and US dollars are subject to movements in HIBOR and LIBOR interest rates respectively. When determining the borrowing currency, the Group optimises its debt structure by closely monitoring global interest rate movements, liquidity in the capital markets and general economic situations.

The Group's fixed interest rate position mainly related to convertible bonds. The US\$250 million convertible bond issued by NWI contributed to a 28.3% rise to the fixed rate loan portion.

Nature of Debt						
	Total			Excluding NWI		
	FY1998 (HK\$ million)	FY1997 (HK\$ million)	Change	FY1998 (HK\$ million)	FY1997 (HK\$ million)	Change
Unsecured	13,410.5	8,138.5	64.8%	11,718.3	8,138.5	44.0%
Secured	6,396.1	7,512.9	(14.9%)	5,986.1	6,871.8	(12.9%)
Convertible Bonds	6,782.8	5,221.9	29.9%	3,124.9	3,289.4	(5.0%)
Total	26,589.4	20,873.3	27.4%	20,829.3	18,299.7	13.8%

The aggregate net book value of assets pledged as securities for loans amounted to HK\$12,436.2 million.

A US\$250 million bond issued by NWI contributed to an almost 30% rise in the convertible bonds. Excluding NWI, the HK\$164 million drop in the value of convertible bonds was due to the conversion of over 4 million shares of NWD's 4.375% convertible bonds due in 2000.

Interest Coverage

Interest Coverage decreased from 4.9 times to 2.6 times. The decrease was primarily caused by reduction in profit, higher average interest costs and the addition of new debt. The interest expense in FY1998, excluding capitalised interest, increased from HK\$1,437.7 million to HK\$2,159.0 million.

Debt to Equity Ratio

The Group's Debt to Equity Ratio increased from 32.5% in FY1997 to 48.5% in FY1998. The rise was attributed to a general increase in the debt position, particularly for the infrastructure division. The shareholders' funds have been reduced as a result of the decrease in value of the Group's hotel and investment properties.

CASH FLOW ANALYSIS

Group Cash Flows Analysis			
	FY1998 (HK\$ million)	FY1997 (HK\$ million)	Change
Net cash inflow from operating activities	6,093.2	4,308.3	41.4%
Net cash outflow from returns on investments and servicing of finance	(1,477.5)	(1,059.1)	39.5%
Net cash outflow from investing activities	(11,894.1)	(12,073.8)	(1.5%)
Net cash inflow from financing activities	7,446.0	6,604.4	12.7%

Cash Flows from Operating Activities

Major cash flows from operations include proceeds from property sales, notably the sale of Discovery Park Phase II and Phase III. Other business divisions that brought in significant cash flows included the rental division, hotel and restaurant operations, payments received from the completion of construction projects, and service fees received from the telecommunication operations. The major cash outflow from operations was the expenditures on properties held for sale.

Returns on Investment and Servicing of Finance

Interest paid increased significantly in comparison to the last financial year due to a higher average interest rate throughout the year.

Cash Flows from Investing Activities

The purchase of fixed assets increased due to the additional investment in telecommunication equipment, toll roads, bridges and development properties.

The increase in investments in associated companies included investments in Sino-French Holdings (Hong Kong) Limited, Pacific Ports Company Limited, SLOT and Sichuan Expressway Company Limited.

The increase in joint ventures was primarily attributed to new investments in infrastructure projects such as Tianjin Expressway and Guangzhou Three New Bridges and investments committed to existing projects in the property and infrastructure businesses.

An increase in other investments include the payment to acquire shares of listed H-Share and Red Chip companies such as China Telecom (Hong Kong) Limited, China Southern Airlines Co. Limited, and Tianjin Development Holdings Limited.

Cash Flows from Financing Activities

A major inflow was attributed to the partial drawdown of a HK\$6 billion syndicated loan arranged in November 1997, HK\$1,657.1 million out of a US\$650 million term loan made by NWI in mid 1997 and US\$250 million was generated from the issuance of a convertible bond by NWI in March 1998. In addition, loans from minority shareholders in certain PRC infrastructure joint-venture projects increased. Outflows included the scheduled repayment of long term loans.

STOCK PERFORMANCE

NWD's share price has fluctuated along with the stock market over the past year. It traded in the range of HK\$13.70 and HK\$58.75 during the year under review.

Share performance was particularly affected by investors' concerns on issues related to the Group's operations. One of the concerns related to the flooding in China. However, only minor damages and interruptions were made to the Group's projects which were properly insured.

Another concern was the defaults in the completion of sales of Discovery Park Phase III in which almost 70% of transactions were completed. Remaining units will be re-launched to the market in the near future. As for concerns on the sale of the former Victoria Apartments, 30% of the Group's share of the total proceeds as deposits were collected and negotiations to complete the sale with the buyers are still in progress.

On PRC exposure, the Group has factored in certain currency risk on both the contractual and operational aspects of its businesses wherever possible. The Group is in the process of arranging Rmb loans to finance certain future developments to hedge against any potential currency movements.

INVESTOR RELATIONS

In the past year, the Group continued to make substantial efforts to supply more detailed and timely information to the financial sector and media. During the year, senior executives participated in road shows, attended company visits and addressed financial conferences.

Field trips were arranged for investors and financial analysts as well as the media to visit the Group's projects in Hong Kong and China. It is important for the Group to interface with shareholders. The management strongly believes that facilitating investor relations will enable the Group to maintain a close relationship with shareholders and the rest of the investment community.

CONVERTIBLE BONDS

4.375% Convertible Guaranteed Bonds Due 2000

A value of US\$21.1 million of convertible bonds was converted into 4,638,788 new shares of NWD. A total of US\$53.8 million worth of convertible bonds was outstanding as of 30 June 1998.

4% US\$350 Million Mandatorily Convertible Guaranteed Bonds

The bond will be mandatorily convertible to shares of New World China Limited upon a complying IPO on or before 31 December 1999.

5% US\$250 Million Guaranteed Bonds Due 2001 (issued by NWI)

US\$13.5 million in face value was repurchased during the year. A total of US\$236.5 million worth of convertible bonds was outstanding as of 30 June 1998.

1% US\$250 Million Guaranteed Bonds Due 2003 (issued by NWI)

US\$14.5 million in face value was repurchased during the year. A total of US\$235.5 million worth of convertible bonds was outstanding as of 30 June 1998.

ORDINARY SHARES ISSUED

As at 30 June 1998, the total outstanding shares of NWD were 1,984,931,571, or an increase of 75,901,441 shares over the number of shares issued at the end of the last financial year. The new shares were issued to fulfil scrip dividends and the conversion of bonds.

The Year 2000 issue arises due to the fact that many computer systems and software programs store year information based on a two-digit sequence rather than a four-digit sequence. For that reason, 00 will be interpreted as 1900 instead of 2000. This could affect the financial and operating systems of the Group as its business operations are extensively dependent on computerised applications and electronic devices.

The Group identified problems associated with the Year 2000 issue in 1993. The Directors are fully aware of the issue and are addressing it as a matter of priority. The aim is to ensure that the Group's computer systems are Year 2000 compliant so that the performance of business operations remain normal in dates before, during, and after the year 2000.

Special task forces have been established within the Management Information System Department of each of the Group's operating companies to tackle the Year 2000 issue. They are responsible for identifying all exposures, developing remedial plans to resolve issues, and reporting to the senior management of each business division. A central co-ordinating office was formed to oversee the progress of each Year 2000 task force.

Action plans have been formulated and specific tasks with target completion dates have been assigned. Adequate resources are committed to ensure implementation and to oversee that action plans can be carried out effectively within schedule. Measures implemented include the testing of all computers and other peripheral accessories and software; the implementation of necessary data conversion for software and other devices; the upgrading of computer application programs and the replacement of computer equipment and devices. The task forces work closely with suppliers, contractors, external consultants and business partners to request confirmation that products, services and systems are all Year 2000 compliant.

The evaluation and risk assessment as to the magnitude of the Year 2000 problem on each system, either installed and/or provided by suppliers, is substantially completed. Some of the Group's work equipment, hardware and software is now Year 2000 compliant. However, confirmation of compliance from some suppliers is outstanding and the upgrading of some systems is being undertaken.

Each division has a different Year 2000 compliance target completion date. The Group expects all divisions to be Year 2000 compliant by mid-1999.

The total expected cost to the Group for the Year 2000 program is about Hong Kong dollar three million based on management's best estimates. Management believes that the cost of the program will not have a material impact on the Group's financial position.

The Directors have pleasure in presenting their Annual Report and Statement of Accounts for the year ended 30 June 1998.

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 27, 28 and 29 to the Accounts on pages 131 to 143.

ACCOUNTS

The profit of the Group for the year ended 30 June 1998 and the state of the Company's and the Group's affairs at that date are set out in the Accounts on pages 96 to 143.

DIVIDENDS

The Directors have resolved to recommend total final dividend of 32 cents per share (1997: 88 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 31 cents per share with a cash option to shareholders registered on 21 December 1998. Together with the interim dividend of 32 cents per share (1997: 32 cents) paid in June 1998, total distributions for 1998 would thus be HK\$0.64 (1997: HK\$1.20) 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 31 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 17 to the Accounts.

RESERVES

The details of movements in reserves are set out in Note 18 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\$15,208,000.

FIXED ASSETS

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

CONNECTED TRANSACTIONS

- (a) On 25 July 1997, New World Hotels (Holdings) Limited ("NWHH"), a subsidiary company, sold its entire interests in Hotel Property Investments (B.V.I.) Limited ("HPI") to CTF Holdings Limited ("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 ceased to have any hotel investments outside Hong Kong, PRC and Southeast Asia.

An indemnity dated 29 August 1995 ("Indemnity") to Renaissance Hotel Group N.V. ("RHG"), a former subsidiary company of NWHH, 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 25 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\$57 million per annum. Up to now, no payment has ever been made by the Company or CTFEL under the Indemnity.

- (b) On 22 August 1997 a sale and purchase agreement was entered into between New World Infrastructure Limited ("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 substantial shareholder of the Company under the Listing Rules. 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.

CONNECTED TRANSACTIONS (Continued)

- (c) On 24 March 1998, NWI entered into a subscription agreement (the "Subscription Agreement") with Morgan Stanley & Co. International Limited and Tai Fook Securities Company Limited ("TFS"), a connected person of the Group under the Listing Rules, in connection with the issue by NWI of US\$250,000,000 (equivalent to HK\$1,937.5 million) 1% Convertible Bonds due 2003 (the "Bonds"). Under the Subscription Agreement, TFS had agreed to underwrite US\$25,000,000 (equivalent to HK\$193.75 million) of the Bonds and entitled to 2.5% commission on the amount underwritten. Upon completion of the Subscription Agreement and the issue of the Bonds on 27 March 1998, TFS received US\$0.6 million (equivalent to approximately HK\$4.8 million) as underwriting commission from NWI.
- (d) The Company and a wholly owned subsidiary company 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 1998 of the Bank Loans amounted to HK\$813.7 million. The Guarantees and NWI's counter-guarantee will remain in force for the duration of the Bank Loans.

DIRECTORS

The Directors of the Company, whose names appear on page 3 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, Dr. Lee Quo-Wei, Dr. Sin Wai-Kin, David, Mr. Cheng Yue-Pui and Mr. Yeung Ping-Leung, Howard 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) Pursuant to an agreement dated 5 August 1993 (the "Agreement") made between HPI and Renaissance Hotel Holdings (B.V.I.) Limited ("Renaissance"), both being former subsidiary companies of the Group, and CTF whereby HPI agreed to pay CTF an annual fee in accordance with the terms of the Agreement. This Agreement was assigned to NWHH, a subsidiary company of the Group, on 25 July 1997. CTF was paid a fee of US\$10,662,000 (HK\$82,630,500) for the year ended 30 June 1998 (1997: US\$11,555,000 (HK\$89,320,000)). 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.
- (b) 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' INTERESTS IN SHARES

As at 30 June 1998, interests of the Directors and their associates in the equity securities of the Company and its subsidiary companies which have been entered into the register kept by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance are set out below.

	Personal Interests	Family Interests	Corporate Interests⁽¹⁾	Other Interests
New World Development Co., Ltd. (Ordinary shares of HK\$1.00 each)				
Dato' Dr. Cheng Yu-Tung	—	—	—	—
Dr. Cheng Kar-Shun, Henry	—	—	—	—
Dr. Lee Quo-Wei	—	—	3,260,638	250,000 ⁽²⁾
Ld. Sandberg, Michael	—	—	—	—
Dr. Ho Tim	1,720,352	—	—	—
Dr. Sin Wai-Kin, David	3,337,478	52,067	—	—
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	90,470	—	—	—
Mr. Chow Kwai-Cheung	20,818	—	—	—
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	—	—	—
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	—	—	—
HH Holdings Corporation Ltd. (Ordinary share of HK\$1.00 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	—	—	—

DIRECTORS' INTERESTS IN SHARES (Continued)

	Personal Interests	Family Interests	Corporate Interests⁽¹⁾	Other Interests
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	—	—	—
New World Infrastructure Ltd. (Ordinary shares of HK\$1.00 each)				
Dr. Ho Tim	48	—	—	—
Dr. Sin Wai-Kin, David	5,594	53	—	—
Mr. Liang Chong-Hou, David	262	—	—	—
Mr. Chan Kam-Ling	6,800	—	—	—
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	—	—	—
Progreso Investment Ltd. (Non-voting deferred shares of HK\$1.00 each)				
Mr. Leung Chi-Kin, Stewart	—	—	119,000	—
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	—	—	—
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	—	—	—

Notes:

- (1) 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.
- (2) Interests held by a charitable foundation of which Dr. Lee Quo-Wei and his spouse are members of its board of trustees.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under a share option scheme of a subsidiary company, NWI, options may be granted to directors and employees of NWI or its subsidiary companies to subscribe for shares in NWI. Messrs Cheng Kar-Shun, Henry, Cheng Kar-Shing, Peter, Chan Kam-Ling and Leung Chi-Kin, Stewart are also directors of NWI. No options have been granted to any of these directors of NWI under the aforesaid scheme since its adoption.

Except for the foregoing, 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.

SUBSTANTIAL SHAREHOLDER

As at 30 June 1998, CTFEL, together with its subsidiary companies had interests in 721,458,470 shares in the Company.

Save for the above, no other shareholder is recorded in the register kept pursuant to Section 16 (1) of the Securities (Disclosure of Interests) Ordinance as having an interest in 10% or more of the issued share capital of the Company as at 30 June 1998.

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 the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year covered by this annual report.

AUDITORS

The Accounts have been audited by Messrs Price Waterhouse and H.C.Watt & Company Limited, who retire and, being eligible, offer themselves for re-appointment. Pursuant to a merger, Messrs Price Waterhouse has become PricewaterhouseCoopers. A resolution to appoint PricewaterhouseCoopers, will be proposed at the forthcoming Annual General Meeting, along with the re-appointment of H.C.Watt & Company Limited as joint auditors of the Company.

