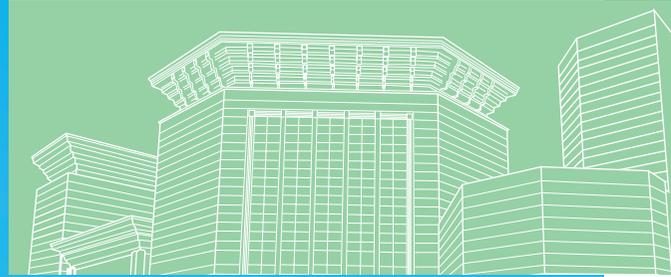




New World China Land Limited



Interim Report 2004 / 2005



Chairman's Statement

To Our Shareholders,

In 2004, Mainland China's total turnover of commodity housing amounted to RMB1,037 billion, up 30% year-on-year, while the average selling price of residential properties rose by 15.2%. An expanding economy and a growing middle class are the key drivers for strong housing demand. Riding on a buoyant market, the Group recorded a profit of HK\$62.10 million for the six months ended 31st December 2004, an increase of 283% compared to same period last year. Profit margins of both inventory and newly completed projects had improved. All major business operations, namely property sales, rental and hotel, enjoyed significant growth during the half-year period.

As a national real estate developer in the Mainland China, the Group currently has a land bank of approximately 17 million square metres ("sq.m.") across 17 cities, including 1.1 million sq.m. of investment properties. Around 90% of our land bank will be developed into properties for sales.

The Group is optimistic about the outlook of Mainland China's property market. China's plan to rationalise its property market will provide a fertile ground for the sector to flourish. Not only has the Central Government implemented clear and transparent policies crucial for long-term healthy market development, it has also made better use of land auction and tendering to enable the interplay of supply and demand to regulate the market. Amid a fast-growing economy that shows no signs of weakening, the disposable income of China's rising middle class will increase, and so will their demand for choices and better quality housing. All these developments are to the advantage of the Group, which commands a strong market reputation with its quality projects that meet a wide range of housing needs in China.

We believe that with operation scale and market presence we have established over these years, the Group is very well placed to capture future opportunities in China's burgeoning property market.

Dr Cheng Kar-shun, Henry
Chairman and Managing Director
Hong Kong, 15th March 2005

BUSINESS REVIEW

Riding on the growing property market in Mainland China, the Group recorded a profit of HK\$62.10 million, an increase of 283% compared to same period last year. All major business operations, namely property sales, rental and hotel operations, have a significant improvement during the period under review. Property sales recorded an AOP of HK\$30.58 million, increased 161% year-on-year. Meanwhile, rental operation and hotel operation reported a year-on-year AOP growth of 70% and 17% to HK\$78.17 million and HK\$10.69 million respectively.

Analysis of attributable operating profit (“AOP”)

	Unaudited	
	6 months ended 31st December	
	2004	2003
	HK\$'000	HK\$'000
Property sales	30,576	11,695
Rental operation	78,168	46,020
Hotel operation	10,692	9,133
Property management services	(2,312)	(4,144)
Others	(1,200)	(437)
AOP before provisions and finance costs	115,924	62,267
Less: Provisions written back	49,326	57,316
Finance costs — project loans	(52,669)	(47,961)
AOP	112,581	71,622
Finance costs — corporate loans	(9,030)	(10,895)
Corporate administrative expenses	(46,836)	(49,637)
Bank and other interest income	5,381	5,124
Profit attributable to shareholders	62,096	16,214

Property sales

During the first half of FY2005, the Group has completed 5 property development projects in 3 cities with a total GFA of 241,751 sq.m. and, together with the inventory in hand on 30th June 2004, of which 331,712 sq.m. were sold. Even though the overall sales volume of property units was decreased compared to last year, the Group was able to achieve improvement in AOP since the profit margins of both inventory and newly completed projects had improved.

The AOP contributions are mainly from the projects in Beijing, Tianjin and Guangzhou, namely Beijing Xin Yu Garden, Beijing Xin Kang Garden Phase III, Tianjin New World Garden, Guangzhou Xintang New World Garden Phase II, Guangzhou New World Oriental Garden Phase I and Guangzhou Central Park-view Phase I. Around 60% of sales in the reporting period were from sales of inventory and approximately 55% of the GFA completed in the 6 months ended 31st December 2004 were sold.

Development projects completed in the first half of FY2005	Usage	Total GFA (sq.m.)	NWCL's Interest
Beijing New World Garden Phase II (北京新世界家園二期)	R	60,984	70%
Guangzhou Park Paradise Phase IIB (廣州嶺南新世界家園二期B)	R	46,408	60%
Guangzhou Central Park-view Phase I (廣州凱旋新世界廣場一期)	R	62,704	91%
Guangzhou Xintang New World Garden Phase II (廣州新塘新世界花園二期)	R	37,273	60%
Shenzhen New World Yi Shan Garden Phase II (深圳新世界倚山花園二期)	R	34,382	90%
Total		241,751	

- R : Residential
 C : Commercial
 O : Office
 P : Carpark

In the second half of FY2005, NWCL expects to complete 10 development projects in 7 cities with 492,296 sq.m. GFA.

Development projects to be completed in the second half of FY2005	Usage	Total GFA (sq.m.)	NWCL's Interest
Beijing Xin Yang Commercial Building (北京新陽商務樓)	C	1,561	70%
Jinan Sunshine Garden Phase I (濟南陽光花園一期)	R	31,754	65%
Wuhan Menghu Garden Phase I (武漢夢湖香郡一期)	R	13,223	70%
Wuhan Xin Hua Garden Phase II (武漢新華家園二期)	R	39,073	60%
Wuhan Changqing Garden Phase V (武漢常青花園五期)	R	142,936	60%
Nanjing New World Centre (南京新世界中心)	R, C	113,709	92%
Guangzhou Covent Garden Phase II (廣州逸彩庭園二期)	R	26,618	60%
Guangzhou Park Paradise Phase IIC (廣州嶺南新世界家園二期C)	R, C	32,618	60%
Huizhou Changhuyuan Phase II (惠州長湖苑二期)	R, C	61,382	63%
Zhuhai New World Riviera Garden Phase II (珠海新世界海濱花園二期)	R, C	29,422	100%
Total		492,296	

Rental operation

There was no major completion in the investment properties portfolio during the period under review. The Group's 1.1 million sq.m. rental portfolio is located at prime locations in Mainland China. Our major investment properties, Beijing New World Centres and Shanghai Hong Kong New World Tower, are capitalising on the buoyant rental market in Beijing and Shanghai, provided a stable revenue to the Group.

The rental income of Beijing New World Centres was charged on turnover basis which provided a positive contribution, whereas, the occupancies were improved both in Shanghai Hong Kong New World Tower and Shanghai Belvedere Apartment.

During the period under review, the Group has completed a total GFA of 56,132 sq.m. of investment properties in Beijing, Guangzhou and Shenzhen.

Investment properties completed in the first half of FY2005	Usage	Total GFA (sq.m.)	NWCL's Interest
Beijing New World Garden Phase II (北京新世界家園二期)	P	26,606	70%
Guangzhou New World Oriental Garden Phase I (廣州東方新世界花園一期)	C	2,560	100%
Guangzhou Covent Garden Phase II (廣州逸彩庭園二期)	P	8,190	60%
Guangzhou Park Paradise Phase IIB (廣州嶺南新世界家園二期B)	C, P	9,527	60%
Shenzhen New World Yi Shan Garden Phase II (深圳新世界倚山花園二期)	P	9,249	90%
Total		56,132	

In the second half of FY2005, two investment properties in Wuhan and Guangzhou with total GFA of 66,201 sq.m. are expected to be completed.