On behalf of the Board

Dato' Dr. Cheng Yu-Tung
Chairman

Hong Kong, 26 October 1998

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, 21 December 1998 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 1998 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, 26 October 1998

Notes:

- (1) Pursuant to a merger, one of our joint auditors, Messrs Price Waterhouse has become PricewaterhouseCoopers. A special notice from a shareholder has been received proposing to appoint PricewaterhouseCoopers as one of the retiring joint auditors.
- (2) Register of Shareholders will be closed from 14 December 1998 to 21 December 1998, 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

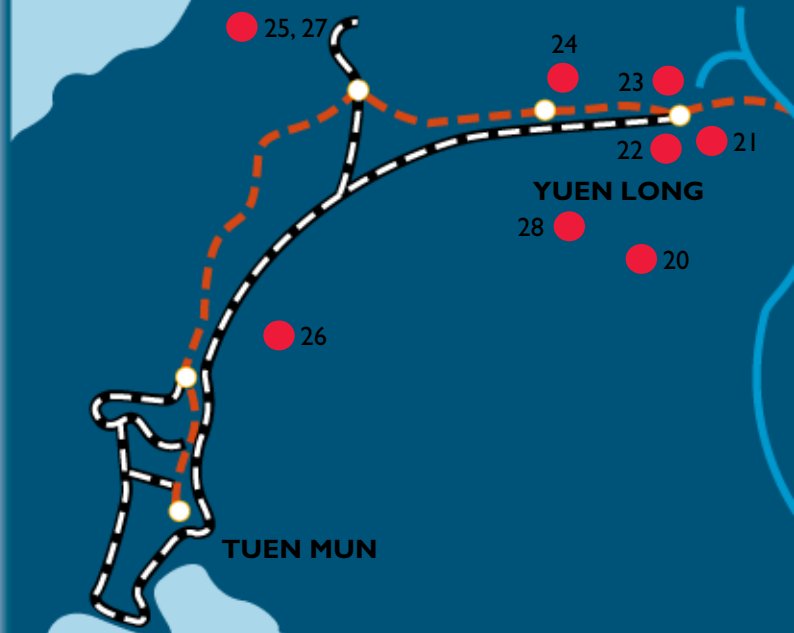
1. Grand Millennium Plaza, 183 Queen's Road Central
2. Queen Street Redevelopment Project, Sheung Wan
3. 18, 20, 20A & 24 Tin Hau Temple Road
4. Belcher Gardens Redevelopment
5. 6-10 Black's Link
6. Kennedy Town Redevelopment Project

KOWLOON

7. Choi Hung Road Private Sector Participation Scheme Project
8. 51 Tsun Yip Street, Kwun Tong
9. NKIL 4850RP, Tai Po Road
10. NKIL 3512 RP & Ext., Tai Po Road
11. 15-19 Luk Hop Street, San Po Kong
12. 157 Prince Edward Road West
13. Bijou Court, 171 Prince Edward Road West
14. 444-450 Prince Edward Road West

NEW TERRITORIES

15. 41-55 Wo Tong Tsui Street, Kwai Chung
16. 35-47 Tsing Yi Road, Tsing Yi Island
17. Belair Monte, Luen Wo Hui, Fanling
18. Tung Chung Development
19. Harmony Garden, Tsuen Wan
20. YLTL 500, Tai Tong Road, Yuen Long
21. YLTL 463 Fung Kam Street, Yuen Long
22. Project in Yuen Long, DD120
23. Project in Tung Tau, Yuen Long, DD115
24. Project in Yuen Long, DD115
25. Project in Yuen Long, DD129
26. Project in Fu Tei, DD132
27. Project in Lau Fau Shan, DD128 & 129
28. Project in Tong Yan San Tsuen, DD121
29. Project in Ma On Shan, DD206
30. Project in Sai Kung, DD217, 219 & 222
31. Project in Sai Kung, DD221
32. Project in Fanling, DD91 & 100





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. Renaissance Harbour View Hotel
7. Pearl City, Causeway Bay
8. 2 Macdonnell Road
9. Methodist House

KOWLOON

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

NEW TERRITORIES

13. Asia Terminals Centre
14. Riviera Plaza Arcade, Tsuen Wan
15. Discovery Park Shopping Mall
- To be completed*
16. New World Centre Extension



- Retail
- Office
- Hotel
- Residential
- Others
- Carparks

- Mass Transit Railway
- Route 3
- KCRC - West Rail
- Airport Railway
- Light Transit Railway
- KCRC - East Rail
- North Lantau Expressway and Lantau Fixed Crossing
- MTR Tseung Kwan O Extension



NEW TERRITORIES

TSUEN WAN

15

14

TSINGYI

KOWLOON

13

TAI KOK TSUI

12

KOWLOON

10

16

3

CENTRAL

1

2

5

4

6

8

9

11

7

HONG KONG

CHAIWAN

PRINCIPAL PROPERTY DEVELOPMENT PROJECTS IN HONG KONG

Name of Property/Location	Site Area (sq. ft.)	Attributable Interest (%)	Total GFA (sq. ft.)
HONG KONG			
1 Grand Millennium Plaza, 183 Queen's Road Central	81,010	100.0 ⁽¹⁾	922,208
2 Queen's Street Redevelopment Project, Sheung Wan	73,303	50.0 ⁽¹⁾	795,494
3 18, 20, 20A & 24 Tin Hau Temple Road	7,965	60.0	63,723
4 Belcher Gardens Redevelopment	322,894	10.0	2,661,641
5 6-10 Black's Link	69,535	80.0	34,768
6 Kennedy Town Redevelopment Project	73,409	100.0 ⁽²⁾	749,598
KOWLOON			
7 Choi Hung Road Private Sector Participation Scheme Project	377,988	89.6	1,943,902
8 51 Tsun Yip Street, Kwun Tong	4,694	100.0	56,328
9 NKIL 4850RP, Tai Po Road	63,334	50.0	190,586
10 NKIL 3512 RP & Ext., Tai Po Road	47,932	100.0	97,445
11 15-19 Luk Hop Street, San Po Kong	23,788	100.0	285,456
12 157 Prince Edward Road West	7,380	50.0	88,622
13 Bijou Court, 171 Prince Edward Road West	7,540	50.0	67,978
14 444-450 Prince Edward Road West	6,761	100.0	37,186
NEW TERRITORIES			
15 41-55 Wo Tong Tsui Street, Kwai Chung	31,490	50.0	299,155
16 35-47 Tsing Yi Road, Tsing Yi Island	305,190	100.0 ⁽¹⁾	1,525,958
17 Belair Monte, Luen Wo Hui, Fanling	223,686	12.0	1,150,166
18 Tung Chung Development	907,405		
Site One		16.4 ⁽¹⁾	1,828,572
Site Two		16.4 ⁽¹⁾	861,113
Site Three		16.4 ⁽¹⁾	1,039,587
19 Harmony Garden, Tsuen Wan	16,800	100.0	163,516
20 YLTL 500, Tai Tong Road, Yuen Long	380,335	56.0	1,140,006
21 YLTL 463 Fung Kam Street, Yuen Long	63,389	7.0	316,934
22 Project in Yuen Long, DD 120	160,000	100.0	500,000
23 Project in Tung Tau, Yuen Long, DD 115	331,940	33.3	995,821
24 Project in Yuen Long, DD 115	120,000	100.0	69,300
25 Project in Yuen Long, DD 129	220,000	100.0	147,000
26 Project in Fu Tei, DD 132	48,000	100.0	200,000
27 Project in Lau Fau Shan, DD 128 & 129	160,000	100.0	65,000
28 Project in Tong Yan San Tsuen, DD 121	270,000	100.0	280,000
29 Project in Ma On Shan, DD 206	1,320,000	35.0	1,980,000
30 Project in Sai Kung, DD 217, 219 & 222	1,000,000	100.0	340,000
31 Project in Sai Kung, DD 221	160,000	65.3	126,000
32 Project in Fanling, DD 91 & 100	200,000	100.0	184,800
TOTAL			21,207,863

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⁾ Property in which the Group's return is pre-determined in accordance with the terms and conditions of the joint development agreement.

Group's Share of GFA

Total (sq. ft.)	Retail (sq. ft.)	Office (sq. ft.)	Hotel (sq. ft.)	Residential (sq. ft.)	Industrial (sq. ft.)	Stage of Completion
922,208	57,056	865,152				Completed
397,747	2,153		165,712	229,882		Site formation & foundation
38,234				38,234		Site formation & foundation
266,164	21,530			244,634		Demolition work
27,814				27,814		Demolition work completed
749,598	46,285			703,313		Planning
1,741,736	19,860			1,721,876		Demolition work
56,328					56,328	Completed
95,293				95,293		Superstructure
97,445				97,445		Site formation
285,456					285,456	Planning
44,311	5,705	38,606				Planning
33,989	5,654			28,335		Superstructure
37,186				37,186		Planning
149,578					149,578	Completed
1,525,958					1,525,958	Foundation
138,020	8,052			129,968		Superstructure
299,886	5,295			294,591		Superstructure
141,223	75,907	26,479	38,837			Superstructure
170,492	4,413			166,079		Foundation
163,516	12,868			150,648		Superstructure
638,403				638,403		Demolition work completed
22,185				22,185		Superstructure
500,000				500,000		Planning
331,608				331,608		Planning
69,300				69,300		Planning
147,000				147,000		Planning
200,000				200,000		Planning
65,000				65,000		Planning
280,000				280,000		Planning
693,000				693,000		Planning
340,000				340,000		Planning
82,278				82,278		Planning
184,800				184,800		Planning
10,935,756	264,778	930,237	204,549	7,518,872	2,017,320	

PRINCIPAL PROPERTY INVESTMENT PROJECTS IN HONG KONG

Name of Property	Total GFA (sq. ft.)	Group's Interest (%)
Existing		
HONG KONG		
1 Manning House, 48 Queen's Road Central	110,040	100.0
2 New World Tower, 18 Queen's Road Central	640,135	100.0
3 Shun Tak Centre	387,224	45.0
4 Hong Kong Convention & Exhibition Centre	160,682	100.0
5 Grand Hyatt Hong Kong	524,928	100.0
6 Renaissance Harbour View Hotel	544,518	100.0
7 Pearl City, Causeway Bay		
– Portion of Ground Floor to 4th Floor	53,691	40.0
– Portion of Ground Floor & Basement	24,682	100.0
8 2 Macdonnell Road	116,954	100.0 ⁽¹⁾
9 Methodist House, Wanchai	40,813	99.0 ⁽¹⁾
KOWLOON		
10 New World Centre	2,500,000	100.0
11 New World Centre Palace Mall	141,439	100.0
12 Telford Plaza, Kowloon Bay	335,960	100.0 ⁽¹⁾
NEW TERRITORIES		
13 Asia Terminals Centre	6,150,873	32.5
14 Riviera Plaza Arcade, Tsuen Wan	242,685	100.0
15 Discovery Park Shopping Mall	466,400	50.0
	12,441,024	
To be completed		
16 New World Centre Extension	988,340	100.0
TOTAL	13,429,364	

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 1,916,604 sq. ft. represents the warehouse space in Asia Terminals Centre.

Group's Share of GFA / Carparks							Lease
Total	Retail	Office	Hotel	Residential	Others	Carparks	Expiry
(sq. ft.)	(sq. ft.)	(sq. ft.)	(sq. ft.)	(sq. ft.)	(sq. ft.)	(Number)	
110,040	63,383	46,657					2843
640,135	77,948	562,187				387	2863
174,251	174,251					38	2055
160,682	69,061				91,621 ⁽²⁾	1,070	2060
524,928			524,928				2060
544,518			544,518				2060
21,476	21,476						2868
24,682	24,682						2868
116,954				116,954			2031
40,405		40,405					2084
2,500,000	957,667	538,966	580,632	422,735		1,801	2052
141,439	141,439					260	2052
335,960	335,960					136	2047
1,999,033		82,429			1,916,604 ⁽³⁾		2047
242,685	242,685					324	2047
233,200	233,200					500	2047
7,810,388	2,341,752	1,270,644	1,650,078	539,689	2,008,225	4,516	
988,340			988,340				2052
8,798,728	2,341,752	1,270,644	2,638,418	539,689	2,008,225	4,516	

HOTEL INVESTMENT

Name of Hotel / Location	Number of Rooms	Group's Effective Interest (%)
Existing		
HONG KONG		
1 The Regent	514	48.0
2 New World Renaissance Hotel, Kowloon	543	64.0
3 Renaissance Harbour View Hotel	862	64.0
4 Grand Hyatt Hong Kong	572	64.0
	2,491	
CHINA		
5 New World Courtyard Hotel, Beijing	294	59.0
6 Jing Guang New World Hotel, Beijing	439	20.5
7 China Hotel, Guangzhou	888	9.0
8 New World Beifang Hotel, Harbin	329	23.8
9 New World Courtyard Hotel, Shenyang	252	40.4
10 New World Courtyard Hotel, Shunde	450	19.2
11 New World Courtyard Hotel, Wuhan	138	50.0
12 New World Courtyard Hotel, Wuxi	325	25.6
13 Grand New World Hotel, Xian	480	22.4
	3,595	
SOUTHEAST ASIA		
14 New World Renaissance Hotel, Makati, Philippines	600	29.9
15 New World Renaissance Hotel Saigon, Ho Chi Minh City, Vietnam	503	21.6
16 New World Renaissance Hotel, Kuala Lumpur, Malaysia	521	37.5
17 Renaissance Hotel Kuala Lumpur, Malaysia	399	37.5
	2,023	
TOTAL	8,109	
To be Completed		
CHINA		
18 New World Courtyard Hotel, Shanghai	538	44.1
19 New World Courtyard Hotel, Nanjing	437	48.0
	975	
SOUTHEAST ASIA		
20 Ramada Hotel, Johor Bahru, Malaysia	368	33.3
21 Renaissance Riverside Hotel, Ho Chi Minh City, Vietnam	353	19.4
	721	
TOTAL	1,696	
GRAND TOTAL	9,805	

CONVENTIONAL PROPERTY DEVELOPMENT AND INVESTMENT IN CHINA

Name of Property	Form of Investment ⁽¹⁾	Attributable Interest ⁽²⁾ (%)	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	EJV		Hotel: 20.5 Others: 17.6	290,520	Hotel: 953,680 Others: 522,270	53,012	195,504	38,907	287,423	
2	Beijing New World Centre Phase I	CJV		Year 1 - 5: 55.6 Year 6 - 50: 53.7 Year 1-5: 59.0 Year 6-30: 51.5	210,175	1,039,446 447,154	130,881			578,035 149,620	
GUANGZHOU											
3	China Hotel	CJV		9.0	210,605	1,765,867	7,299	29,180	91,181	31,269	158,929
4	Guangzhou Golden Lake Garden City ⁽³⁾	Development Agreement ⁽⁴⁾		50.0	-	284,342				142,172	142,172
WUHAN											
5	New World Courtyard Hotel, Wuhan (Formerly Ramada Hotel)	CJV		50.0*	104,017	110,290			55,145	55,145	
6	Wuhan World Trade Centre Extension	EJV		70.0	40,956	221,882	84,343	70,974		155,317	
HARBIN											
7	New World Beifang Hotel	CJV		Year 1-40: 23.8* Year 41-45: 15.8*	339,801	563,028	27,476		106,525	134,001	
SHENYANG											
8	New World Courtyard Hotel, Shenyang	EJV		40.4	84,434	370,564	50,130		99,578	149,708	
TIANJIN											
9	Tianjin New World Anderson Centre	EJV		51.0	248,847	1,086,770	487,085	67,168		554,253	
SHUNDE											
10	New World Courtyard Hotel, Shunde (Formerly Shunde Ramada Hotel)	CJV		Year 1 - 10: 19.2 Year 11 - 20: 14.8	53,800	420,081			80,656	80,656	
11	New World Convention and Exhibition Centre, Shunde ⁽⁵⁾	CJV		20.7	-	359,416	74,399			74,399	
SUB TOTAL						7,951,230	1,177,886	351,215	778,209	212,348	2,519,658