Investment properties to be completed in the second half of FY2005	Usage	Total GFA (sq.m.)	NWCL's Interest
Wuhan International Trade & Commerce Centre Tower I (武漢國貿大廈一座)	O, P	59,998	100%
Guangzhou Park Paradise Phase IIC (廣州嶺南新世界家園二期C)	P	6,203	60%
Total		66,201	

Hotel operation

The Group currently has 4 hotels providing 1,790 guest rooms.

Hotel portfolio	Number of rooms
New World Courtyard Hotel, Beijing (北京新世界萬怡酒店)	293
Mayfair Hotel Shanghai (上海巴黎春天大酒店)	860
New World Hotel, Shenyang (瀋陽新世界酒店)	261
New World Courtyard Hotel, Shunde (順德新世界萬怡酒店)	376
Total	1,790

Both occupancy rate and room rate of the Group's hotels recorded at satisfactory level. Mayfair Hotel Shanghai, which is the key contributor in the hotel operation, achieved a 50% year-on-year growth in room rate. New World Hotel, Shenyang has been closed for renovation since October 2004 and is scheduled to re-open in April 2005.

Finance Costs

Project finance costs slightly increased by 10% to HK\$52.67 million in the first half of FY2005 due to the increase in interest rate and higher borrowing costs expensed resulting from increase in completed projects.

LIQUIDITY AND CAPITAL RESOURCES

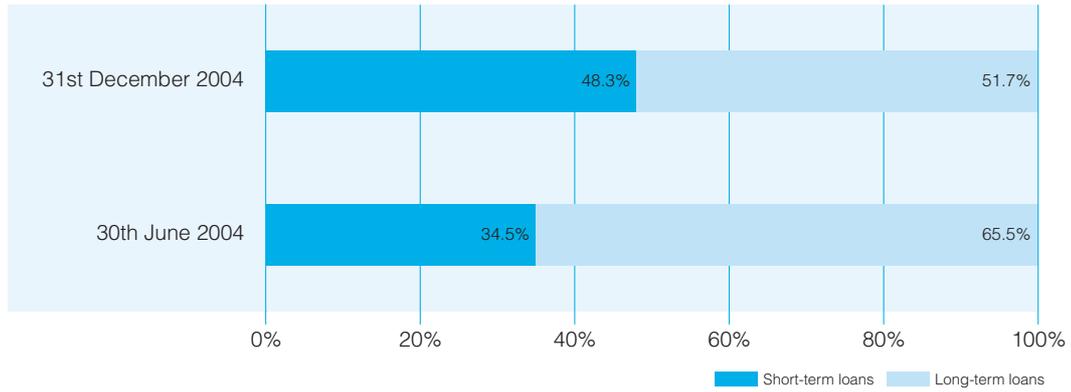
As at 31st December 2004, the Group's cash and bank deposits amounted to HK\$1,201.83 million (30th June 2004: HK\$891.29 million). Its consolidated net debt amounted to HK\$4,806.84 million (30th June 2004: HK\$4,878.30 million), translating into a gearing ratio of 29.2% (30th June 2004: 29.8%).

The Group's bank and other borrowings as at 31st December 2004 totalling HK\$6,009 million, of which 48.3%, 29.0%, 16.9% and 5.8% are repayable respectively within one year, one to two years, two to five years and over five years. Over 63% (30th June 2004: 53%) of the Group's total debts are on floating rate basis. As at 31st December 2004, 27.5% (30th June 2004: 23.7%) of the total outstanding loans was secured by the Group's assets.

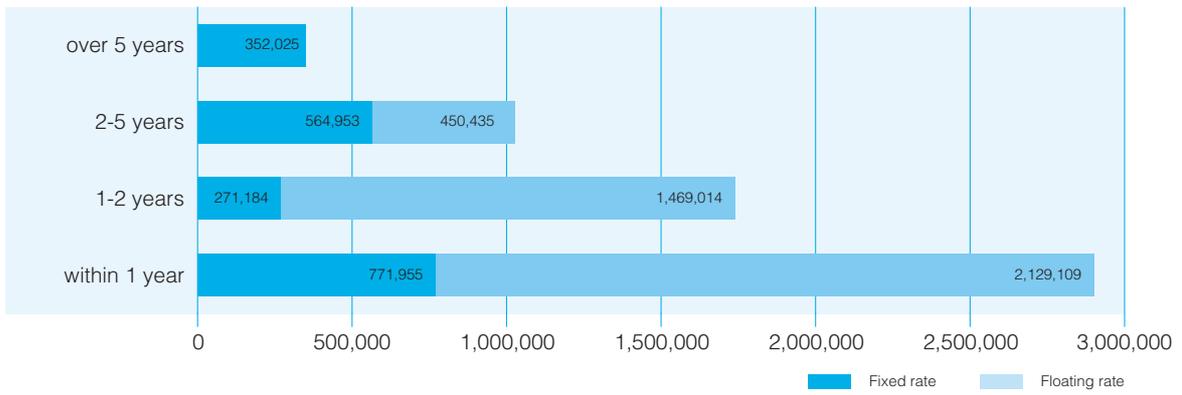
The amount of debt due within the 12 months to December 2005 amounts to HK\$2,536.58 million, which will be served by our cash on hand of HK\$1,201.83 million and by improved property sales proceeds and rental income. As at 31st December 2004, the Group's committed unutilised bank loan facilities amounted to HK\$595.53 million (30th June 2004: HK\$602.80 million).

There has been no significant change in the Group's policy to leverage funding by straight debts rather than quasi-debt financial instruments. During the period under review, the Group did not use any financial instrument for hedging purposes.

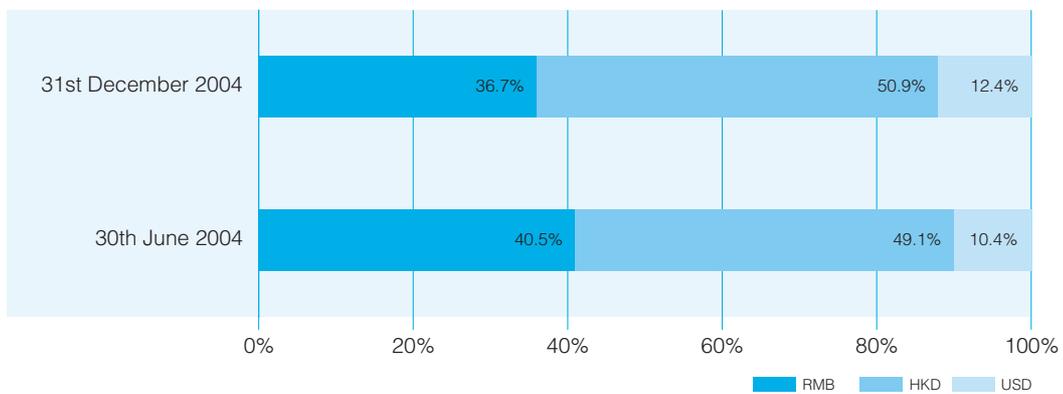
Source of Borrowings



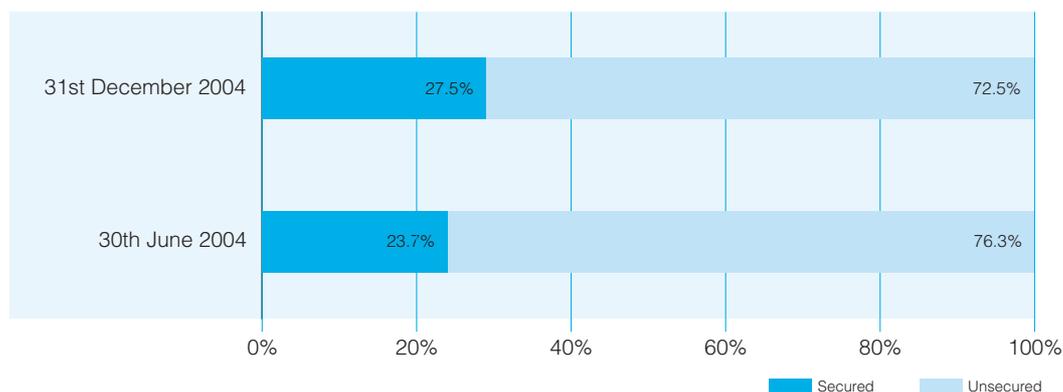
Interest Rate and Maturity Profile (HK\$'000)