CONVENTIONAL PROPERTY DEVELOPMENT AND INVESTMENT IN CHINA

Name of Property/Project	Usage ⁽⁴⁾	Form of Investment ⁽¹⁾	Attributable Interest ⁽²⁾ (%)	Site Area (sq. ft.)	Actual/Planned GFA (sq. ft.)	Group's Share of GFA (sq. ft.)
PROPERTIES UNDER DEVELOPMENT						
BEIJING						
12 Beijing Paxim Tower	Residential / Commercial	EJV	60.0	144,184	578,888	347,333
13 Beijing New World Garden	Residential / Commercial	CJV	60.0	568,128	2,198,773	1,319,264
14 Beijing New World Centre Phase II	Residential / Commercial	CJV	60.0*	167,856	1,770,203	1,062,122
15 Dynasty Garden Phase II	Residential	Development Agreement ⁽⁴⁾	40.0*	1,109,011	465,828	186,331
16 Lai Loi Development	Residential	CJV	24.5*	2,330,616	1,119,040	274,165
17 Chang Le Development	Residential	CJV	24.5*	3,858,536	1,936,800	474,516
18 Bao Yuan Development	Residential	CJV	24.5*	4,325,520	2,317,058	567,679
19 Fu Wah Development	Residential	CJV	24.5*	3,155,908	1,592,480	390,158
20 Yee Lok Garden	Residential	CJV	65.0	1,966,519	3,841,320	2,496,858
TIANJIN						
21 Tianjin Xin An Garden	Residential	EJV	51.0	216,797	770,308	392,857
22 Tianjin Fuhui Huayuan	Commercial/ Residential	WFE	80.0	434,467	Phase I: 263,663 Phase II: 1,803,193	210,930 1,442,554
23 Tianjin World Trade Centre	Commercial	WFE	100.0	116,574	997,549	997,549
SHANGHAI						
24 Hong Kong New World Tower (Formerly Shanghai New World Centre)	Hotel/ Commercial	CJV	44.1*	107,094	1,431,080	631,106
25 Shanghai Zhong Shan Square	Residential / Commercial	CJV	32.4*	560,861	2,199,936	712,779
26 Euston Villas	Residential	EJV	64.0	1,738,762	1,001,474	640,943
27 Regent Place (Formerly Jinbai Yuan)	Residential / Commercial	EJV	30.0	59,137	335,378	100,614
28 Shanghai Ramada Plaza	Hotel/ Commercial	CJV	60.0	97,744	977,438	586,463
29 Cheng Yi Development	Commercial/ Residential	WFE	100.0	265,600	995,999	995,999
30 Juyi Development	Commercial/ Residential	EJV	76.0	352,874	2,200,592	1,672,450

CONVENTIONAL PROPERTY DEVELOPMENT AND INVESTMENT IN CHINA

Name of Property/Project	Usage ⁽⁴⁾	Form of Investment ⁽¹⁾	Attributable Interest ⁽²⁾ (%)	Site Area (sq. ft.)	Actual/Planned GFA (sq. ft.)	Group's Share of GFA (sq. ft.)	
GUANGZHOU							
31	Guangzhou Golden Lake Garden City	Residential	Development Agreement ⁽⁴⁾	Phase I: 50.0 Phase II: 50.0 Phase III: 50.0	1,829,880 1,052,208 918,365	2,096,210 1,313,321 1,343,654	1,048,105 656,660 671,827
32	New World Palm Garden (Formerly Er Sha Island site 13)	Residential	CJV	60.0*	203,687	208,712	125,227
33	New World Eastern Garden Phase II –Future Phases	Residential	CJV	60.0	744,495	419,532 2,157,204	251,719 1,294,322
34	Guangzhou Tianhe Shipai Sub Area 2 and 5	Residential	CJV	100.0	1,218,032	5,136,393	5,136,393
35	Fangcum District Comprehensive Redevelopment	Hotel/ Residential/ Commercial	CJV	60.0*	5,671,865	21,553,087	12,931,852
36	Guangzhou Metropolitan Garden	Residential/ Commercial	CJV	100.0	445,959	2,116,277	2,116,277
37	Guangzhou New World Centre	Residential/ Commercial	CJV	100.0	177,314	1,614,000	1,614,000
38	Tianhe District Fung Chou Yuen	Residential/ Commercial	CJV	20.0	574,971	1,904,832	380,966
39	Guangzhou Riviera Garden	Commercial/ Residential	Development Agreement ⁽⁴⁾	50.0*	7,797,105	8,808,297	4,404,149
WUHAN							
40	Ramada Hotel Phase II	Commercial/ Residential	CJV	50.0*	75,320	To be determined	–
41	Golden World Centre	Commercial/ Residential	EJV	8.9	39,489	513,069	45,663
42	Wuhan Hotel Redevelopment	Hotel/ Commercial	CJV	60.0*	86,080	716,616	429,970
43	Tazi Lake Redevelopment	Commercial/ Residential	CJV	50.0*	4,335,527	2,979,691	1,489,846

CONVENTIONAL PROPERTY DEVELOPMENT AND INVESTMENT IN CHINA

Name of Property/Project	Usage ⁽⁴⁾	Form of Investment ⁽¹⁾	Attributable Interest ⁽²⁾ (%)	Site Area (sq. ft.)	Actual/Planned GFA (sq. ft.)	Group's Share of GFA (sq. ft.)	
PROPERTIES UNDER DEVELOPMENT							
REST OF GUANGDONG PROVINCE							
44	Shenzhen Xili Lake	Residential	CJV	90.0	625,382	312,040	280,836
45	Shenzhen Sha Tau Kok	Residential	EJV	90.0	961,395	1,615,076	1,453,568
46	Dongguan New World Garden	Residential	CJV	36.7*	3,731,267	10,424,773	3,825,892
47	New World Convention & Exhibition Centre, Shunde	Commercial / Residential	CJV	20.7	152,480	1,438,310	297,730
48	Shunde Dalian Property Development	Residential/ Commercial	EJV	30.0	5,741,536	25,836,912	7,751,074
49	Foshan Golf & Country Club	Commercial/ Residential	CJV	Res: 23.6 Golf: 22.3	31,349,034	121,588 (Clubhouse for Phase I)	28,695
50	Site on Yanjiang Avenue	Residential/ Commercial	EJV	33.0	995,300	7,752,408	2,558,295
51	Danshui Golf Club	Commercial	EJV	12.4	2,259,600	1,355,760	168,114
OTHERS							
52	Shenyang Wangjiazhuang	Residential	CJV	90.0	21,082,068	35,703,832	32,133,449
53	Shenyang Taiyuan Street	Residential/ Commercial	EJV	23.9	77,364	1,048,788	250,660
54	Nanjing New World Huawei Plaza	Hotel/ Commercial/ Residential	EJV	48.0	132,090	2,033,726	976,188
55	Dalian Bond Tak International Finance Centre	Commercial/ Residential	WFE	30.0	176,798	2,302,382	690,715
56	Dalian New World Plaza	Commercial/ Residential	EJV	81.0	105,491	1,722,267	1,395,036
57	Shijiazhuang NW Commercial Plaza	Commercial	EJV	55.0	727,731	1,109,571	610,264
SUB TOTAL					174,455,328	100,520,162	
GRAND TOTAL					182,406,558	103,039,820	

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) Site area refer to page 87 project 31

(4) 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.

(5) Site area refer to page 88 project 47

(6) Service apartments are included under commercial usage.

GOVERNMENT SUBSIDISED HOUSING PROJECTS

Name of Property/Location	Site Area (sq. ft.)	Planned GFA (sq. ft.)	Attributable Interest ⁽¹⁾ (%)	Group's Share of GFA (sq. ft.)
WUHAN				
1 Changqing Garden	22,038,632	36,377,215	57.4	20,880,521
TIANJIN				
2 Huayuan Residential Area (Sub area 4)	1,090,203	1,465,307	57.4	841,086
3 Xin Chun Hua Yuan (Formerly Lot # 603)	182,920	476,195	57.4	273,336
HUIZHOU				
4 Chang Hu Yuan	3,421,680	5,638,240	57.4	3,236,350
GUANGZHOU				
5 Ji Shien Zhuang	6,198,244	9,489,696	57.4	5,447,086
QING YUAN				
6 Qing Yuan	5,595,200	10,071,360	57.4	5,780,961
ZENG CHENG				
7 Xin Tang	3,050,191	5,215,834	57.4	2,993,889
HAI KOU				
8 Xin Bu Island	2,224,845	3,204,005	57.4	1,839,099
ZHUHAI				
9 Zhuhai	3,636,880	5,819,008	57.4	3,340,111
HEFEI				
10 Hefei Phase I	933,000	1,183,600	57.4	679,386
Phase II ⁽²⁾	16,148,070	24,222,105	57.4	13,903,488
TOTAL		103,162,565		59,215,313

Notes:

⁽¹⁾ Group's interest in "NW China Homeowner Development Company Limited".

⁽²⁾ Assumes a plot ratio of 1.5.

CITY CORE REDEVELOPMENT PROJECTS

Name of Project	City	Form of Investment ⁽¹⁾	Attributable Interest ⁽²⁾ (%)	Site Area (sq. ft.)	Group's Share of Site Area (sq. ft.)
1 Chongwen District Redevelopment	Beijing	CJV	56.0 *	21,520,000	12,051,200
2 Hongqiao and Heping Districts Redevelopment	Tianjin	CJV	70.0 *	21,310,180	14,917,126
3 Nankai District Redevelopment	Tianjin	CJV	70.0 *	11,513,200	8,059,240
4 Dongshan District Redevelopment	Guangzhou	CJV	60.0 *	104,793	62,876
5 Huizhou Huicheng District Redevelopment	Huizhou	CJV	62.5 *	385,757	241,098
TOTAL					35,331,540

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.

LAND IMPROVEMENT PROJECTS

Name of Project	Location	Form of Investment ⁽¹⁾	Attributable Interest ⁽²⁾ (%)	Site Area (sq. ft.)	Group's Share of Site Area (sq. ft.)
1 Tianjin Free Port Trade Zone - Phase II	Tianjin Free Trade Zone	EJV	50.0: Selling price per sq.m. not exceeding US\$120 45.0: Selling price per sq.m. exceeding US\$120	21,520,000	10,760,000
2 Wujiaoshan Economic Development Area	East and West Lake, Dongsihu District, Wuhan	CJV	45.0	80,700,000	36,315,000
TOTAL					47,075,000

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.

CONVENTIONAL PROPERTY PROJECTS OFFERED FOR SALE IN FY1998

Name of Project	Location	Usage	Attributable Interest (%)	GFA Offered For Sale (sq. ft.)
1 Beijing New World Centre Phase I	Beijing	Office/ Residential	55.6*	Residential: 288,980 Office: 209,626
2 Dynasty Garden Phase I	Beijing	Residential	40.0*	277,993
3 Tianjin Fuhui Huayuan Phase I	Tianjin	Commercial/ Residential	80.0	263,663
4 Shanghai Zhong Shan Square Phase I	Shanghai	Residential	32.4*	378,515
5 Euston Villas Phase I	Shanghai	Residential	64.0	278,050
6 Regent Place (Formerly Jinbai Yuan)	Shanghai	Commercial/ Residential	30.0	335,378
7 New World Riverside Villa	Guangzhou	Residential	60.0*	205,624
8 New World Eastern Garden Phase I	Guangzhou	Residential	60.0	240,178
9 Dongguan New World Garden Phase V to VII	Dongguan	Residential	36.7*	775,942
10 New World Convention & Exhibition Centre, Shunde	Shunde	Residential	20.7	236,612
TOTAL				3,490,561

CONVENTIONAL PROPERTY PROJECTS TO BE OFFERED FOR SALE IN FY1999

Name of Project	Location	Usage	Attributable Interest (%)	GFA Offered For Sale (sq. ft.)
1 Beijing New World Centre Phase II	Beijing	Commercial/ Residential	60.0*	977,320
2 Tianjin Xin An Garden	Tianjin	Residential	51.0	770,308
3 Shenyang Wangjiazhuang	Shenyang	Residential	90.0	1,076,000
4 New World Palm Garden (Formerly Er Sha Island Site 13)	Guangzhou	Residential	60.0*	208,712
5 New World Eastern Garden Phase II	Guangzhou	Residential	60.0	419,532
6 Dongguan New World Garden Phase VIII	Dongguan	Residential	36.7*	127,314
TOTAL				3,579,186

Note:

* Joint venture or contractual arrangements whereby the repayment 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

	Gross Length/ Capacity	Form of Investment	NWI's Attributable Interest (%)	Expected/Actual Operation Date ⁽⁵⁾	JV Period (years)	Expiry Date ⁽¹⁾
ROAD PROJECTS						
Guangzhou City Northern Ring Road ⁽²⁾	22.0km	CJV	65.29	1/1994	33	2023
Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) [*]		CJV	25.0		37	2030
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	33.3	6/1993	30	2027
Roadway	21.8km	CJV	50.0	12/1997	26	2023
Hui-Ao Roadway		CJV	50.0		33	2028
Hui-Dan Section	36.0km			1/1996		
Hui-Ao Section	49.7km			1/1999		
Roadway No. 324 (Gaoyao Section)	24.0km	CJV	40.0	2/1994	22	2015
Roadway No. 321 (Fengkai Section)	42.0km	CJV	45.0	12/1994	25	2019
Roadway No. 321 (Deqing Section)	79.0km	CJV	45.0	9/1995	25	2020
Roadway No. 1964 (Zhaojiang Section)	32.0km	CJV	70.0	12/1995	25	2019
Roadway No. 1960 (Sihui Section)	47.0km	CJV	50.0		25	2021
Guangmei Toll Station				1/1996		
Shatou Toll Station				6/1996		
Roadway No. 1960 (Guangning Section)	60.0km	CJV	55.0	7/1996	25	2020
Roadway No. 1967 (Xinxing Section)	25.0km	CJV	55.0	7/1997	25	2022
Shuangjin Roadway (Gaoyao Section)	34.0km	CJV	61.0	9/1997	26	2024
Roadway No. 1962 (Guangning Section)	19.5km	CJV	55.0	4/1998	26	2023
Roadway No. 1969 (Gaoyao Section)	27.0km	CJV	10.0/58.0	1/1998	28	2024
Roadway No. 321 (Gaoyao Section)	23.8km	CJV	55.0	8/1998	25	2019
Roadway No.1962 (Gaoyao Section)	32.4km	CJV	60.0	8/1998	30	2026
Roadway No. 1959 (Qingxin Section)	26.6km	CJV	75.0	11/1998	30	2027
Roadway No.1958 (Deqing Section)	30.0km	CJV	65.0	5/1999	25	2023
Roadway No. 105 (Lianping County North Section)	33.0km	CJV	10.0/51.0	8/1997	25	2022
Roadway No. 1906 (Qingcheng Section)	26.8km	CJV	80.0	6/1999	30	2028
Roadway No. 321 (Wuzhou Section)		CJV	45.0		25	2022
Phase I	8.7km			3/1997		
Phase II	4.3km			12/1998		
Beiliu City Roadways		CJV	60.0		25	2022
Phase I	18.2km			8/1997		
Phase II	21.6km			5/1998		
Yulin Shinan to Dajiangkou Roadway		CJV	60.0		25	2022
Phase I	8.7km			8/1997		
Phase II	30.0km			6/1999		
Rongxian Roadways		CJV	70.0		25	2022
Phase I	9.2km			10/1997		
Phase II	16.8km			5/1998		

INFRASTRUCTURE

	Gross Length/ Capacity	Form of Investment	NWI's Attributable Interest (%)	Expected/Actual Operation Date ⁽⁵⁾	JV Period (years)	Expiry Date ⁽¹⁾
Yulin to Shinan Roadway	27.8km	CJV	60.0	5/1998	25	2022
Cangwu County Roadway	10.1km	CJV	70.0	11/1998	25	2022
Yulin Shinan to Guigang Roadway	20.0km	CJV	60.0	7/1999	25	2022
Wuhan Airport Expressway	18.0km	CJV	40.0	4/1995	30	2025
Tangjin Expressway (Tianjin North Section)		CJV	60.0/90.0		30	
Section I	43.4km			1/1999		2029
Section II	17.0km			7/2001		2031
Chengdu Ring Expressway (East Section)		CJV	68.0/51.0		30	2028
Phase I	21.5km			1/2001		
Phase II	21.5km			1/2002		
Shanxi Taiyuan to Gujiao Roadway (Taiyuan Section)	28.4km	CJV	60.0/90.0	10/1999	27	2025
Shanxi Taiyuan to Gujiao Roadway (Gujiao Section)	36.0km	CJV	60.0/90.0	12/1998	27	2025
Jincheng to Jiaozuo Expressway (Shanxi Section)	32.0km	CJV	60.0/90.0	7/2000	30	2028
Roadway No.309(Changzhi Section) in Shanxi	22.2km	CJV	60.0/90.0	7/1999	25	2023
Taiyuan to Changzhi Roadway (Changzhi Section) in Shanxi	18.3km	CJV	60.0/90.0	7/1999	25	2023
Tate's Cairn Tunnel	4.0km	Equity	27.5	6/1991	30	2018

BRIDGE PROJECTS

Wuhan Bridge Development	4.0km	JSC	48.86	6/1995	–	n/a
Gaoming Bridge	1.1km	CJV	30.0/80.0	11/1996	25	2021
Guangzhou Three New Bridges [^]	4.1km	CJV	50.0	3/1999	33	2030
Zhaoqing Deqing Xijiang Bridge	1.4km	CJV	60.0	5/1999	25	2022
Tianjin Yonghe Bridge	0.5km	CJV	90.0	11/1998	25	2023

CARGO HANDLING PROJECTS

Sea-Land Orient Terminals Limited (SLOT)**	1.1 mil TEUs	Equity	33.34	6/1991	50	2047
Asia Terminals Limited (ATL)**	5.9 mil ft ²	Equity	55.67	2/1987	50	2047
United Asia Terminals (Yantian) Limited	899,800 CBM	Equity	40.0	2/1997	10	2007
Sea-Land Orient (Tianjin) Container Terminals Co., Limited	441,000 TEUs ⁽²⁾	EJV	24.5	1/1999	30	2027
Pacific Ports Company Limited [#]	n/a	Equity	37.15	5/1998	–	n/a

POWER PROJECTS

Zhujiang Power Station - Phase I	600 MW	EJV	50.0	1/1994	25	2017
Zhujiang Power Station - Phase II	600 MW	EJV	25.0	4/1996	25	2020
Shunde De Sheng Power Plant	273.5 MW	CJV	60.0	4/1997	20	2017
Macau Power Plant	351MW	Equity	20.25	11/1997	25	2010
Sichuan Qianwei Dali Power Plant	54 MW	CJV	60.0	11/1997	25	2022

INFRASTRUCTURE

	Gross Length/ Capacity	Form of Investment	NWI's Attributable Interest (%)	Expected/Actual Operation Date ⁽⁵⁾	JV Period (years)	Expiry Date ⁽¹⁾
WATER TREATMENT PROJECTS						
Macau Water Plant	255,000m ³ /day	Equity	42.5	11/1997	25	2010
Zhongshan Tanzhou Water Plant	60,000m ³ /day	Equity	29.0	11/1997	35	2027
Shenyang Water Plant	450,000m ³ /day	Equity	18.88	11/1997	30	2025
Nanchang Water Plant	50,000m ³ /day	Equity	25.0	11/1997	28	2023
Lianjiang Water Plant	100,000m ³ /day	Equity	30.0	1999	30	2027
Dongguan Microfiltration Equipment Plant	n/a	Equity	22.5	11/1997	20	2014
Zhongshan Dafeng Water Plant	200,000m ³ /day	Equity	33.06	4/1998	22	2020
Zhongshan Quanlu Water Plant	500,000m ³ /day	Equity	33.06	4/1998	22	2020
Maoming Dianbai Water Plant	100,000m ³ /day	Equity	35.0	2000	30	2029
CEMENT PROJECTS						
Yantai Jinhe Cement Plant	350,000 tonnes/year	EJV	44.0	Operational	30	2023
Yantai Baoqiao Jinhong Cement Plant	420,000 tonnes/year	EJV	44.0	Operational	30	2024
Shandong Jianshe Best Wide Cement Plant	700,000 tonnes/year	EJV	44.0	Operational	30	2024
Shandong Zhangdian Best Wide Cement Plant	500,000 tonnes/year	EJV	44.0	Operational	30	2024
Shandong Zibo Best Wide Cement Plant	450,000 tonnes/year	EJV	44.0	Operational	30	2024
Qing Yuan New World Xin Tai Cement Plant	250,000 tonnes/year	EJV	51.0	Operational	30	2027
INFORMATION INFRASTRUCTURE PROJECT						
China Internet Corporation Limited	n/a	Equity	12.7 ⁽³⁾	7/1997	–	n/a
STRATEGIC INVESTMENTS						
Beijing Datang Power Generation Company Limited [#]	n/a	Equity	9.54	3/1997 ⁽⁴⁾	–	n/a
Jiangsu Expressway Company Limited [#]	n/a	Equity	3.12	6/1997 ⁽⁴⁾	–	n/a
Sichuan Expressway Company Limited [#]	n/a	Equity	9.9	10/1997 ⁽⁴⁾	–	n/a

@ 4.65% additional effective interest in the project was acquired in May 1998

* 5% additional effective interest in the project was acquired in March 1997

** 3% additional effective interest in SLOT was acquired in May 1998; 1.5% additional effective interest in ATL was acquired in May 1998

Listed on The Stock Exchange of Hong Kong Limited

^ partial opening: Jiangwen Bridge January 1998, Jiefang Bridge February 1998, Hedong Bridge September 1998

⁽¹⁾ Project or JV expiry date

⁽²⁾ Expected throughput of first year's operation

⁽³⁾ On a fully diluted basis

⁽⁴⁾ Date of listing

⁽⁵⁾ First date of NWI's revenue entitlement

CJV = Co-operative Joint Venture (profit sharing percentage)

EJV = Equity Joint Venture (percentage of equity interest)

JSC = Joint Stock Company

TEU = Twenty-Foot Equivalent Unit

n/a = Not Applicable

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 96 to 143 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 1998 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 Limited
Certified Public Accountants

Henry C.H. Chui, Auditor
Practising Certificate No. P599

Hong Kong, 26 October 1998

	Note	Year ended 30 June	
		1998 HK\$m	1997 HK\$m
Turnover	2	20,389.9	19,975.9
Operating profit	2 & 3	4,147.2	4,303.8
Exceptional items	4	(1,202.2)	1,316.0
Profit from ordinary activities		2,945.0	5,619.8
Share of results of associated companies and joint ventures		637.1	2,020.7
Profit before taxation		3,582.1	7,640.5
Taxation	5	(735.2)	(963.0)
Profit after taxation		2,846.9	6,677.5
Minority interests		(704.0)	(1,365.5)
Profit attributable to shareholders	6	2,142.9	5,312.0
Dividends	7	(1,264.3)	(2,328.5)
Retained profit for the year	18	878.6	2,983.5
Retained by:			
Company and subsidiary companies		891.6	3,258.1
Associated companies and joint ventures		(13.0)	(274.6)
		878.6	2,983.5
Earnings per share	8		
Basic		HK\$1.11	HK\$2.86
Fully diluted		HK\$1.10	HK\$2.85

		As at 30 June	
		1998	1997
	Note	HK\$m	HK\$m
Fixed assets	10	37,545.1	46,059.7
Associated companies	12	14,246.7	10,847.9
Joint ventures in the People's Republic of China	13	18,386.7	15,960.5
Other investments	14	4,493.6	4,704.5
Long term receivables	15	692.6	366.7
Deferred expenditure		222.1	221.8
Net current assets	16	13,282.3	12,120.2
Employment of funds		88,869.1	90,281.3
Financed by:			
Share capital	17	1,984.9	1,909.0
Reserves	18	52,827.2	62,400.9
Shareholders' funds		54,812.1	64,309.9
Minority interests		9,079.6	10,062.2
Long term liabilities	19	24,960.4	15,905.6
Deferred taxation	20	17.0	3.6
Funds employed		88,869.1	90,281.3

Dr. Sin Wai-Kin, David
Director

Dr. Cheng Kar-Shun, Henry
Director

	Note	As at 30 June	
		1998 HK\$m	1997 HK\$m
Fixed assets	10	33.3	43.7
Subsidiary companies	11	28,133.7	26,324.8
Associated companies	12	101.0	82.6
Joint ventures in the People's Republic of China	13	408.0	1,224.3
Other investments	14	111.0	144.6
Net current liabilities	16	(52.6)	(1,314.1)
Employment of funds		28,734.4	26,505.9
Financed by:			
Share capital	17	1,984.9	1,909.0
Reserves	18	26,749.5	24,596.9
Funds employed		28,734.4	26,505.9

Dr. Sin Wai-Kin, David
Director

Dr. Cheng Kar-Shun, Henry
Director

	Note	Year ended 30 June	
		1998 HK\$m	1997 HK\$m
NET CASH INFLOW FROM OPERATING ACTIVITIES	24(a)	6,093.2	4,308.3
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		1,300.6	598.3
Interest paid		(2,159.0)	(1,437.7)
Dividends received from			
Associated companies		448.6	2,040.7
A joint venture in the People's Republic of China		121.9	34.6
Other investments		94.0	60.4
Dividends paid		(998.5)	(1,019.7)
Dividends paid to minority shareholders		(285.1)	(1,335.7)
Net cash outflow from returns on investments and servicing of finance		(1,477.5)	(1,059.1)
TAXATION			
Hong Kong profits tax paid		(760.9)	(540.9)
Overseas taxation paid		(29.0)	(84.8)
		(789.9)	(625.7)
INVESTING ACTIVITIES			
Purchase of fixed assets		(3,849.2)	(2,562.3)
Increase in investments in associated companies		(3,405.5)	(2,408.2)
Increase in investments in joint ventures in the People's Republic of China		(2,649.9)	(4,818.3)
Increase in other investments		(1,566.7)	(3,556.3)
(Increase)/decrease in long term receivables		(403.6)	49.3
Increase in deferred expenditure		(62.1)	(118.5)
Acquisition of additional interests in a subsidiary company		(285.0)	–
Acquisition of subsidiary companies (net of cash and cash equivalents)	24(c)	(162.1)	(795.1)
Investments in short-term deposits maturing after three months		(214.0)	–
Proceeds on disposal of			
Associated companies		144.4	–
Fixed assets, including investment properties		233.1	26.9
Joint ventures in the People's Republic of China		275.0	67.5
Other investments		68.2	–
Net cash (outflow)/inflow from disposal of subsidiary companies (net of cash and cash equivalents)	24(e)	(16.7)	2,041.2
Net cash outflow from investing activities		(11,894.1)	(12,073.8)
Net cash outflow before financing		(8,068.3)	(9,450.3)

CONSOLIDATED CASH FLOW STATEMENT (Continued)

	Note	Year ended 30 June	
		1998 HK\$m	1997 HK\$m
FINANCING			
Issue of shares		–	2,782.5
Issue of convertible bonds		1,932.5	2,705.5
Repurchase of convertible bonds		(166.6)	–
Share issue expenses		(4.7)	(44.0)
Bond issue expenses		(48.7)	(76.8)
Increase in bank and other loans		7,935.9	5,076.5
Repayment of bank and other loans		(2,365.0)	(5,932.0)
Capital element of finance lease rental payment		(2.6)	(150.2)
Decrease in short term bank and other loans		(77.5)	(0.4)
Contribution from minority shareholders		242.7	2,243.3
Net cash inflow from financing activities	24(f)	7,446.0	6,604.4
Decrease in cash and cash equivalents		(622.3)	(2,845.9)
Cash and cash equivalents at beginning of year		477.8	3,312.8
Effect of foreign exchange rate changes		(4.9)	10.9
Cash and cash equivalents at end of year	24(g)	(149.4)	477.8

I. 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). Where the Group has no control or significant influence over the management of the equity joint ventures, the joint ventures are carried at cost less provision for any permanent diminution in value.

(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.

I. PRINCIPAL ACCOUNTING POLICIES (Continued)**(e) JOINT VENTURES IN THE PEOPLE'S REPUBLIC OF CHINA (Continued)****(ii) Co-operative joint ventures (Continued)**

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

Where investment income derived from investments in and loans to joint ventures is predetermined in accordance with the provisions of the joint venture contracts for a substantial portion of the joint venture period, these joint ventures are referred to as fixed return joint ventures. Fixed return joint ventures are carried at cost less capital repayments received.

(f) TURNOVER

Group turnover represents all revenues from rental, property sales, construction and engineering, hotel and restaurant operations, infrastructure operations, telecommunication services, department store operations, 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.

(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 property development projects

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

I. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) REVENUE RECOGNITION (Continued)

- (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) *Infrastructure operations*
Toll revenue from road and bridge operations is recognised when services are rendered.
- (vii) *Telecommunication services*
Subscription fee and services income from telecommunication and paging services is recognised when service is rendered and based on the usage of the digital mobile radio telephone network and facilities. Revenue from sale of telecommunication equipment and accessories is recognised when goods are delivered. Telecommunication revenue in respect of standard service plans billed in advance at year end is deferred and recognised on a straight line basis over the relevant service agreement period. 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*
Property management service fee, property letting agency fee and security service fee are recognised when services are rendered.
- (ix) *Sales of goods*
Income from sale of goods in the department store operations is recognised upon delivery of goods.
- (x) *Interest income*
Interest income is recognised on 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 joint ventures*
Income from investments in and loans to fixed return joint ventures is recognised on an accrual basis so as to provide a constant return on the investment and loan balance (net of capital repayments) on a combined basis, over the joint venture periods.
- (xii) *Dividend income*
Dividend income is recognised when the shareholder's right to receive payment is established.

I. PRINCIPAL ACCOUNTING POLICIES (Continued)**(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 I \(i\) \(iv\)](#).

(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.

(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 charged to profit and loss account in the year in which they are incurred.

(iii) Assets under construction

All direct and indirect costs relating to the construction of fixed assets including interest and financing costs 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.

I. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) FIXED ASSETS (Continued)

(iv) Depreciation (Continued)

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) 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.

(k) 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.

(l) DEFERRED EXPENDITURE

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

(m) 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.

(n) 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.

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

I. PRINCIPAL ACCOUNTING POLICIES (Continued)**(o) PENSIONS AND RETIREMENT BENEFITS***(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.

(p) 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 **I (i)(iii)** and **(n)**.