Currency Profile of Borrowings



Nature of Debt



FOREIGN CURRENCY EXPOSURE

As Renminbi (“RMB”) is not a freely convertible currency, future exchange rates of RMB are affected by changes in PRC government policies. The exchange rates of RMB are also affected by economic developments and political changes domestically and internationally. Any significant revaluation of RMB against US dollar and/or Hong Kong dollar could have an impact on the operating results of the Group. The management is aware of possible exchange rate exposure and will, from time to time, closely monitor and reassess the exchange risk exposure of the Group. As the exchange rate of US dollar and Hong Kong dollar against RMB were relatively stable during the period under review, the Group did not engage in any currency hedging activities.

CONTINGENT LIABILITIES

As at 31st December 2004, the Group has contingent liabilities of approximately HK\$2,535,286,000 (30th June 2004: HK\$2,598,081,000) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities. The rise in contingent liabilities indicates the continuing financing requirements of the Group’s property projects.

DETAILS OF THE CHARGES ON GROUP’S ASSETS

As at 31st December 2004, the Group’s investment properties, hotel properties, property held for development, completed properties held for sale, properties held under development and bank deposits of HK\$266,579,000 (30th June 2004: HK\$266,579,000), HK\$803,739,000 (30th June 2004: HK\$803,739,000), HK\$654,046,000 (30th June 2004: HK\$919,892,000), HK\$Nil (30th June 2004: HK\$657,517,000), HK\$44,768,000 (30th June 2004: HK\$285,600,000) and HK\$275,820,000 (30th June 2004: HK\$74,128,000) respectively have been pledged as securities for short term and long term loans.

OUTLOOK

In FY2005, the Group plans to complete a total GFA of approximately 856,000 sq.m. including 688,000 sq.m. residential, 47,000 sq.m. commercial, 44,000 sq.m. office and 77,000 sq.m. carpark. The completion of approximately 734,000 sq.m. development property in this financial year, together with the inventory in hand of approximately 580,000 sq.m. on 30th June 2004, it is expected that the Group will have an aggregate GFA of approximately 1.3 million sq.m. of properties for sale in FY2005. Out of the total 1.3 million sq.m. for sale in FY2005, approximately 25%, 18% and 18% is in Guangzhou, Wuhan and Beijing respectively. According to the National Bureau of Statistics of China, the property price in Guangzhou, Wuhan and Beijing was up 5.0%, 7.8% and 6.3% respectively in the fourth quarter of 2004. With a higher selling price for the Group's projects launched, the Group is expected to have cash flow improvement.

The rights issue proposed in February 2005 will enable the Group to speed up the resettlement works for its projects and lay the foundation for future development. Currently, the Group has several projects in Beijing, Guangzhou and Tianjin which have yet to start the resettlement process. Resettlement cost is closely linked to the rising property and land price in the prevailing market. Speeding up the resettlement process means that the Group could pay up any outstanding resettlement cost while it is still relatively low. Consequently, the production cost of the related projects can be controlled at a lower level to provide a potentially better margin.

Directors' interests in securities

As at 31st December 2004, the interests of the directors and their associates in shares, registered capital, underlying shares and debentures of the Company and its associated corporations as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

(A) Long position in shares

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital as at 31st December 2004
	Personal interests	Family interests	Corporate interests		
New World China Land Limited					
(Ordinary shares of HK\$0.1 each)					
Mr. Doo Wai-hoi, William	700,000	—	—	700,000	0.05
Mr. Cheng Kar-shing, Peter	396,800	—	—	396,800	0.03
Mr. Chow Kwai-cheung	126	—	—	126	—
Mr. Fong Shing-kwong, Michael	600,000	—	—	600,000	0.04
Mr. Chan Kam-ling*	300,000	—	—	300,000	0.02
New World Development Company Limited					
(Ordinary shares of HK\$1 each)					
Mr. Leung Chi-kin, Stewart	32,553	—	—	32,553	0.001
Mr. Chow Kwai-cheung	43,000	—	—	43,000	0.001
Mr. Chan Kam-ling*	135,335	—	—	135,335	0.004
New World Mobile Holdings Limited					
(Ordinary shares of HK\$1 each)					
Mr. Fong Shing-kwong, Michael	6,580	—	—	6,580	0.008
New World TMT Limited					
(Ordinary shares of HK\$1 each)					
Dr. Cheng Kar-shun, Henry	—	1,000,000	—	1,000,000	0.11
Mr. Doo Wai-hoi, William	—	—	12,000,000 ^(note 1)	12,000,000	1.26
Mr. Chan Kam-ling*	6,800	—	—	6,800	0.0007
Mr. Chan Wing-tak, Douglas#	1,300,000	400,000	—	1,700,000	0.18

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital as at
	Personal interests	Family interests	Corporate interests		31st December 2004
NWS Holdings Limited					
(Ordinary shares of HK\$1 each)					
Dr. Cheng Kar-shun, Henry	2,000,000	587,000	—	2,587,000	0.14
Mr. Doo Wai-hoi, William	1,333,333	—	826,000 ^(note 1)	2,159,333	0.12
Mr. Cheng Kar-shing, Peter	333,333	—	2,659,700 ^(note 2)	2,993,033	0.17
Mr. Leung Chi-kin, Stewart	3,526,630	—	84,607 ^(note 3)	3,611,237	0.20
Mr. Chow Kwai-cheung	2,264,652	—	—	2,264,652	0.13
Mr. Chow Yu-chun, Alexander	2,330,418	—	—	2,330,418	0.13
Mr. Fong Shing-kwong, Michael	2,197,373	—	—	2,197,373	0.12
Mr. Cheng Wai-chee, Christopher	400,000	—	—	400,000	0.02
Mr. Chan Kam-ling*	670,657	—	10,254,321 ^(note 4)	10,924,978	0.60
Mr. Chan Wing-tak, Douglas#	410,900	—	—	410,900	0.02
Dragon Fortune Limited					
(Ordinary shares of US\$1 each)					
Mr. Cheng Kar-shing, Peter	—	—	15,869 ^(note 5)	15,869	27.41
Faith Yard Property Limited					
(Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	1 ^(note 1)	1	50.00
Fortune Star Worldwide Limited					
(Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	60 ^(note 1)	60	60.00
Fung Seng Estate Development (Shanghai) Co., Ltd.					
(Registered capital in US\$)					
Mr. Doo Wai-hoi, William	—	—	3,000,000 ^(note 6)	3,000,000	30.00
Grand Make International Limited					
(Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	10 ^(note 1)	10	10.00
HH Holdings Corporation					
(Ordinary shares of HK\$1 each)					
Mr. Chan Kam-ling*	15,000	—	—	15,000	2.50

Directors' interests in securities (continued)

(A) Long position in shares (continued)