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:

	1998	1997
	HK\$m	HK\$m
(a) Analysis by principal activities		
(i) Turnover		
Rental income	2,123.3	1,966.6
Property sales	5,836.0	4,636.8
Construction and engineering	8,413.3	5,899.4
Hotel and restaurant operations	2,672.1	7,420.1
Infrastructure operations	677.1	368.0
Telecommunication services	2,345.1	1,680.4
Others	1,055.5	820.4
	23,122.4	22,791.7
Intra-group transactions		
Rental income	(133.4)	(136.0)
Construction and engineering	(2,490.6)	(2,483.4)
Telecommunication services	–	(32.7)
Others	(108.5)	(163.7)
	20,389.9	19,975.9
(ii) Contribution to operating profit		
Rental income	1,378.7	1,414.8
Property sales	2,909.3	2,432.4
Construction and engineering	433.8	179.1
Hotel and restaurant operations	348.6	890.7
Infrastructure operations	400.3	231.4
Telecommunication services	(646.2)	(195.2)
Others	77.3	7.3
	4,901.8	4,960.5
Net interest paid	(754.6)	(656.7)
	4,147.2	4,303.8

2. TURNOVER AND CONTRIBUTION TO OPERATING PROFIT (Continued)

	1998	1997
	HK\$m	HK\$m
(b) Analysis by geography		
(i) Turnover		
Hong Kong and Southeast Asia	17,699.9	13,770.3
The People's Republic of China	2,690.0	2,476.0
North America	–	1,526.5
Europe	–	2,203.1
	20,389.9	19,975.9
	20,389.9	19,975.9
(ii) Contribution to operating profit before interest		
Hong Kong and Southeast Asia	4,661.3	4,619.0
The People's Republic of China	240.5	400.2
North America	–	51.9
Europe	–	(110.6)
	4,901.8	4,960.5
	4,901.8	4,960.5

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.

3. OPERATING PROFIT

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

	1998	1997
	HK\$m	HK\$m
Crediting:		
Gross rental income from investment properties	1,708.2	1,687.4
Outgoings	(264.6)	(197.7)
	1,443.6	1,489.7
Dividend income		
Listed investments	74.5	25.1
Unlisted investments	19.5	35.3
Gain on disposal of joint ventures	61.1	64.1
Interest income	1,300.6	598.3
Profit on disposal of investment properties	168.1	–
Royalty income from licence agreement	–	84.7
	1,768.7	1,055.4
Charging:		
Interest on bank loans and overdrafts	52.7	47.1
Interest on other loans wholly payable within five years	–	41.2
Interest on other loans not wholly payable within five years	0.4	19.0
Interest on finance leases	232.7	206.8
Interest on convertible bonds	21.6	–
Provision for premium on redemption of convertible bonds	82.9	68.2
Interest on loans from minority shareholders	(30.7)	–
Interest capitalised as cost of	(14.2)	–
Fixed assets	(58.9)	(182.7)
Joint ventures		
Properties under development		
	2,055.2	1,255.0
Auditors' remuneration	25.0	27.8
Depreciation		
Leased fixed assets	1.2	66.3
Owned fixed assets	400.0	489.9
Operating lease rentals for land and buildings	174.6	718.6
Loss on disposal of subsidiary companies	8.0	–
Amortisation of deferred expenditure	56.6	26.0
Amortisation of intangible assets	–	38.5

4. EXCEPTIONAL ITEMS

	1998	1997
	HK\$m	HK\$m
Gain on disposal of associated companies	132.0	–
Profit on repurchase of convertible bonds (Note 19 (a)(ii) and (iv))	49.8	–
Provision for investment in:		
Co-operative and equity joint ventures	(132.3)	–
Other joint ventures	(137.9)	–
Listed shares	(344.8)	–
Provision for diminution in value of properties held for sale	(769.0)	–
Profit on disposal of investments in subsidiary companies (Note a)	–	372.2
Profit on dilution of interest in a subsidiary company (Note b)	–	943.8
	(1,202.2)	1,316.0

- (a) In 1997, the Group disposed of its entire interests in Renaissance Hotel Group N.V. ("RHG"), a former 35% beneficially owned subsidiary company listed on the New York Stock Exchange and Hotel Property Investments (B.V.I.) Limited, a former 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 1997, 42,800,000 and 84,000,000 new shares were issued and placed by New World Infrastructure Limited ("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.

5. TAXATION

	1998	1997
	HK\$m	HK\$m
Company and subsidiary companies		
Hong Kong profits tax	614.3	824.4
Overseas taxation	29.0	71.1
Deferred taxation (Note 20)	14.0	0.6
	657.3	896.1
Associated companies and joint ventures		
Hong Kong profits tax	43.5	37.9
Overseas taxation	34.4	29.0
	77.9	66.9
	735.2	963.0

Hong Kong profits tax is provided at the rate of 16% (1997:16.5%) on the estimated assessable profits for the year. Tax on overseas profits has been calculated on the estimated taxable profits for the year at the rate of taxation prevailing in the countries in which the Group operates.

6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$2,029.8 million (1997: HK\$6,391.5 million).

7. DIVIDENDS

	1998	1997
	HK\$m	HK\$m
Interim dividend paid of 32 cents (1997: 32 cents) per share	629.1	644.5
Proposed final dividend of 32 cents (1997: 88 cents) per share	635.2	1,684.0
	1,264.3	2,328.5

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

Interim dividend	337.7	330.2
Final dividend	*	976.9

* Full provision has been made for the 1998 final dividend on the basis that all shareholders will elect to receive cash, being the alternative to their entitlements to the scrip dividend.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit of HK\$2,142.9 million (1997: HK\$5,312.0 million) and the weighted average of 1,937.3 million shares (1997: 1,856.5 million shares) in issue during the year.

The fully diluted earnings per share is based on adjusted profit of HK\$2,152.2 million (1997: HK\$5,337.3 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 1,949.2 million shares (1997: 1,872.9 million shares) issued and issuable.

9. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

	1998	1997
	HK\$m	HK\$m
Details of the emoluments paid to the Directors are as follows:		
Fees	1.1	1.3
Salaries and other emoluments	24.5	19.5
Contributions to retirement benefits	0.7	0.6
	26.3	21.4

The emoluments of the Directors fall within the following bands:

	Number of individuals	
	1998	1997
Emolument band (HK\$)		
0 - 1,000,000	9	9
2,000,001 - 2,500,000	1	1
2,500,001 - 3,000,000	1	1
3,000,001 - 3,500,000	1	2
3,500,001 - 4,000,000	1	-
9,000,001 - 9,500,000	-	1
13,000,001 - 13,500,000	1	-
	14	14

Fees paid to independent non-executive directors amounted to HK\$0.3 million (1997: HK\$0.3 million). There were no other emoluments paid to independent non-executive directors. None of the directors has waived the right to receive his emoluments.

Details of the emoluments paid to the five individuals, including two directors (1997: two directors), whose emoluments were the highest in the Group are as follows:

	1998	1997
	HK\$m	HK\$m
Salaries and other emoluments	28.2	22.9
Contributions to retirement benefits	0.4	0.3
	28.6	23.2

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

	Number of individuals	
	1998	1997
Emolument band (HK\$)		
3,000,001 - 3,500,000	-	2
3,500,001 - 4,000,000	3	2
4,000,001 - 4,500,000	1	-
9,000,001 - 9,500,000	-	1
13,000,001 - 13,500,000	1	-
	5	5

10. FIXED ASSETS

	Group						Total HK\$m
	Investment properties HK\$m	Hotel properties HK\$m	Land and buildings HK\$m	Toll roads and bridges HK\$m	Other assets HK\$m	Assets under construction HK\$m	
Cost or valuation							
At 1.7.1997	27,087.1	12,587.0	1,556.1	3,466.0	2,254.5	331.4	47,282.1
Translation difference	–	–	(201.1)	48.8	(67.7)	1.7	(218.3)
Disposal of subsidiary companies	–	–	–	–	(9.3)	–	(9.3)
Additions	843.9	–	93.7	297.4	1,216.2	1,435.9	3,887.1
Reclassification	–	–	165.6	731.1	9.6	(906.3)	–
Disposals	(159.4)	–	(1.9)	–	(69.0)	–	(230.3)
Revaluation deficit	(8,660.4)	(2,968.0)	–	–	–	–	(11,628.4)
At 30.6.1998	19,111.2	9,619.0	1,612.4	4,543.3	3,334.3	862.7	39,082.9
Accumulated depreciation							
At 1.7.1997	–	–	89.6	140.0	992.8	–	1,222.4
Translation difference	–	–	(14.1)	2.0	(20.5)	–	(32.6)
Disposal of subsidiary companies	–	–	–	–	(7.3)	–	(7.3)
Charge for the year	–	–	52.5	47.9	300.8	–	401.2
Written back on disposals	–	–	(1.4)	–	(44.5)	–	(45.9)
At 30.6.1998	–	–	126.6	189.9	1,221.3	–	1,537.8
Net book value							
At 30.6.1998	19,111.2	9,619.0	1,485.8	4,353.4	2,113.0	862.7	37,545.1
At 30.6.1997	27,087.1	12,587.0	1,466.5	3,326.0	1,261.7	331.4	46,059.7

10. FIXED ASSETS (Continued)

	Company		
	Investment properties HK\$m	Land and buildings HK\$m	Total HK\$m
Cost or valuation			
At 1.7.1997	40.0	4.5	44.5
Revaluation deficit	(10.0)	–	(10.0)
Disposals	–	(0.6)	(0.6)
	30.0	3.9	33.9
Accumulated depreciation			
At 1.7.1997	–	0.8	0.8
Charge for the year	–	0.1	0.1
Written back on disposals	–	(0.3)	(0.3)
	–	0.6	0.6
Net book value			
At 30.6.1998	30.0	3.3	33.3
At 30.6.1997	40.0	3.7	43.7

Cost or valuation of properties at 30 June 1998 was made up as follows:

	At cost	At 1998 professional valuation
	HK\$m	HK\$m
Group		
Investment properties		
Hong Kong long lease	–	17,776.0
Hong Kong medium lease	–	490.0
Overseas medium lease	–	845.2
	–	19,111.2
Hotel properties		
Hong Kong long lease	–	9,619.0
Land and buildings		
Hong Kong long lease	160.7	–
Hong Kong medium lease	659.2	–
Overseas medium lease	745.5	–
Overseas long lease	47.0	–
	1,612.4	–
	1,612.4	28,730.2

10. FIXED ASSETS (Continued)

Company	At cost HK\$m	At 1998 professional valuation HK\$m
Investment properties		
Hong Kong long lease	–	30.0
Land and buildings		
Hong Kong long lease	3.9	–
	3.9	30.0

The investment properties and hotel properties were revalued on 30 June 1998 on an open market value basis by Chesterton Petty Limited and Vigers Hong Kong Limited, independent professional property valuers.

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\$12,436.2 million (1997: HK\$16,953.5 million).

The net book value of fixed assets includes assets held under finance leases amounting to HK\$8.0 million (1997: HK\$1.5 million).

11. SUBSIDIARY COMPANIES

	1998 HK\$m	1997 HK\$m
Unlisted shares		
At cost	3,918.3	3,453.4
Provision for permanent diminution in value	(605.1)	(432.1)
	3,313.2	3,021.3
At Directors' valuation in 1972	72.0	72.0
	3,385.2	3,093.3
Amounts due by subsidiary companies less provision	40,596.9	36,518.9
	43,982.1	39,612.2
Amounts due to subsidiary companies	(15,848.4)	(13,287.4)
	28,133.7	26,324.8

Details of principal subsidiary companies are given in Note 27.

12. ASSOCIATED COMPANIES

	Group		Company	
	1998 HK\$m	1997 HK\$m	1998 HK\$m	1997 HK\$m
Group's share of net assets				
Listed shares in Hong Kong	1,672.3	–	–	–
Unlisted shares (Note a)	4,610.1	4,204.0	35.8	50.3
	6,282.4	4,204.0	35.8	50.3
Amounts due by associated companies				
Current accounts less provision	8,060.2	6,659.4	86.4	116.1
Subordinated loans (Note a)	196.9	196.9	–	–
	8,257.1	6,856.3	86.4	116.1
Amounts due to associated companies	(292.8)	(212.4)	(21.2)	(83.8)
	7,964.3	6,643.9	65.2	32.3
	14,246.7	10,847.9	101.0	82.6
Market value of listed shares	1,587.7	–	–	–

- (a) Shares and advances in the form of subordinated loans, totalling HK\$443.7 million (1997: HK\$443.7 million) have been pledged as part of the security for credit facilities of HK\$1,750.0 million (1997: HK\$1,750.0 million) granted to an associated company of which HK\$1,555.0 million (1997: HK\$1,750.0 million) had been utilised as at the balance sheet date.
- (b) Dividends received and receivable by the Group from associated companies were HK\$448.6 million (1997: HK\$2,040.7 million).
- (c) Details of principal associated companies are given in [Note 28](#).

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

	Group		Company	
	1998	1997	1998	1997
	HK\$m	HK\$m	HK\$m	HK\$m
Equity joint ventures				
Group's share of net assets (Note a)	1,149.3	1,203.5	244.1	230.9
Amounts due by joint ventures less provision	332.8	824.9	–	219.1
	1,482.1	2,028.4	244.1	450.0
Co-operative joint ventures				
Cost of investment less provision (Note b)	4,137.8	3,505.7	153.4	616.1
Share of undistributed post-acquisition results	413.6	299.7	–	–
Amounts due by joint ventures less provision	9,944.5	7,921.1	–	158.2
	14,495.9	11,726.5	153.4	774.3
Fixed return joint ventures				
Capital and loan contribution, at cost	755.9	477.2	–	–
Amounts due by joint ventures	57.5	–	–	–
	813.4	477.2	–	–
Deposits paid for joint ventures (Note c)	1,595.3	1,728.4	10.5	–
	18,386.7	15,960.5	408.0	1,224.3

- (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 (1997: 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 (1997: HK\$1,062.9 million) granted to subsidiary companies.
- (c) The balances represent advances paid in respect of proposed joint ventures for which the joint venture companies have not yet been established as at the year end 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 29.