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital as at 31st December 2004
	Personal interests	Family interests	Corporate interests		
Master Services Limited					
(Ordinary shares of US\$0.01 each)					
Mr. Leung Chi-kin, Stewart	16,335	—	—	16,335	1.63
Mr. Chow Kwai-cheung	16,335	—	—	16,335	1.63
Mr. Chow Yu-chun, Alexander	16,335	—	—	16,335	1.63
Mr. Chan Kam-ling*	16,335	—	—	16,335	1.63
Nanjing New World Chang Jiang Equipment Co. Ltd.					
(Registered capital in RMB)					
Mr. Doo Wai-hoi, William	—	—	5,357,275 ^(note 1)	5,357,275	21.18
Nanjing Xinlidao Property Development Limited					
(Registered capital in HK\$)					
Mr. Doo Wai-hoi, William	—	—	21,000,000 ^(note 1)	21,000,000	35.00
Ramada Property Ltd.					
(Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	200 ^(note 1)	200	20.00
Shanghai Ju Yi Real Estate Development Co., Ltd.					
(Registered capital in RMB)					
Mr. Doo Wai-hoi, William	—	—	105,000,000 ^(note 6)	105,000,000	30.00
Shanghai Trio Property Development Co. Ltd.					
(Registered capital in US\$)					
Mr. Doo Wai-hoi, William	—	—	28,350,000 ^(note 7)	28,350,000	52.50
Sun City Holdings Limited					
(Ordinary shares of HK\$1 each)					
Mr. Cheng Kar-shing, Peter	—	80,000	3,570,000 ^(note 8)	3,650,000	45.63
Sun Legend Investments Limited					
(Ordinary shares of HK\$1 each)					
Mr. Cheng Kar-shing, Peter	—	—	500 ^(note 9)	500	50.00

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital as at 31st December 2004
	Personal interests	Family interests	Corporate interests		
YE Holdings Corporation (Ordinary shares of HK\$1 each) Mr. Leung Chi-kin, Stewart	37,500	—	—	37,500	1.50
Zhaoqing New World Property Development Limited (Registered capital in US\$) Mr. Doo Wai-hoi, William	—	—	3,600,000 ^(note 10)	3,600,000	60.00
Zhaoqing New World Property Management Limited (Registered capital in HK\$) Mr. Doo Wai-hoi, William	—	—	300,000 ^(note 10)	300,000	60.00

* Mr. Chan Kam-ling resigned as an executive director of the Company with effect from 30th August 2004 and the closing balance of his interests refers to the balance as at his resignation date.

Mr. Chan Wing-tak, Douglas resigned as an executive director of the Company with effect from 13th July 2004 and the closing balance of his interests refers to the balance as at his resignation date.

Notes:

- (1) These shares are beneficially owned by companies wholly-owned by Mr. Doo Wai-hoi, William.
- (2) These shares are beneficially owned by a company wholly-owned by Mr. Cheng Kar-shing, Peter.
- (3) These shares are beneficially owned by a company of which Mr. Leung Chi-kin, Stewart has a direct interest of 55%.
- (4) These shares are beneficially owned by a company of which Mr. Chan Kam-ling has a direct interest of 50%.
- (5) Out of 15,869 shares of Dragon Fortune Limited, 4,102 shares are held by a company wholly-owned by Mr. Cheng Kar-shing, Peter and 11,767 shares are held by Sun City Holdings Limited ("Sun City"), of which Mr. Cheng is deemed to be interested in 45.63% of its issued share capital.
- (6) These represent the participating interests held by a company wholly-owned by Mr. Doo Wai-hoi, William.
- (7) These include 50% direct interests and 2.5% participating interests in the registered capital of Shanghai Trio Property Development Co. Ltd. being held by companies wholly-owned by Mr. Doo Wai-hoi, William.
- (8) These shares are held by a company of which Mr. Cheng Kar-shing, Peter has an indirect interest of 48.18%.
- (9) Mr. Cheng Kar-shing, Peter is deemed to be interested in the shares of Sun Legend Investments Limited by virtue of his interests in Sun City.
- (10) Mr. Doo Wai-hoi, William is deemed to be interested in the registered capitals of these companies by virtue of his interest in Fortune Star Worldwide Limited, of which Mr. Doo Wai-hoi, William owns an indirect interest of 60%.

Directors' interests in securities (continued)**(B) Long position in underlying shares — share options***(1) The Company*

Under the share option scheme of the Company adopted on 18th December 2000, share options were granted to the undermentioned directors of the Company which entitled them to subscribe for shares of the Company and accordingly they are regarded as interested in the underlying shares of the Company. Details of the share options granted to them are as follows:

Name of director	Date of grant	Exercisable period (note 1)	Number of share options with exercise price per share of HK\$1.955			Balance as at 31st December 2004
			Balance as at 1st July 2004	Exercised during the period	Lapsed/ re-classified during the period	
Dr. Cheng Kar-shun, Henry	7th February 2001	8th March 2001 to 7th March 2006	5,000,000	—	—	5,000,000
Mr. Doo Wai-hoi, William	8th February 2001	9th March 2002 to 8th March 2006 (note 2)	2,800,000	—	—	2,800,000
Mr. Cheng Kar-shing, Peter	9th February 2001	10th March 2001 to 9th March 2006	2,500,000	(1,000,000) (note 4)	—	1,500,000
Mr. Chow Yu-chun, Alexander	8th February 2001	9th March 2001 to 8th March 2006	2,500,000	—	—	2,500,000
Mr. Leung Chi-kin, Stewart	7th February 2001	8th March 2001 to 7th March 2006	500,000	—	—	500,000
Mr. Chow Kwai-cheung	9th February 2001	10th March 2001 to 9th March 2006	500,000	—	—	500,000
Mr. Fong Shing-kwong, Michael	17th February 2001	18th March 2004 to 17th March 2006 (note 3)	400,000	—	—	400,000
Mr. Chan Kam-ling	9th February 2001	10th March 2002 to 9th March 2006 (note 2)	400,000	(200,000) (note 5)	(200,000) (note 6)	—
Mr. Chan Wing-tak, Douglas	12th February 2001	13th March 2001 to 12th March 2006	500,000	—	(500,000) (note 7)	—
Total			15,100,000	(1,200,000)	(700,000)	13,200,000

Notes:

- (1) The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of each grant when the offers of share options were accepted, provided that the maximum number of share options that can be exercised during a year is 20% of the total number of the share options granted together with any unexercised share options carried forward from the previous years, unless otherwise specified in notes (2) and (3).
- (2) The share options were exercisable during the remaining exercisable period of four years, provided that the maximum number of share options that can be exercised during a year is 25% of the outstanding balance of the share options held together with any unexercised share options carried forward from the previous years.
- (3) The share options were exercisable during the remaining exercisable period of two years, provided that the maximum number of share options that can be exercised during a year is 50% of the outstanding balance of the share options held together with any unexercised share options carried forward from the previous year.
- (4) On 25th October 2004 and 12th November 2004 respectively, share options representing 500,000 shares each were exercised. On 21st October, 2004 and 11th November 2004, being the trading dates immediately before the share options were exercised, the weighted average closing price per share was HK\$2.70 and HK\$2.90 respectively.
- (5) The exercise date was 24th August 2004. On 23rd August 2004, being the trading date immediately before the share options were exercised, the weighted average closing price per share was HK\$2.125.
- (6) The interests of Mr. Chan Kam-ling in the share options were re-classified as employee's interests due to his resignation as a director of the Company on 30th August 2004. Mr. Chan Kam-ling remains to act as a director of certain subsidiaries of the Group.
- (7) The share options held by Mr. Chan Wing-tak, Douglas lapsed due to his resignation as a director of the Company on 13th July 2004.
- (8) The cash consideration paid by each director for each grant of the share options is HK\$10.