14. OTHER INVESTMENTS

	Group		Company	
	1998	1997	1998	1997
	HK\$m	HK\$m	HK\$m	HK\$m
Unlisted shares, at cost less provision	334.6	100.3	47.9	44.0
Listed shares, at cost less provision				
Hong Kong	2,280.1	2,810.4	46.0	90.0
Overseas	65.9	25.1	–	–
	2,346.0	2,835.5	46.0	90.0
Investments in joint ventures				
At cost less provision	1,559.6	1,487.3	17.1	10.6
Advances to joint ventures	253.4	281.4	–	–
	1,813.0	1,768.7	17.1	10.6
	4,493.6	4,704.5	111.0	144.6
Market value of listed shares	1,998.3	3,638.9	46.0	85.0

15. LONG TERM RECEIVABLES

	Group		Company	
	1998	1997	1998	1997
	HK\$m	HK\$m	HK\$m	HK\$m
Accounts receivable	387.0	203.6	–	–
Other loans	409.5	189.3	–	–
	796.5	392.9	–	–
Amounts receivable within one year included in current assets (Note 16)	(103.9)	(26.2)	–	–
	692.6	366.7	–	–

16. NET CURRENT ASSETS/(LIABILITIES)

	Group		Company	
	1998	1997	1998	1997
	HK\$m	HK\$m	HK\$m	HK\$m
Current assets				
Construction in progress (Note a)	(579.8)	(14.7)	–	–
Properties held for sale (Note b)	20,309.0	18,859.9	356.0	492.3
Stocks	313.7	373.9	–	–
Current portion of long term receivables (Note 15)	103.9	26.2	–	–
Other loans receivable	196.7	322.9	3.0	3.0
Debtors and prepayments	5,661.7	7,563.7	807.4	750.2
Cash and bank balances				
Restricted (Note c)	15.0	221.8	–	–
Unrestricted	2,519.8	3,140.7	3.8	9.9
	28,540.0	30,494.4	1,170.2	1,255.4
Current liabilities				
Creditors and accrued charges	9,475.0	8,335.4	576.4	762.6
Deposits received on sale of properties	–	643.8	–	–
Bills payable	3.6	13.2	–	–
Bank loans and overdrafts				
Secured	40.9	52.3	–	–
Unsecured	2,425.7	2,819.2	4.7	91.5
Other unsecured loans	229.3	306.8	5.7	7.4
Current portion of long term liabilities (Note 19)	1,325.5	3,250.5	–	–
Taxation	1,122.5	1,269.0	0.8	24.0
Proposed dividend	635.2	1,684.0	635.2	1,684.0
	15,257.7	18,374.2	1,222.8	2,569.5
	13,282.3	12,120.2	(52.6)	(1,314.1)

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

	Group		Company	
	1998	1997	1998	1997
	HK\$m	HK\$m	HK\$m	HK\$m
(a) Construction in progress				
At cost	7,311.6	4,712.6	–	–
Provision for anticipated losses	(26.4)	(14.5)	–	–
Progress payments received and receivable	(7,865.0)	(4,712.8)	–	–
	(579.8)	(14.7)	–	–
(b) Properties held for sale				
Properties under development, at cost less provision	12,626.2	9,745.2	–	–
Completed properties, at cost	752.3	65.3	–	–
Joint development projects, at cost less provision	6,930.5	9,049.4	356.0	492.3
	20,309.0	18,859.9	356.0	492.3
(c) Restricted bank balances				

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

17. SHARE CAPITAL

	1998	1997
	HK\$m	HK\$m
Authorised:		
Shares of HK\$1 each		
Balance at 1 July	2,100.0	2,100.0
Increase (Note a)	400.0	–
	<hr/>	<hr/>
Balance at 30 June	2,500.0	2,100.0
	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid:		
Shares of HK\$1 each		
Balance at 1 July	1,909.0	1,761.0
Conversion of bonds (Note b)	4.6	49.5
Issued as scrip dividends (Note c)	71.3	23.5
Placement of shares (Note d)	–	75.0
	<hr/>	<hr/>
Balance at 30 June	1,984.9	1,909.0
	<hr/> <hr/>	<hr/> <hr/>

(a) Increase in authorised capital

By an ordinary resolution passed on 22 December 1997, the authorised share capital of the Company was increased from HK\$2,100.0 million to HK\$2,500.0 million by the creation of 400 million shares of HK\$1 each.

(b) Conversion of bonds

During the year, 4,638,788 new shares were issued upon conversion of bonds issued by a subsidiary company at the conversion price of HK\$35.15 per share.

(c) Issued as scrip dividends

During the year, 52,238,704 and 19,023,949 new shares were issued at HK\$18.7016 and HK\$17.751 per share for the settlement of 1997 final scrip dividend and 1998 interim scrip dividend respectively.

(d) Placement of shares

In 1997, 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.

18. RESERVES

	Group					
	Share	Asset	Capital	General	Retained	Total
	premium	revaluation	reserve	reserve	profits	Total
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Balance as at 1.7.1997	14,590.5	31,969.5	–	141.0	15,699.9	62,400.9
Conversion of bonds	158.5	–	–	–	–	158.5
Scrip dividends	1,243.3	–	–	–	–	1,243.3
Share issue expenses	(4.7)	–	–	–	–	(4.7)
Asset revaluation deficit for the year	–	(10,586.6)	–	–	–	(10,586.6)
Share of revaluation deficit of associated companies	–	(375.5)	–	–	–	(375.5)
Written back on disposal	–	(129.6)	–	–	–	(129.6)
Goodwill on acquisition of subsidiary companies	–	–	(75.9)	–	–	(75.9)
Goodwill on acquisition of additional interest in a subsidiary company	–	–	(69.4)	–	–	(69.4)
Write back of goodwill upon disposal of subsidiary companies	–	–	0.1	–	–	0.1
Goodwill arising from reclassification of an investee company to an associated company	–	–	(217.2)	–	–	(217.2)
Goodwill on acquisition of associated companies	–	–	(273.5)	–	–	(273.5)
Retained profit for the year	–	–	–	–	878.6	878.6
Transfer to retained profits	–	–	635.9	–	(635.9)	–
Transfer to general reserve	–	–	–	7.3	(7.3)	–
Translation difference	–	–	–	0.2	(122.0)	(121.8)
Balance as at 30.6.1998	15,987.6	20,877.8	–	148.5	15,813.3	52,827.2
Retained by:						
Company and subsidiary companies	15,987.6	20,159.4	–	148.5	15,689.4	51,984.9
Associated companies and joint ventures	–	718.4	–	–	123.9	842.3
	15,987.6	20,877.8	–	148.5	15,813.3	52,827.2

18. RESERVES (Continued)

	Company			
	Asset			Total
	Share premium	revaluation reserve	Retained profits	
	HK\$m	HK\$m	HK\$m	HK\$m
Balance as at 1.7.1997	14,590.5	38.5	9,967.9	24,596.9
Conversion of bonds	158.5	–	–	158.5
Scrip dividends	1,243.3	–	–	1,243.3
Share issue expenses	(4.7)	–	–	(4.7)
Asset revaluation deficit for the year	–	(10.0)	–	(10.0)
Retained profit for the year	–	–	765.5	765.5
Balance as at 30.6.1998	15,987.6	28.5	10,733.4	26,749.5

Distributable reserves of the Company at 30 June 1998 amounted to HK\$10,733.4 million (1997: HK\$9,967.9 million).

19. LONG TERM LIABILITIES

	Group		Company	
	1998	1997	1998	1997
	HK\$m	HK\$m	HK\$m	HK\$m
Bank loans				
Secured	6,099.9	7,209.9	–	–
Unsecured	10,376.9	4,637.3	–	–
Other secured loans wholly payable within five years	250.0	250.0	–	–
Other unsecured loans wholly payable within five years	49.5	54.2	–	–
Obligations under finance leases wholly payable within five years	5.3	0.7	–	–
	16,781.6	12,152.1	–	–
Convertible bonds (Note a)	6,782.8	5,221.9	–	–
Debentures (Note b)	329.2	321.0	–	–
Loans from minority shareholders (Note c)	2,392.3	1,461.1	–	–
	26,285.9	19,156.1	–	–
Amounts repayable within one year included in current liabilities (Note 16)	(1,325.5)	(3,250.5)	–	–
	24,960.4	15,905.6	–	–

	Group					Total
	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	HK\$m
The maturity of long term borrowings is as follows:						
Of less than one year	1,172.2	151.1	–	0.5	1.7	1,325.5
Of more than one year, but not exceeding two years	2,366.6	2,676.0	–	–	1.7	5,044.3
Of more than two years, but not exceeding five years	2,482.0	2,283.8	250.0	49.0	1.9	5,066.7
Of more than five years	79.1	5,266.0	–	–	–	5,345.1
	6,099.9	10,376.9	250.0	49.5	5.3	16,781.6

19. LONG TERM LIABILITIES (Continued)

	Group	
	1998	1997
	HK\$m	HK\$m
(a) Convertible bonds		
Bonds to be converted into shares of:		
The Company (Note (i))	419.3	583.9
Subsidiary companies (Note (ii), (iii) and (iv))	6,363.5	4,638.0
	6,782.8	5,221.9

(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. As at the balance sheet date, US\$246.25 million of the said bonds had been converted.

(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.

During the year, NWI repurchased bonds with an aggregate principal amount of US\$13.5 million for a total consideration of HK\$82.0 million and these bonds were then cancelled. The surplus arising from the repurchase and the subsequent cancellation of the bonds, amounting to HK\$22.3 million, has been accounted for as part of the exceptional items in the profit and loss account.

(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.

(iv) In March 1998, NWI issued US\$250 million convertible bonds which bear interest at 1% per annum payable semi-annually in arrears. 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\$23.05 per share, subject to adjustment, at any time until 1 April 2003. Subject to certain conditions being met, the bonds are redeemable at the option of NWI at any time on or after 15 April 2001, in whole or in part, in cash and/or for NWI shares. Unless previously converted, redeemed or repurchased the bonds will be redeemed at 143.4% of their principal amount together with accrued interest on 15 April 2003. Provision for the premium payable has been made in the accounts so as to provide a constant periodic rate of charge to the profit and loss account over the term of the bonds.

During the year, NWI repurchased bonds with an aggregate principal amount of US\$14.5 million for a total consideration of HK\$84.6 million and these bonds were then cancelled. The surplus arising from the repurchase and the subsequent cancellation of the bonds, amounting to HK\$27.5 million, has been accounted for as part of the exceptional items in the profit and loss account.

19. LONG TERM LIABILITIES (Continued)

(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\$805.5 million (1997: HK\$537.4 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 fixed rates ranging from 10% to 13% 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.

20. DEFERRED TAXATION

	Group	
	1998	1997
	HK\$m	HK\$m
Balance at 1 July	3.6	3.0
Transfer from profit and loss account (Note 5)	14.0	0.6
Disposal of subsidiary companies	(0.6)	–
	17.0	3.6
The amount provided is in respect of:		
Accelerated depreciation allowances	16.2	3.6
Other timing differences	0.8	–
	17.0	3.6

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.

21. PENSIONS AND RETIREMENT BENEFITS

During the year, the Group operates a number of pension and retirement schemes. The majority of the schemes are defined contribution schemes which are mainly operated in Hong Kong and cover approximately 90% of the Group's employees who are entitled to join such schemes. The remaining are a few defined benefit schemes mainly for executive officers. The total amount charged to the profit and loss account in respect of all the Group's pension and retirement schemes was HK\$51.5 million (1997: HK\$52.5 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\$46.8 million (1997: HK\$46.0 million) after netting off forfeited contribution of HK\$7.1 million (1997: HK\$8.1 million).

22. COMMITMENTS

	Group		Company	
	1998	1997	1998	1997
	HK\$m	HK\$m	HK\$m	HK\$m
(a) Capital commitments				
(i) Contracted but not provided for				
Fixed assets	2,796.6	1,375.8	–	–
Investments in joint ventures	6,276.3	3,598.0	565.1	1,546.4
	9,072.9	4,973.8	565.1	1,546.4
(ii) Authorised but not contracted for				
Fixed assets	571.1	9.5	–	–
Investments in joint ventures	592.6	1,815.0	–	–
	1,163.7	1,824.5	–	–

	Group	
	1998	1997
	HK\$m	HK\$m
(b) Commitments under operating leases payable in 1998/99 expiring:		
Land and buildings		
In the first year	52.6	30.7
In the second to fifth years inclusive	114.1	184.5
After the fifth year	31.6	22.1
	198.3	237.3

23. CONTINGENT LIABILITIES

	Group		Company	
	1998	1997	1998	1997
	HK\$m	HK\$m	HK\$m	HK\$m
Guarantees for the performance and completion of construction contracts and performance bonds	1,438.0	1,226.5	266.2	237.5
Guarantees for credit facilities granted to:				
Subsidiary companies	–	–	27,976.0	24,519.8
Associated companies	3,525.4	3,814.7	2,640.7	2,860.6
Investee companies included under other investments	36.4	23.7	28.6	23.7
Joint ventures in the People's Republic of China	1,906.1	2,128.5	1,468.4	1,648.9
	6,905.9	7,193.4	32,379.9	29,290.5

24. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	Year ended 30 June	
	1998	1997
	HK\$m	HK\$m
Operating profit	4,147.2	4,303.8
Depreciation	401.2	556.2
(Profit)/loss on disposal of		
Fixed assets, including investment properties	(178.3)	34.1
Joint ventures in the People's Republic of China	(61.1)	(64.1)
Other investments	(49.5)	–
Subsidiary companies	8.0	–
Provision against other investments	–	180.0
Amortisation of		
Deferred expenditure	56.6	26.0
Intangible assets	–	38.5
Licence agreement	–	12.3
Write off issuing expenses of bonds	48.7	76.8
Exchange loss	44.2	19.1
Decrease/(increase) in stocks	60.2	(106.6)
Decrease in construction in progress	565.1	191.5
Increase in properties held for sale	(2,159.2)	(10.8)
Decrease/(increase) in debtors and prepayments	1,808.7	(1,781.9)
Decrease/(increase) in other loans receivable	174.3	(65.3)
Increase in creditors and accrued charges	1,210.3	966.8
Decrease in deposits received on sale of properties	(643.8)	(664.4)
Net interest expenses and dividend income	660.6	596.3
	6,093.2	4,308.3

	1998
	HK\$m
(b) Acquisition of subsidiary companies	
Net assets acquired	
Associated companies	228.8
Debtors and prepayments	3.7
Creditors and accrued charges	(5.5)
Minority interests	(45.7)
Goodwill on consolidation	75.9
	257.2
Share of net assets in associated companies originally held by the Group	(95.1)
	162.1
Satisfied by cash	162.1

24. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

	1998 HK\$m
(c) Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiary companies	
Cash consideration	<u><u>162.1</u></u>
(d) Disposal of subsidiary companies	
Net assets disposed	
Fixed assets	2.0
Associated companies	1.9
Debtors and prepayments	92.9
Deferred taxation	(0.6)
Other receivable	4.1
Cash and bank balances	35.2
Creditors and accrued charges	(109.1)
Taxation	0.1
Bank loans and overdrafts	(6.5)
Goodwill	0.1
Minority interests	<u>(0.1)</u>
	20.0
Loss on disposal of subsidiary companies	<u>(8.0)</u>
	<u><u>12.0</u></u>
Cash consideration	<u><u>12.0</u></u>
(e) Analysis of net outflow of cash and cash equivalents in respect of the disposal of subsidiary companies	
Cash consideration	12.0
Cash and bank balances disposed	(35.2)
Bank overdrafts discharged	<u>6.5</u>
	<u><u>(16.7)</u></u>

24. 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 1.7.1997	16,499.5	19,156.1	306.8	10,062.2	46,024.6
Net cash (outflow)/inflow					
from financing	(4.7)	7,285.5	(77.5)	242.7	7,446.0
Scrip dividends issued	1,314.6	–	–	–	1,314.6
Redemption of convertible bonds	163.1	(163.1)	–	–	–
Profit on repurchase of convertible bonds	–	(49.8)	–	–	(49.8)
Issuing expenses on convertible bonds	–	48.7	–	–	48.7
Acquisition of additional interest in a subsidiary company	–	(41.3)	–	(65.4)	(106.7)
Acquisition of subsidiary companies	–	–	–	45.7	45.7
Disposal of subsidiary companies	–	–	–	(0.1)	(0.1)
Inception of finance leases	–	7.2	–	–	7.2
Minority interests' share of net profit and revaluation deficit	–	–	–	(760.7)	(760.7)
Dividends to minority shareholders	–	–	–	(318.0)	(318.0)
Translation difference	–	42.6	–	(126.8)	(84.2)
Balance at 30.6.1998	17,972.5	26,285.9	229.3	9,079.6	53,567.3

(g) Analysis of cash and cash equivalents

	1998 HK\$m	1997 HK\$m
Cash and bank balances	2,320.8	3,362.5
Bank loans and overdrafts	(2,466.6)	(2,871.5)
Bills payable	(3.6)	(13.2)
	(149.4)	477.8

25. COMPARATIVE FIGURES

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

26. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 26 October 1998.

27. PRINCIPAL SUBSIDIARY COMPANIES

As at 30 June 1998

	Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
Incorporated and operated in Hong Kong					
Arlaken Development Limited	40	100	100	100	Investment Holding
Atlantic Land Properties Limited	2	1	100	100	Investment Holding
Billionoble 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
Cheong Sing Company Limited	10,000	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	
Far East Engineering Services Limited	766,714	10	–	74	Engineering Services and Trading
	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
Hip Hing Construction Company Limited	400,000	100	–	74	Construction and Civil Engineering
	600,000*	100	–	59	

27. PRINCIPAL SUBSIDIARY COMPANIES (Continued)
As at 30 June 1998

	Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
Incorporate and operated in Hong Kong (Continued)					
Hong Bridge Trading Company Limited	24,002	10	–	74	Trading of Electrical Equipment
Hong Kong Convention and Exhibition Centre (Management) Limited	26,000*	10	–	87	
Hong Kong Island Development Limited	3	1	–	74	Management of HKCEC
Hong Kong Island Landscape Company Limited	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	Landscaping and Project Contracting
Honour Shares Limited	20,000*	10	–	100	
Hoover Chain Limited	100	1	–	100	Investment Holding
Hoover Chain Limited	5,000,000	10	–	74	Laundry Services
International Property Management Limited	100,000	10	–	71	Property Management
International Property Management Limited	95,500*	10	–	58	
Island Sauna Company Limited	10,000	1	–	100	Sauna and Fitness Centre
Joint Profit Limited	2	1	100	100	Property Investment
Keen Sales Limited	2	1	–	57	
Keen Sales Limited	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	
Kiu Lok Service Management Company Limited	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
Loyalton Limited					Hostel Management and Operation
Macdonnell Hostel Company Limited	2	1	100	100	
Mark Chain Limited	2	1	100	100	Investment Holding
Mega Choice Holdings Limited	100	1	80	80	Property Investment
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	
New China Steam Laundry Company Limited	704,000*	1	–	51	Laundry Services
New World Department Stores Limited					Management Services to Department Stores
New World Department Stores Limited	2	1	–	100	
New World Development (China) Limited	2	1	–	100	
New World Development (China) Limited	2*	1	–	100	Investment Holding
New World Finance Company Limited	200,000	100	100	100	Financial Services
New World Harbourview Hotel Company Limited					
New World Harbourview Hotel Company Limited	1,000	1	–	64	Hotel Operation
New World Hotel Company Limited	40,000,000	1	–	64	Hotel Operation

27. PRINCIPAL SUBSIDIARY COMPANIES (Continued)

As at 30 June 1998

	Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
Incorporate and operated in Hong Kong (Continued)					
New World Hotels (Holdings) Limited	576,000,000	0.25	–	64	Investment Holding
New World Investments Limited	2	1	100	100	Property Investment
New World Nominee Limited	2	100	100	100	Nominee Services
New World Paging Limited	15,000,000	1	–	80	Paging Services
					Mobile Telecom-
New World PCS Limited	100	1	–	80	munication 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	
	14,420*	100	–	28	Cleaning Services
Pollution & Protection Services Limited	2	1	–	74	
	500,020*	1	–	28	Cleaning Services
Polytown Company Limited	2	10	–	74	
	100,000*	10	–	100	Property Investment
Pontiff Company Limited	10,000,000	1	–	100	Property Investment
Pridemax Limited	2	1	–	100	Property Investment
Ready City Limited	200	1	–	57	Investment Holding
Tai Yieh Construction & Engineering Company Limited	2	1,000	–	74	Construction and Civil Engineering
	10,000*	1,000	–	49	
Tao Yun Company Limited	2	10	–	100	Property Trading
The Dynasty Club Limited	2	1	100	100	Club Operation
					Proprietary
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/
	15,600,000*	1	–	87	Instrument Sales
Try Force Limited	4,998	1	–	57	
	2*	1	–	100	Investment Holding
Tsuen Wan Properties Limited	200	100	–	100	Property Investment
Uniformity Security Company Limited	2	100	–	74	Services Security
Urban Property Management Limited	10,500	1	–	74	Property Management
Vibro (HK) Limited	6,666,668	3	–	72	Piling and Caisson
Waking Builders Limited	10,000	1,000	–	74	Construction
Waygent Investment Limited	2	1	100	100	Property Investment
World Empire Property Limited	2	1	100	100	Property Investment

27. PRINCIPAL SUBSIDIARY COMPANIES (Continued)
As at 30 June 1998

	Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number	Par value per share	By the Company	By the Group	
Incorporated and operated in Jersey					
Bianchi Holdings Limited	1,000	US\$1	100	100	Investment Holding
Incorporated and operated in Canada					
Guildford Park Enterprises Limited	100	C\$1	–	58	Property Trading
Incorporated in Cayman Islands and operated in Hong Kong					
NW China Homeowner Development Limited					
	5,222,762	US\$0.01	–	57	Investment Holding
New World China Finance Limited	3	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	Investment Holding
Incorporated and operated in the Philippines					
New World International Development Philippines, Inc.					
	6,988,016	Peso 100	–	26	Hotel Operation
#	Represented ordinary share capital, unless otherwise stated				
*	Non-voting deferred shares				

	Registered capital/ issued share capital		Attributable interest (Notes)		Principal activities
	Number/ Amount	Par value per share	To the Company	To the Group	
Incorporated and operated in the People's Republic of China					
Dalian New World Plaza International Co., Ltd.					
	Rmb58,000,000	–	–	81	Property Investment
Gaoming Xinming Bridge Ltd.					
	Rmb60,000,000	–	–	46	Operation of Toll Bridge
Guangdong Xinzhaogao Highways Co., Ltd.					
	Rmb80,000,000	–	–	40	Operation of Toll Road
Guangxi Beiliu Xinbei Highways Limited					
	Rmb99,200,000	–	–	34	Operation of Toll Road
Guangxi Cangwu Xincang Highways Limited					
	Rmb64,000,000	–	–	40	Operation of Toll Road
Guangxi Rongxian Xinrong Highways Limited					
	Rmb82,400,000	–	–	40	Operation of Toll Road
Guangxi Yulin Xintong Highways Limited					
	Rmb64,000,000	–	–	34	Operation of Toll Road
Guangxi Yulin Xinye Highways Limited					
	Rmb63,800,000	–	–	34	Operation of Toll Road
Guangxi Yulin Xinyu Highways Limited					
	Rmb96,000,000	–	–	34	Operation of Toll Road

27. PRINCIPAL SUBSIDIARY COMPANIES (Continued)

As at 30 June 1998

	Registered capital/ issued share capital		Attributable interest (Notes)		Principal activities
	Number/ Amount	Par value per share	To the Company	To the Group	
Incorporated and operated in the People's Republic of China (Continued)					
Guangzhou Metropolitan Properties Co., Ltd.	HK\$140,000,000	–	100	100	Property Investment
Guangzhou New World Properties Development Co., Ltd.	HK\$140,000,000	–	100	100	Property Investment
Guangzhou Xinsui Tourism Centre Limited	HK\$100,000,000	–	–	80	Operation of Resort and Recreation Centre
Heyuan Xinlian Highway Company Limited	Rmb62,200,000	–	–	29	Operation of Toll Road
Nanjing Huawei Real Estate Development Co., Ltd.	US\$12,000,000	–	–	48	Property Investment
New World Anderson (Tianjin) Development Co., Ltd.	US\$10,000,000	–	–	51	Property Investment
New World Development (Wuhan) Limited	US\$10,000,000	–	–	100	Management Service
New World (Shenyang) Property Development Limited	Rmb57,840,000	–	–	90	Property Investment
New World (Shenyang) Property Development No. 2 Limited	Rmb57,840,000	–	–	90	Property Investment
New World (Shenyang) Property Development No. 3 Limited	Rmb57,840,000	–	–	90	Property Investment
New World (Shenyang) Property Development No. 4 Limited	Rmb57,840,000	–	–	90	Property Investment
New World (Shenyang) Property Development No. 5 Limited	Rmb57,840,000	–	–	90	Property Investment
New World (Shenyang) Property Development No. 6 Limited	Rmb33,200,000	–	–	90	Property Investment
New World (Tianjin) Development Co., Limited	US\$5,000,000	–	100	100	Property Investment
Ningbo New World Department Store Limited	Rmb40,000,000	–	–	97	Department Store Operation
Ningbo Firm Success Consulting Development Company Limited	US\$5,000,000	–	–	100	Investment Holding
Qingdao Eastern Light Entertainment Co., Limited	HK\$30,000,000	–	–	51	Hotel Operation
Shanghai Heyu Properties Co., Ltd.	US\$12,000,000	–	–	64	Property Investment

27. PRINCIPAL SUBSIDIARY COMPANIES (Continued)
As at 30 June 1998

	Registered capital/ issued share capital		Attributable interest (Notes)		Principal activities
	Number/ Amount	Par value per share	To the Company	To the Group	
Incorporated and operated in the People's Republic of China (Continued)					
Shanghai Juyi Real Estate Development Co., Ltd.	Rmb100,000,000	–	–	76	Property Investment
Shanghai Ramada Plaza Co., Ltd	US\$17,000,000	–	–	57	Property Investment
Shenyang New World Department Store Limited	Rmb30,000,000	–	–	90	Department Store Operation
Shenyang New World Lumingchun Building Co., Limited	Rmb68,000,000	–	–	40	Hotel Operation
Tianjin New World Department Store Limited	US\$5,000,000	–	–	100	Department Store Operation
Wuhan Bridge Construction Co., Limited	502,850,000	Rmb1.0	–	28	Operation of Toll Bridges
Wuxi New World Department Store Limited	US\$5,000,000	–	–	100	Department Store Operation
Wuzhou Xinwu Highways Co., Limited	Rmb72,000,000	–	–	26	Operation of Toll Road
Yunfu Xinxing Highways Limited	Rmb30,000,000	–	–	31	Operation of Toll Road
Zhaoqing Xinde Highways Co., Ltd.	Rmb165,867,000	–	–	26	Operation of Toll Road
Zhaoqing Xinfeng Highways Co., Ltd.	Rmb94,000,000	–	–	26	Operation of Toll Road
Zhaoqing Xingao Highways Co., Ltd.	Rmb54,000,000	–	–	23	Operation of Toll Road
Zhaoqing Xinhui Highways Co., Ltd.	Rmb103,500,000	–	–	28	Operation of Toll Road
Zhaoqing Xinning Highways Co., Ltd.	Rmb90,000,000	–	–	31	Operation of Toll Road

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.

27. PRINCIPAL SUBSIDIARY COMPANIES (Continued)

As at 30 June 1998

	Ordinary share capital issued		Percentage of equity shares held		Principal activities
	Number	Par value per share	By the Company	By the Group	
Incorporated in the British Virgin Islands					
Eddington Holdings Limited	100	US\$1	–	82	Investment Holding
Lotsgain Limited (formerly 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 First Bus Services Limited	10,000,000	HK\$1	–	55	Bus Services
New World First Bus Holdings Limited	10,000,000	HK\$1	–	55	Investment Holding
New World Hotels (Corporation) Limited	1	US\$1	–	64	Investment Holding
New World Industrial Holdings Limited	1	US\$1	100	100	Investment Holding
Rich Funds Limited	1	US\$1	–	100	Investment Holding
Sea Walker Limited	1	US\$1	100	100	Investment Holding
Young's Engineering Holdings Limited	2,500,000	US\$1	–	74	Investment Holding

28. PRINCIPAL ASSOCIATED COMPANIES
As at 30 June 1998

	Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
Incorporated and operated in Hong Kong					
Asia 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
Estoree Limited	500'A'	10	–	–	
	500'B'	10	–	50	
	9,000'C' ***	10	–	–	Property Investment
Ever Light Limited	1,000	1	40	40	Property Investment
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	100	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	–	19	Terminal
Sheeniy Enterprises Limited	10,000	1	–	50	Property Investment
Shun Tak Centre Limited	1,000	100	–	29	Property Investment
					Duty-Free, Liquor and
Sky Connection Limited	100	1	–	48	Tobacco Sales
Super Lion Enterprises Limited	2	1	50	50	Property Investment
Tate's Cairn Tunnel Company Limited	1,100,000	0.01	–	16	Operation of Toll
	600,000,000 *	1	–	28	Tunnel
Yargoony 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.

28. PRINCIPAL ASSOCIATED COMPANIES (Continued)**As at 30 June 1998**

	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	Baht 10	–	29	Golf Club Investment
Ploenchit Arcade Company Limited	20,000	Baht 10,000	–	13	Hotel Investment
Incorporated and operated in Malaysia					
Great Union Properties Sdn. Bhd.	110,000,000	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
Incorporated and operated in the People's Republic of China					
Beijing Datang Power Generation Company Limited	5,162,849,000	Rmb 1	–	5	Generation and Supply of Electricity
Sichuan Expressway Company Limited	2,558,060,000	Rmb 1	–	6	Management and Operation of Toll Road
Incorporated in Hong Kong and operated in Macau					
Sino-French Holdings (Hong Kong) Limited	1,086,280 'A'	HK\$100	–	–	Operation of Water and Electricity Plants
	2,089,000 'B'	HK\$100	–	28	
	1,002,720 'C'	HK\$100	–	–	
Incorporated in Bermuda and operated in the People's Republic of China					
Pacific Ports Company Limited	819,462,000	HK\$0.10	–	21	Management and Operation of Terminals
Incorporated and operated in Singapore					
Kastille Pte. Limited	100,000	S\$1	–	49	Investment Holding

29. PRINCIPAL JOINT VENTURE COMPANIES
As at 30 June 1998

	Registered capital	Attributable Interest (Notes)		Principal activities
		To the Company	To the Group	
Incorporated and operated in the People's Republic of China				
<i>Equity Joint Ventures</i>				
Beijing Niceline Real Estates Development Co., Limited	US\$8,000,000	–	30	Property Investment
Guangzhou Guang-Xin Industrial Development Co., Limited	US\$20,000,000	45	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
New World Gaohong Investment & Development Industry Co. Ltd.	US\$6,500,000	–	65	Property Investment
Qing Yuan New World Xin Tai Cement Co., Limited	Rmb50,000,000	–	29	Operation of Cement Plant
Sea-Land Orient (Tianjin) Container Terminals Co., Limited	US\$29,200,000	–	14	Operation of Container Terminal
Shandong Jianshe Best Wide Cement Co. Ltd	US\$29,950,000	–	25	Operation of Cement Plant
Shandong Zhangdian Best Wide Cement Co. Ltd	US\$22,645,800	–	25	Operation of Cement Plant
Shandong Zibo Best Wide Cement Co. Ltd	US\$19,526,000	–	25	Operation of Cement Plant
Shanghai Trio Property Development Co., Limited	US\$75,000,000	–	36	Bus Depot Redevelopment
Shunde Xinshungi Real Estate Co., Ltd.	HK\$46,800,000	–	33	Property Investment
Shunde Dexing Real Estate Developing Co., Ltd.	US\$12,000,000	–	30	Property Investment
Wuhan New Eagle Development Co., Limited	US\$10,000,000	–	70	Property Investment
Wuhan New World Refrigeration Industrial Corporation Limited	Rmb60,000,000	–	40	Refrigeration Equipment Manufacturing
Wuhan Wuxin Industrial Co., Limited	US\$10,000,000	50	50	Investment Holding
Yantai Baoqiao Best Wide Cement Co. Ltd	US\$16,470,000	–	25	Operation of Cement Plant
Yantai Jinhe Cement Co. Ltd	US\$17,940,000	–	25	Operation of Cement Plant