(2) New World TMT Limited

Under the share option scheme of a fellow subsidiary, New World TMT Limited ("NWTMT") adopted on 3rd October 1997, the following director of the Company was granted share options to subscribe for shares in NWTMT and accordingly, he is regarded as interested in the underlying shares of NWTMT. Details of the share options of NWTMT granted to him are as follows:

Name of director	Date of grant	Number of share options as at 31st December 2004 with exercise price per share of	
		HK\$10.20	HK\$12.00
Mr. Fu Sze-shing	23rd September 1999	240,000 (note 1)	960,000 (note 2)

Notes:

- (1) Exercisable from 1st July 2000 to 1st June 2005.
- (2) Divided into 3 tranches exercisable from 1st July 2001, 2002 and 2003 to 1st June 2005 respectively.

No share option has been exercised by the director under the share option scheme of NWTMT for the period ended 31st December 2004.

Directors' interests in securities (continued)

(B) Long position in underlying shares — share options (continued)

(3) NWS Holdings Limited

Under the share option schemes of a fellow subsidiary, NWS Holdings Limited (“NWS”), the following directors of the Company have personal interests in share options to subscribe for shares in NWS and are accordingly regarded as interested in the underlying shares of NWS. Details of the share options of NWS granted to them are as follows:

Name of director	Date of grant	Exercise price per share (HK\$)	Exercisable period	Balance as at 1st July 2004	Exercised during the period	Balance as at 31st December 2004
Dr. Cheng Kar-shun, Henry	21st July 2003	3.725	Note (1)	2,000,000	(1,000,000)	1,000,000
Mr. Doo Wai-hoi, William	21st July 2003	3.725	Note (1)	1,333,334	(666,667)	666,667
Mr. Cheng Kar-shing, Peter	21st July 2003	3.725	Note (1)	333,334	(166,667)	166,667
Mr. Leung Chi-kin, Stewart	21st July 2003	3.725	Note (2)	134,000	(66,000)	68,000
Mr. Chow Yu-chun, Alexander	21st July 2003	3.725	Note (1)	133,334	—	133,334
Mr. Fong Shing-kwong, Michael	21st July 2003	3.725	Note (1)	333,334	(166,667)	166,667
Mr. Cheng Wai-chee, Christopher	21st July 2003	3.725	Note (2)	600,000	(400,000)	200,000
Mr. Chan Kam-ling*	21st July 2003	3.725	Note (1)	1,333,334	—	1,333,334
Mr. Chan Wing-tak, Douglas#	11th May 1999	6.930	Note (3)	1,000,000	—	1,000,000

* Mr. Chan Kam-ling resigned as an executive director of the Company with effect from 30th August 2004 and the closing balance of his interests refers to the balance as at his resignation date.

Mr. Chan Wing-tak, Douglas resigned as an executive director of the Company with effect from 13th July 2004 and the closing balance of his interests refers to the balance as at his resignation date.

Notes:

- (1) Divided into 2 tranches exercisable from 21st July 2004 and 21st July 2005 to 20th July 2008 respectively.
- (2) Divided into 3 tranches exercisable from 21st January 2004, 21st July 2004 and 21st July 2005 to 20th July 2008 respectively.
- (3) Divided into 4 tranches exercisable from 5th November 1999, 5th May 2001, 5th May 2002, 5th May 2003 to 4th November 2004 respectively.

Save as disclosed above, as at 31st December 2004, none of the directors, chief executive or any of their associates had or deemed to have any interest or short positions in the shares, registered capital, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Substantial shareholders' interests in shares

As at 31st December 2004, the register of substantial shareholders maintained under Section 336 of the SFO shows that the following parties had interests in 5% or more of the issued share capital of the Company:

Name	Number of shares			Percentage to the issued share capital as at 31st December 2004
	Beneficial interest	Corporate interest	Total	
Chow Tai Fook Enterprises Limited ^{note 1}	—	1,050,768,800	1,050,768,800	70.12
New World Development Company Limited ("NWD") ^{note 2}	1,011,714,293	39,054,507	1,050,768,800	70.12

Notes:

- (1) Chow Tai Fook Enterprises Limited and its subsidiaries have interests in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares deemed to be interested by NWD.
- (2) NWD directly held 1,011,714,293 shares and is deemed to be interested in 22,508,064 shares held by Great Worth Holdings Limited, its 59% owned subsidiary, together with 16,546,443 shares held by High Earnings Holdings Limited, its 54% owned subsidiary.

All the interests stated above represent long position. Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 336 of the SFO as at 31st December 2004.

Share option schemes

On 18th December 2000, the Company adopted a share option scheme ("2000 Share Option Scheme") pursuant to which employees, including executive directors of the Group, were given opportunity to obtain equity holdings in the Company. The 2000 Share Option Scheme was subsequently terminated at the annual general meeting of the Company held on 26th November 2002 whereby a new share option scheme ("2002 Share Option Scheme") was adopted in compliance with the new requirements of the Listing Rules. Any share options which were granted under the 2000 Share Option Scheme prior to such termination shall continue to be valid and exercisable in accordance with the terms of the 2000 Share Option Scheme.

During six months ended 31st December 2004, movement of share options granted to the directors and employees of the Group under the 2000 Share Option Scheme and the 2002 Share Option Scheme was as follows:

- (A) Movement of share options to directors was disclosed under the heading "Directors' interests in securities" above.

Share option schemes (continued)

(B) Movement of share options to employees was as follows:

Under the 2000 Share Option Scheme

Date of grant	Number of share options (note 1)				Outstanding as at 31st December 2004	Exercise price per share HK\$
	Balance as at 1st July 2004	Re-classified as employee's interests during the period (note 3)	Exercised during the period (note 5)	Lapsed during the period		
5th February 2001 to 2nd March 2001	22,338,400	200,000	(7,484,800)	(312,000)	14,741,600	1.955
2nd May 2001 to 29th May 2001	402,000	—	(18,800)	—	383,200	2.605
29th June 2001 to 26th July 2001	2,097,200	—	—	(153,600)	1,943,600	3.192
31st August 2001 to 27th September 2001	590,000	—	(40,000)	(12,000)	538,000	2.380
26th March 2002 to 22nd April 2002	861,200	—	(172,000)	—	689,200	2.265
Total	26,288,800	200,000	(7,715,600)	(477,600)	18,295,600	

Under the 2002 Share Option Scheme

Date of grant	Number of share options (note 1)				Outstanding as at 31st December 2004	Exercise price per share HK\$
	Balance as at 1st July 2004	Granted during the period (note 4)	Exercised during the period (note 6)	Lapsed during the period		
3rd January 2003 to 30th January 2003	676,800	—	(14,800)	—	662,000	1.330
12th May 2003 to 6th June 2003	1,544,000	—	(264,600)	(137,200)	1,142,200	1.000
28th October 2003 to 22nd November 2003	237,600	—	—	(200,800)	36,800	1.810
18th December 2003 to 14th January 2004 (note 2)	1,300,000	—	(400,000)	—	900,000	1.830
25th March 2004 to 21st April 2004	976,000	—	(68,400)	(73,200)	834,400	2.470
18th June 2004 to 15th July 2004	—	560,400	(74,400)	(132,800)	353,200	1.810
4th November 2004 to 1st December 2004	—	282,800	—	—	282,800	2.725
Total	4,734,400	843,200	(822,200)	(544,000)	4,211,400	

Notes:

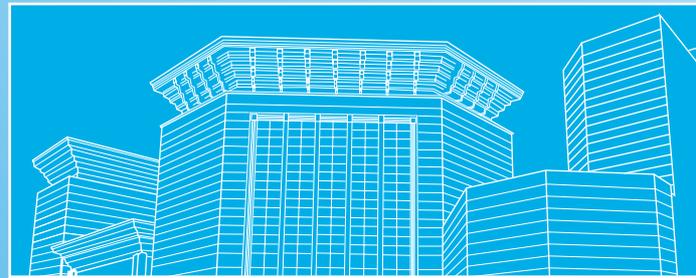
- (1) The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of each grant when the offers of share options were accepted, provided that the maximum number of share options that can be exercised during a year is 20% of the total number of the share options granted together with any unexercised share options carried forward from the previous year(s), except otherwise specified in note 2.
- (2) The share options are exercisable during a period of two years commencing from the expiry of one month after the dates of each grant when the offers of share options were accepted, provided that the maximum number of share options that can be exercised during a year is 50% of the total number of share options granted together with any unexercised share options carried forward from the previous year.
- (3) The share options are re-classified as an employee's interest which are previously counted as director's interest due to the resignation of a director of the Company who remains to act as an employee of the Group.
- (4) The closing prices per share immediately before 18th June 2004 and 4th November 2004, the dates of grant, were HK\$1.760 and HK\$2.675 respectively.
- (5) The weighted average closing price of the shares immediately before the dates on which share options were exercised under the 2000 Share Option Scheme was HK\$2.863.
- (6) The weighted average closing price of the shares immediately before the dates on which share options were exercised under the 2002 Share Option Scheme was HK\$2.400.

Share option schemes (continued)

The fair values of the share options granted during the year with subscription prices per share of HK\$1.81 and HK\$2.725 are estimated at HK1.81 and HK\$1.40 respectively using the Black-Scholes option pricing model. Values are estimated based on the risk-free rate of 1.39% per annum with reference to the rate prevailing on the Exchange Fund Notes, a one-year period historical volatility of 0.46, assuming no dividends and an expected option life of 5 years.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. As the characteristics of the options granted during the year are significantly different from those of publicly traded options and changes in the subjective inputs may materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Financial section



Consolidated Profit and Loss Account

For the six months ended 31st December 2004

		Unaudited	
		6 months ended 31st December	
	Note	2004	2003
		HK\$'000	HK\$'000
Turnover	2	951,740	914,395
Cost of sales		(706,385)	(730,164)
Gross profit		245,355	184,231
Other revenue	3	5,381	5,124
Other income	4	19,997	59,344
Selling expenses		(45,335)	(76,964)
Administrative expenses		(18,868)	(36,398)
Other operating expenses		(121,982)	(93,577)
Operating profit before financing	5	84,548	41,760
Finance costs		(37,003)	(37,054)
Share of results of			
Associated companies		26,420	9,014
Jointly controlled entities		22,476	5,754
Profit before taxation		96,441	19,474
Taxation	6	(33,616)	(12,343)
Profit after taxation		62,825	7,131
Minority interests		(729)	9,083
Profit attributable to shareholders		62,096	16,214
Earnings per share	8		
Basic		4.16 cents	1.09 cents

Consolidated Balance Sheet

As at 31st December 2004

	Note	Unaudited As at 31st December 2004 HK\$'000	Audited As at 30th June 2004 HK\$'000
Non-current assets			
Fixed assets		3,624,438	3,616,762
Properties held for development		4,255,258	3,947,225
Associated companies		1,430,887	1,298,372
Jointly controlled entities		10,292,140	10,319,994
Other investments		49,599	49,132
Other non-current assets		115,670	34,831
		19,767,992	19,266,316
Current assets			
Debtors, deposits and other receivables	9	653,408	929,571
Amounts due from fellow subsidiaries		30,091	23,543
Properties under development		2,152,538	2,116,807
Completed properties held for sale		1,846,624	1,825,614
Cash and bank balances		1,086,392	857,391
		5,769,053	5,752,926
Current liabilities			
Creditors and accruals	10	1,114,874	1,065,084
Deposits received on sale of properties		311,742	244,775
Amounts due to fellow subsidiaries		559,905	573,943
Short term bank loans			
Secured		308,411	214,953
Unsecured		56,075	186,916
Current portion of bank and other borrowings	11	2,536,578	1,731,562
Taxes payable		95,658	97,546
		4,983,243	4,114,779
Net current assets		785,810	1,638,147
Total assets less current liabilities		20,553,802	20,904,463
Non-current liabilities			
Bank and other borrowings	11	3,107,611	3,636,163
Deferred income		346,865	349,987
Deferred tax liabilities		165,193	139,911
Minority interests and loans from minority shareholders	12	474,655	409,180
Net assets		16,459,478	16,369,222
Capital and reserves			
Share capital	13	149,860	148,886
Reserves	14	16,309,618	16,220,336
Shareholders' funds		16,459,478	16,369,222

Condensed Consolidated Cash Flow Statement

For the six months ended 31st December 2004

	Unaudited 6 months ended 31st December	
	2004 HK\$'000	2003 HK\$'000
Net cash generated from operating activities	132,717	369,632
Net cash used in investing activities	(75,969)	(245,618)
Net cash from/(used in) financing activities	52,098	(196,012)
Increase/(decrease) in cash and cash equivalents	108,846	(71,998)
Cash and cash equivalents at beginning of the period	817,166	902,570
Cash and cash equivalents at end of the period	926,012	830,572
Analysis of balances of cash and cash equivalents		
Cash and bank balances — unrestricted	926,012	830,572

Consolidated Statement of Changes in Equity

For the six months ended 31st December 2004

	Unaudited 6 months ended 31st December	
	2004 HK\$'000	2003 HK\$'000
Total equity as at 1st July	16,369,222	16,002,681
Net gains not recognised in the profit and loss account		
Exchange differences arising on translation of subsidiaries, associated companies and jointly controlled entities	(187)	3,290
Profit for the period	62,096	16,214
	16,431,131	16,022,185
Release of reserves upon disposal of properties	9,514	5,514
Issue of shares	18,833	1,369
Total equity as at 31st December	16,459,478	16,029,068

NOTES TO THE ACCOUNTS

1. Principal accounting policies

The unaudited condensed interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The unaudited condensed interim financial statements should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of these unaudited condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 30th June 2004, except that the Group early adopted the accounting standards below with effect from 1st July 2004:

Hong Kong Financial Reporting Standard 3 (“HKFRS 3”)	Business Combination
Hong Kong Accounting Standard 36 (“HKAS 36”)	Impairment of Assets
Hong Kong Accounting Standard 38 (“HKAS 38”)	Intangible Assets

The early adoption of HKFRS 3, HKAS 36 and HKAS 38 resulted in changes in certain accounting policies of the Group. The revised policies are:

- (i) Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.
- (ii) Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net identifiable assets of the acquired subsidiaries, associated companies or jointly controlled entities at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies is included in investments in associated companies. Goodwill on acquisitions of jointly controlled entities is included in investments in jointly controlled entities. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The above changes in the accounting policies have been applied prospectively in accordance with the transitional provisions in the respective standards. The early adoption of these standards has no material effect on the Group’s net assets or results for the period.

2. Turnover and segment information

- (a) The Group is principally engaged in investment and development of property projects in the PRC. Turnover comprises gross proceeds from sale of properties, revenue from rental and hotel operations, property management services fee income, project management fee income and interest income in respect of loan financing provided to associated companies and jointly controlled entities, net of withholding tax.

	6 months ended 31st December	
	2004 HK\$'000	2003 HK\$'000
Sales of properties	741,251	772,658
Rental income	83,627	57,839
Income from hotel operation	89,559	56,397
Property management services fee income	9,142	9,989
Project management fee income	272	4,629
	923,851	901,512
Interest income less withholding tax	27,889	12,883
	951,740	914,395

- (b) The Group is organised into four main business segments, comprising property sales, rental operation, hotel operation and property management. There is no other significant identifiable separate business segment.

No geographical segment analysis is presented as the majority of the operation of the Group are located in the PRC, which is considered as one geographical location in an economic environment with similar risks and returns.