29. PRINCIPAL JOINT VENTURE COMPANIES (Continued)

As at 30 June 1998

	Registered capital	Attributable Interest (Notes)		Principal activities
		To the Company	To the Group	
Incorporated and operated in the People's Republic of China (Continued)				
<i>Co-operative Joint Ventures</i>				
Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) Co., Limited	Rmb580,000,000	–	14	Operation of Toll Road
Beijing Chong Wen-New World Properties Development Co., Limited	US\$62,000,000	–	56	Property Investment
Beijing Chong Yu Real Estate Development Co., Limited	US\$30,000,000	–	60	Property Investment
China New World Electronics Limited	US\$20,000,000	–	55	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	Rmb780,000,000	–	60	Property Investment
Guangzhou Fucheng Property Development Co., Limited	HK\$80,000,000	–	60	Property Investment
Guangzhou New World Bridges Construction Limited	Rmb320,000,000	–	28	Operation of Toll Bridges
Guangzhou Northring Freeway Company Limited	US\$19,255,000	–	37	Operation of Toll Road
Guangzhou Heng Sheng Properties Development Limited	US\$12,000,000	–	34	Development of Government Subsidised Housing Projects in PRC
Guangzhou Jixian Zhuang New World City Garden Development Limited	US\$12,000,000	–	34	Development of Subsidised Housing Projects in PRC
Guangzhou Xinhua Chen Estate Co., Ltd	Rmb103,900,000	–	23-45	Property Investment
Guangzhou Xin Hua Jian Property Development Co., Limited	Rmb200,000,000	–	45-90	Property Investment
Huishen (Yantian) Expressway Huizhou Co., Ltd	Rmb39,000,000	–	19	Operation of Toll Road

29. PRINCIPAL JOINT VENTURE COMPANIES (Continued)
As at 30 June 1998

	Registered capital	Attributable Interest (Notes)		Principal activities
		To the Company	To the Group	
Incorporated and operated in the People's Republic of China (Continued)				
<i>Co-operative Joint Ventures (Continued)</i>				
Huizhou City Hui-Ao Roadway Co. Ltd	Rmb75,000,000	–	28	Operation of Toll Road
Huizhou City Huixin Expressway Co., Ltd	Rmb34,400,000	–	28	Operation of Toll Road
Huizhou New World Development Enterprise Limited	Rmb80,000,000	–	62	Property Investment Development of Government Subsidised Housing
Huizhou New World Housing Development Limited	Rmb80,000,000	–	36	Projects in PRC
Jing Xin Development Co., Limited	Rmb60,000,000	–	60	Property Investment
Qingyuan Golden Hot Spring Tourism & Holiday Resort Co., Limited	US\$4,819,000	–	38	Operation of Resort and Recreation Centre Development of Government Subsidised Housing
Qingyuan New World Housing Development Limited	US\$8,000,000	–	40	Projects in PRC
Qingyuan Qiaoyuan Power Plant Co., Limited	US\$37,500,000	–	39	Generation and Supply of Electricity
Shenzhen Top One Real Estate Development Co., Ltd.	HK\$60,000,000	–	70	Property Investment
Shijiazhuang New World Industry Co., Ltd	Rmb88,000,000	–	55	Property development Development of Government Subsidised Housing
Tianjin New World Housing Development Co., Limited	Rmb80,000,000	–	34	Projects in PRC
Tianjin New World Properties Development Co., Limited	US\$12,000,000	–	70	Land Development
Tianjin Xinlu Expressway Co., Limited	Rmb99,092,000	–	51	Operation of Toll Road
Tianjin Xindi Expressway Co., Limited	Rmb93,688,000	–	51	Operation of Toll Road
Tianjin Xinlong Expressway Co., Limited	Rmb99,400,000	–	51	Operation of Toll Road
Tianjin Xinming Expressway Co., Limited	Rmb85,468,000	–	51	Operation of Toll Road
Tianjin Xinqing Expressway Co., Limited	Rmb99,368,000	–	51	Operation of Toll Road

29. PRINCIPAL JOINT VENTURE COMPANIES (Continued)

As at 30 June 1998

	Registered capital	Attributable Interest (Notes)		Principal activities
		To the Company	To the Group	
Incorporated and operated in the People's Republic of China (Continued)				
<i>Co-operative Joint Ventures (Continued)</i>				
Tianjin Xinquan Expressway Co., Limited	Rmb92,016,000	–	51	Operation of Toll Road
Tianjin Xinsen Expressway Co., Limited	Rmb87,300,000	–	51	Operation of Toll Road
Tianjin Xinshi Expressway Co., Limited	Rmb99,388,000	–	51	Operation of Toll Road
Tianjin Xinsi Expressway Co., Limited	Rmb96,624,000	–	51	Operation of Toll Road
Tianjin Xintong Expressway Co., Limited	Rmb99,448,000	–	51	Operation of Toll Road
Tianjin Xintuo Expressway Co., Limited	Rmb99,316,000	–	51	Operation of Toll Road
Tianjin Xinxiang Expressway Co., Limited	Rmb90,472,000	–	51	Operation of Toll Road
Tianjin Xinyan Expressway Co., Limited	Rmb89,028,000	–	51	Operation of Toll Road
Tianjin Xinzhan Expressway Co., Limited	Rmb89,392,000	–	51	Operation of Toll Road
Wuhan Airport Road Development Limited	Rmb60,000,000	–	23	Operation of Toll Road
				Development of Government Subsidised Housing
Wuhan New World Housing Development Limited	Rmb96,000,000	–	34	Projects in PRC
Wuhan Taibei & New World Hotel Co., Ltd.	US\$14,160,000	–	50	Hotel Redevelopment
Wuhan Xinhua Development Co., Limited	Rmb30,000,000	–	50	Property Investment
Wuhan Wuxin Hotel Co., Ltd.	US\$13,500,000	–	60	Hotel Redevelopment
Wuhan Wuxin Enterprises Co., Limited	Rmb15,000,000	45	45	Land Redevelopment
Wuxi Ramada Hotels Co., Limited	US\$10,040,000	–	26	Hotel Operation
Guangzhou Dongfang King Prosper Properties Development Ltd.	Rmb136,000,000	–	75	Property Investment
<i>Fixed Return Joint Ventures</i>				
Shunde De Sheng Power Plant Co. Ltd	US\$86,230,000	–	34	Generation and Supply of Electricity
Sichuan Qianwei Dali Power Company Limited	US\$30,000,000	–	34	Generation and Supply of Electricity

Notes:

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

GENERAL TERMS

ATL	Asia Terminals Limited
ACT	Asia Container Terminals Limited
ATV	Asia Television Limited
Baht	Thai Baht
Beijing Datang	Beijing Datang Power Generation Company Limited
BVI	British Virgin Islands
CCR	City Core Redevelopment
CEM	Companhia de Electricidade de Macau–CEM, S.A.R.L.
Chinacom	China Communications System Corporation Limited
China Unicom	China United Telecommunications Corporation, a company established under the laws of the PRC
CIC	China Internet Corporation Limited
CMB	China Motor Bus Company Limited
CNN	Cable News Network
Company, New World or NWD	New World Development Company Limited
CT3	Container Terminal 3
CT9	Container Terminal 9
CWW	China Wide Web
E&M	Electrical and Mechanical Engineering
FY	fiscal year, 1 July to 30 June
GDP	gross domestic product
GFA	gross floor area
Group	New World Development Company Limited and its subsidiary companies
GSH	Government Subsidised Housing
Hip Hing	Hip Hing Construction Company Limited
HK	Hong Kong
HKCEC	Hong Kong Convention and Exhibition Centre
HPI	Hotel Property Investments (B.V.I.) Limited
HK\$	Hong Kong dollar(s), the lawful currency of Hong Kong
IDD	International Direct Dialing service which allows customers to dial internationally without the need to connect via an operator
IPML	International Property Management Limited
KCR	Kowloon – Canton Railway
KCRC	Kowloon Canton Railway Corporation
Kiu Lok	Kiu Lok Service Management Limited
Kiu Lok China	Kiu Lok Property Service (China) Limited
LDC	Land Development Corporation
M\$	Malaysian Ringgit
Marriott	Marriott International Inc.

MARSHA	Marriott Automated Reservation System for Hotel Accomodations
MTR	Mass Transit Railway
MTRC	Mass Transit Railway Corporation
n/a	not applicable
NENT	North East New Territories Landfill
NWDS	New World Department Stores Limited
NWFB or New World First Bus	New World First Bus Services Limited
NWI or New World Infrastructure	New World Infrastructure Limited
NWIH	New World Industrial Holdings Limited
NWS or New World Services	New World Services Limited
NWT or New World Telephone	New World Telephone Holdings Limited
P&P	Pollution and Protection Services Limited
Peso	Philippine Peso
PowerPhone	multimedia payphone offered by New World Telephone Limited
PPC	Pacific Ports Company Limited
PRC or Mainland	The People's Republic of China
PSPS	Private Sector Participation Scheme
RHG	Renaissance Hotel Group N.V.
Rmb	the lawful currency of The People's Republic of China
SAAM	Sociedade de Abastecimento de aguas de Macau, SARL
SAR or HKSAR	Special Administrative Region – A status granted to Hong Kong to own an independent governmental and legislative system and to enjoy a degree of autonomy from the PRC Government under the principle of “one country, two systems”
Sea-Land	Sea-Land Service Inc.
Sichuan Express	Sichuan Express Company Limited
S\$	Singapore dollar
Sino-French	Sino-French Holdings (Hong Kong) Limited
Sky Connection	Sky Connection Limited
SLDE	Suez Lyonnaise des Eaux S.A.
SLOT	Sea-Land Orient Terminals Limited
SLOTT	Sea-Land Orient (Tianjin) Container Terminals Co. Limited
SOEs	State-Owned Enterprises
UPML	Urban Property Management Limited
US	United States
US\$	United States dollar(s), the lawful currency of United States (US\$1 = HK\$7.75)

FINANCIAL TERMS

Attributable Operating Profit	attributable profit before exceptional items, interest and other overhead items
Book Debt	the aggregate of bank loans, other loans, overdrafts, convertible bonds, debentures and finance leases
Debt to Equity Ratio	$\frac{\text{Book Debt}}{\text{Shareholders' funds}}$
Earnings Per Share or EPS	$\frac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$
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 Group for the period
HIBOR	Hong Kong interbank offered rate
Interest Coverage	$\frac{\text{Operating profit before interest plus share of results of associated companies and joint ventures}}{\text{Interest expense including capitalised interest}}$
LIBOR	London interbank offered rate

TECHNICAL TERMS

CCA(s)	Comprehensive Co-operation Agreement(s)
CJV	cooperative joint venture
EJV	equity joint venture
e-mail	electronic mail
FTNS	Fixed Telecommunications Network Services
GSM	Global Systems for Mobile, Digital cellular network technology which is widely used in Europe and Asia
Individual Purchase Ratio of Residential Buildings	$\frac{\text{Residential buildings purchased by individuals in real estate development}}{\text{Floor space of residential buildings actually sold in real estate development}}$
JSC	joint stock company
PCo	private company
PCS	Personal Communications Services
WFE	wholly foreign-owned enterprises

MEASUREMENTS

CBM or m ³	cubic metre
km	kilometre(s)
m ³ /day	cubic metre per day
MW	megawatt(s), equal to 1,000kW
sq. ft. or ft. ²	square feet
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
Tonnes	a standard of measurement, equal to 1,000 kilograms

FIVE-YEAR FINANCIAL SUMMARY

	1998 HK\$m	1997 HK\$m	1996 HK\$m	1995 HK\$m	1994 HK\$m
Consolidated balance sheet					
Fixed assets	37,545.1	46,059.7	41,654.4	39,879.0	39,676.3
Associated companies	14,246.7	10,847.9	7,753.5	6,847.7	7,881.6
Joint ventures in the People's Republic of China	18,386.7	15,960.5	11,194.8	7,413.8	5,612.2
Other investments	4,493.6	4,704.5	1,447.8	1,527.6	1,018.7
Licence agreement	–	–	888.0	912.6	937.5
Long term receivables	692.6	366.7	215.0	227.1	542.4
Current assets	28,540.0	30,494.4	32,323.6	22,369.8	19,798.5
	103,904.7	108,433.7	95,477.1	79,177.6	75,467.2
Less: Current liabilities	15,257.7	18,374.2	19,828.5	14,135.7	13,811.1
	88,647.0	90,059.5	75,648.6	65,041.9	61,656.1
Intangible assets	–	–	337.0	833.8	925.4
Deferred expenditure	222.1	221.8	142.3	87.8	16.6
	88,869.1	90,281.3	76,127.9	65,963.5	62,598.1
Share capital	1,984.9	1,909.0	1,761.0	1,674.3	1,593.3
Reserves	52,827.2	62,400.9	49,499.2	45,892.6	46,139.7
Shareholders' funds	54,812.1	64,309.9	51,260.2	47,566.9	47,733.0
Minority interests	9,079.6	10,062.2	8,105.0	4,644.9	3,705.5
Long term liabilities	24,960.4	15,905.6	16,759.7	13,739.5	11,144.3
Deferred taxation	17.0	3.6	3.0	12.2	15.3
	88,869.1	90,281.3	76,127.9	65,963.5	62,598.1
Consolidated profit and loss account					
Turnover	20,389.9	19,975.9	16,715.5	17,456.7	18,590.6
Operating profit	4,147.2	4,303.8	4,119.1	3,616.3	4,968.0
Exceptional items	(1,202.2)	1,316.0	1,148.6	–	–
Profit from ordinary activities	2,945.0	5,619.8	5,267.7	3,616.3	4,968.0
Share of results of associated companies and joint ventures	637.1	2,020.7	359.6	393.8	343.1
Profit before taxation	3,582.1	7,640.5	5,627.3	4,010.1	5,311.1
Taxation	(735.2)	(963.0)	(827.3)	(373.9)	(775.6)
Profit after taxation	2,846.9	6,677.5	4,800.0	3,636.2	4,535.5
Minority interests	(704.0)	(1,365.5)	(642.3)	(225.3)	(239.2)
Profit attributable to shareholders	2,142.9	5,312.0	4,157.7	3,410.9	4,296.3
Dividend per share (cents)					
– interim	32	32	30	28	28
– final	32	88	84	78	78
	64	120	114	106	106

THREE-YEAR FINANCIAL SUMMARY
(EXTRACTS FROM AUDITED FINANCIAL STATEMENTS
OF NEW WORLD INFRASTRUCTURE LIMITED)

Consolidated balance sheet

	1998	1997	1996
	HK\$m	HK\$m	HK\$m
Fixed assets	5,184.6	3,514.2	3,175.5
Associated companies	4,418.8	1,940.7	1,314.4
Joint ventures in the People's Republic of China	6,267.6	4,888.9	3,063.0
Other investments	795.7	1,741.1	–
Current assets	760.9	1,679.9	3,435.5
	17,427.6	13,764.8	10,988.4
Less: Current liabilities	843.9	924.2	601.9
	16,583.7	12,840.6	10,386.5
Deferred expenditure	119.3	93.7	55.9
	16,703.0	12,934.3	10,442.4
Share capital	878.9	878.9	752.1
Reserves	7,904.6	7,887.6	5,677.9
Shareholders' funds	8,783.5	8,766.5	6,430.0
Minority interests	1,395.1	1,181.5	1,031.0
Long term liabilities	6,524.4	2,986.3	2,981.4
	16,703.0	12,934.3	10,442.4

Consolidated profit and loss account

Turnover	896.3	624.3	445.5
Operating profit	368.7	266.3	252.8
Exceptional items	(25.2)	–	–
Profit from ordinary activities	343.5	266.3	252.8
Share of results of associated companies and joint ventures	690.6	444.9	269.6
Profit before taxation	1,034.1	711.2	522.4
Taxation	(74.8)	(27.3)	(17.4)
Profit after taxation	959.3	683.9	505.0
Minority interests	(135.6)	(71.5)	(50.8)
Profit attributable to shareholders	823.7	612.4	454.2
Earnings per share (HK\$)	0.94	0.78	0.66

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