2. Turnover and segment information (continued)

6 months ended 31st December 2004	Property sales HK\$'000	Rental operation HK\$'000	Hotel operation HK\$'000	Property management operation HK\$'000	Other operations HK\$'000	Total HK\$'000
Segment revenues	769,412	88,973	89,559	3,796	—	951,740
Segment results	86,753	16,344	24,313	(525)	(882)	126,003
Bank and other interest income						5,381
Corporate administrative expenses						(46,836)
Operating profit before financing						84,548
Finance costs						(37,003)
Share of results of						
Associated companies	6,959	18,820	984	(343)	—	26,420
Jointly controlled entities	(21,296)	44,593	2,374	(1,995)	(1,200)	22,476
Profit before taxation						96,441
Taxation						(33,616)
Profit after taxation						62,825
Minority interests						(729)
Profit attributable to shareholders						62,096

6 months ended 31st December 2003	Property sales HK\$'000	Rental operation HK\$'000	Hotel operation HK\$'000	Property management operation HK\$'000	Other operations HK\$'000	Total HK\$'000
Segment revenues	790,170	57,379	56,397	9,989	460	914,395
Segment results	74,590	(3,525)	12,884	1,599	726	86,274
Bank and other interest income						5,124
Corporate administrative expenses						(49,638)
Operating profit before financing						41,760
Finance costs						(37,054)
Share of results of						
Associated companies	(870)	9,674	1,650	(143)	(1,297)	9,014
Jointly controlled entities	(19,661)	27,553	1,690	(3,090)	(738)	5,754
Profit before taxation						19,474
Taxation						(12,343)
Profit after taxation						7,131
Minority interests						9,083
Profit attributable to shareholders						16,214

3. Other revenue

	6 months ended 31st December	
	2004 HK\$'000	2003 HK\$'000
Bank and other interest income	5,381	5,124

4. Other income/(charges)

	6 months ended 31st December	
	2004 HK\$'000	2003 HK\$'000
Write back of provision for diminution in values of properties held for sale and completed properties held for sale	19,229	44,135
Write back of provision for amounts due from jointly controlled entities	7,477	15,124
Profit on disposal of a jointly controlled entity	—	6,770
Provision for amounts due from jointly controlled entities	(6,709)	(2,575)
Loss on disposal of a subsidiary	—	(4,110)
	19,997	59,344

5. Operating profit before financing

	6 months ended 31st December	
	2004 HK\$'000	2003 HK\$'000
Operating profit before financing is arrived at after crediting:		
Gross rental income from investment properties	40,967	33,494
and after charging:		
Cost of properties sold	613,002	656,217
Staff costs including director's remunerations	54,917	55,241
Depreciation	26,245	26,867
Rental for leased premises	19,536	19,949
Outgoings in respect of investment properties	11,778	11,204
Amortisation of deferred expenditure	1,158	4,180
Retirement benefits costs	1,883	1,785
Auditors' remuneration	1,546	1,600

6. Taxation

	6 months ended 31st December	
	2004 HK\$'000	2003 HK\$'000
PRC income tax — deferred		
Company and subsidiaries	25,245	16,950
Associated companies	1,735	1,809
Jointly controlled entities	6,636	(6,416)
	33,616	12,343

No provision for Hong Kong profits tax has been made within the Group as the Group has no assessable profits in Hong Kong for the period (2003: Nil). PRC income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at the applicable rate of taxation.

The Group's associated companies and jointly controlled entities established in the PRC are required to pay income tax at the rate of 33% (2003: 33%).

In July 1999, a deed of tax indemnity was entered into between the ultimate holding company and the Group whereby the ultimate holding company undertakes to indemnify the Group in respect of, inter alia, certain PRC income tax ("IT") and Land Appreciation Tax ("LAT") payable in consequence of the disposal of certain properties held by the Group as at 31st March 1999. During the period, no such tax indemnity was effected (2003: Nil).

7. Dividend

The directors do not declare the payment of a dividend for the six months ended 31st December 2004 (2003: Nil).

8. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$62,096,000 (2003: HK\$16,214,000) and the weighted average of 1,491,890,208 shares (2003: 1,482,555,348 shares) in issue during the period.

Diluted earnings per share is not presented as the exercise of the outstanding share options has no dilutive effect on the earnings per share.

9. Debtors, deposits and other receivables

Debtors, deposits and other receivables include trade debtors, utility and other deposits, interest and other receivables and prepayment for land cost.

The ageing analysis of trade debtors is as follows:

	As at 31st December 2004 HK\$'000	As at 30th June 2004 HK\$'000
0 to 30 days	132,986	132,027
31 to 60 days	8,211	20,064
61 to 90 days	8,780	39,977
Over 90 days	90,896	40,166
	240,873	232,234

Sales proceed receivables in respect of sale of properties are settled in accordance with the instalment schedules as stipulated in the sale and purchase agreements. Monthly rental in respect of rental properties are payable in advance by tenants in accordance with the lease agreements.

10. Creditors and accruals

Creditors and accruals include trade creditors, retentions payable of construction costs, other payables and various accruals. The ageing analysis of trade creditors is as follows:

	As at 31st December 2004 HK\$'000	As at 30th June 2004 HK\$'000
0 to 30 days	354,863	509,895
31 to 60 days	12,173	20,053
61 to 90 days	86,492	33,530
Over 90 days	341,912	293,078
	795,440	856,556

11. Bank and other borrowings

	As at 31st December 2004 HK\$'000	As at 30th June 2004 HK\$'000
Bank loans (note (i))		
Secured	1,346,479	1,246,807
Unsecured	710,280	871,009
Loans from fellow subsidiaries (note (ii))	3,587,430	3,249,909
	5,644,189	5,367,725
Current portion included in current liabilities	(2,536,578)	(1,731,562)
	3,107,611	3,636,163

Notes:

(i) The bank loans are repayable as follows:

	Secured		Unsecured		Total	
	As at 31st December 2004 HK\$'000	As at 30th June 2004 HK\$'000	As at 31st December 2004 HK\$'000	As at 30th June 2004 HK\$'000	As at 31st December 2004 HK\$'000	As at 30th June 2004 HK\$'000
Within one year	362,996	620,040	149,533	455,122	512,529	1,075,162
Between one and two years	203,417	186,221	93,458	144,860	296,875	331,081
Between two and five years	605,611	253,630	289,719	168,223	895,330	421,853
After five years	174,455	186,916	177,570	102,804	352,025	289,720
	1,346,479	1,246,807	710,280	871,009	2,056,759	2,117,816

Included in the total bank loan balance is an amount of HK\$299,065,000 (30th June 2004: HK\$311,526,000) which is wholly repayable by instalments up to December 2016 and has been on-lent to an associated company.

(ii) The loans from fellow subsidiaries are repayable as follows:

	As at 31st December 2004 HK\$'000	As at 30th June 2004 HK\$'000
Within one year	2,024,049	656,400
Between one and two years	1,443,323	2,164,952
Between two and five years	120,058	428,557
	3,587,430	3,249,909

The loans from fellow subsidiaries are unsecured and bear interest ranging from three months Hong Kong Interbank Offered Rate to 1% above London Interbank Offered Rate.

12. Minority interests and loans from minority shareholders

	As at 31st December 2004 HK\$'000	As at 30th June 2004 HK\$'000
Minority interests	(321)	(1,141)
Loans from minority shareholders (note)	474,976	410,321
	474,655	409,180

Note: As at 31st December 2004, except for loans of HK\$128,525,000 (30th June 2004: HK\$126,492,000) which are unsecured, bear interest at 5% to 5.76% (30th June 2004: 5% to 5.76%) per annum and have repayment terms as specified in the joint venture contracts, the remaining balance are unsecured, interest free and have no specific repayment terms.

13. Share capital

	As at 31st December 2004 HK\$'000	As at 30th June 2004 HK\$'000
Authorised: 8,000,000,000 shares of HK\$0.1 each	800,000	800,000
Issued and fully paid: 1,498,600,094 shares of HK\$0.1 each (30th June 2004: 1,488,862,294 shares of HK\$0.1 each)	149,860	148,886

Details of the movement in the issued share capital of the Company are summarised as follows:

	Number of shares of HK\$0.1 each	HK\$'000
At 1st July 2004	1,488,862,294	148,886
Exercise of share options (note)	9,737,800	974
At 31st December 2004	1,498,600,094	149,860

13. Share capital (continued)

Note: Pursuant to the share option schemes adopted on 18th December 2000 and 26th November 2002, the Company may grant options to executive directors and employees of the Company to subscribe for shares in the Company. The movements in the number of share options granted during the period and the balance outstanding at 31st December 2004 are as follows:

Date of offer to grant	Exercise price per share HK\$	Number of shares				At 31st December 2004
		At 1st July 2004	Granted during the period (note)	Exercised during the period	Lapsed during the period	
5th February 2001	1.955	37,438,400	—	(8,684,800)	(812,000)	27,941,600
2nd May 2001	2.605	402,000	—	(18,800)	—	383,200
29th June 2001	3.192	2,097,200	—	—	(153,600)	1,943,600
31st August 2001	2.380	590,000	—	(40,000)	(12,000)	538,000
26th March 2002	2.265	861,200	—	(172,000)	—	689,200
3rd January 2003	1.330	676,800	—	(14,800)	—	662,000
12th May 2003	1.000	1,544,000	—	(264,600)	(137,200)	1,142,200
28th October 2003	1.810	237,600	—	—	(200,800)	36,800
18th December 2003	1.830	1,300,000	—	(400,000)	—	900,000
25th March 2004	2.470	976,000	—	(68,400)	(73,200)	834,400
18th June 2004	1.810	—	560,400	(74,400)	(132,800)	353,200
4th November 2004	2.725	—	282,800	—	—	282,800
		46,123,200	843,200	(9,737,800)	(1,521,600)	35,707,000

Note: Except for the share options with exercise price per share of HK\$1.830 which are divided into 2 tranches and exercisable within a period of 2 years commencing on the expiry of one month after the dates on which the options were accepted, all the share options are divided into 5 tranches and exercisable within a period of 5 years commencing on the expiry of one month after the dates on which the options were accepted.

14. Reserves

Group

	Contributed surplus HK\$'000	Share premium HK\$'000	Investment properties revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profit/(loss) (accumulated) HK\$'000	Total HK\$'000
As at 30th June 2003	14,722,334	1,282,386	406,638	12,434	(569,305)	15,854,487
Profit for the period	—	—	—	—	16,214	16,214
Premium on issue of shares	—	1,275	—	—	—	1,275
Release of goodwill/(reserve) upon sale of properties	—	—	(1,133)	—	6,647	5,514
Translation difference	—	—	—	3,290	—	3,290
As at 31st December 2003	14,722,334	1,283,661	405,505	15,724	(546,444)	15,880,780
As at 30th June 2004	14,722,334	1,294,729	622,956	14,047	(433,730)	16,220,336
Profit for the period	—	—	—	—	62,096	62,096
Premium on issue of shares	—	17,859	—	—	—	17,859
Release of reserve upon sale of properties	—	—	9,514	—	—	9,514
Translation difference	—	—	—	(187)	—	(187)
As at 31st December 2004	14,722,334	1,312,588	632,470	13,860	(371,634)	16,309,618

15. Contingent liabilities

The Group has contingent liabilities of approximately HK\$2,535,286,000 (30th June 2004: HK\$2,598,081,000) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities. As at 31st December 2004, the Group's attributable portion of the outstanding amount under these bank loan facilities granted to the associated companies and jointly controlled entities was approximately HK\$1,775,904,000 (30th June 2004: HK\$1,811,365,000).

16. Commitments

(i) Capital expenditure commitments

(a) The capital expenditure commitments of the Group are as follows:

	As at 31st December 2004 HK\$'000	As at 30th June 2004 HK\$'000
Contracted but not provided for		
Fixed assets	154,386	161,420
Investments in associated companies	—	12,214
	154,386	173,634

(b) The Group did not have any share of capital commitments of the jointly controlled entities themselves not included in (a) above (30th June 2004: Nil).

(ii) Other commitments

As at 31st December 2004, the Group had issued performance guarantees amounting to HK\$477,923,000 (30th June 2004: HK\$889,533,000) in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of property projects developed by a subsidiary and certain jointly controlled entities of the Group. Pursuant to the terms of the performance guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties.

17. Related party transactions

- (i) The following is a summary of significant related party transactions during the period carried out by the Group in the normal course of its business:

	6 months ended 31st December	
	2004 HK\$'000	2003 HK\$'000
Interest on loans from fellow subsidiaries	13,566	10,451
Rental for leased premises to a fellow subsidiary	2,445	2,394
Rental for leased premises to an associated company	14,486	14,486
Property agency fee to a fellow subsidiary	4,530	—
Interest income from jointly controlled entities	(31,362)	(8,497)
Estate management fee income from a fellow subsidiary and jointly controlled entities	(2,613)	(4,441)
Rental income from fellow subsidiaries	(25,806)	(24,912)
Rental income from an associated company	(2,804)	(2,804)

These related party transactions were governed in accordance with the terms as disclosed in 2004 annual report.

- (ii) Total fees for the provision of project management, construction and engineering consultancy services in respect of certain of the Group's property projects and payable to certain fellow subsidiaries amount to HK\$124,407,000 (31st December 2003: HK\$184,617,000). Such fees are charged at fixed amounts in accordance with the terms of the respective contracts.
- (iii) A deed of tax indemnity was entered into between NWD and the Group whereby NWD undertakes to indemnify the Group in respect of IT and LAT payable in consequence of the disposal of certain properties (note 6).

18. Post balance sheet events

- (a) On 8th February 2005, New World Development (China) Limited, a wholly-owned subsidiary of the Company, entered into an agreement for the purchase of 70% of the equity interest in Dalian Bond Tak International Finance Centre Co., Ltd. ("Dalian IFC") and 65% of the equity interest in Dalian Bond Tak New World Hotel Co., Ltd. ("Dalian NWH") for an aggregate consideration of approximately HK\$415,096,000. Upon completion of the agreement, Dalian IFC and Dalian NWH will become subsidiaries of the Group.
- (b) On 18th February 2005, the board announced that the Company proposed to raise approximately HK\$6.3 billion by way of the rights issue at the subscription price of HK\$2.80 per rights share on the basis of three rights shares for every two existing shares subject to independent shareholders' approval.

Continuing obligations under Chapter 13 of the Listing Rules

(A) Advances and guarantees to entities

In accordance with the requirements under rule 13.20 of the Listing Rules the directors of the Company reported below details of advances and guarantees made by the Group to the following entities which individually exceeded 8% of the Company's market capitalisation as at 31st December 2004, as follows:

Names of affiliated companies	Attributable interest held by the Group	Advances as at 31st December 2004		Interest rate per annum	Guarantee given (C) HK\$'000	Total (A+B+C) HK\$'000
		Interest bearing (A) HK\$'000	Non-interest bearing (B) HK\$'000			
Associated companies						
Global Perfect Development Limited	50%	—	461,197	—	4,673	465,870
Grand Make International Limited	45%	—	444,264	—	180,782	625,046
Sub-total (D)		—	905,461		185,455	1,090,916
Jointly controlled entities						
Beijing Chong Wen-New World Properties Co., Ltd.	70%	1,415,588	—	8.5%	467,290	1,882,878
Beijing Chong Yu Real Estate Development Co., Ltd.	70%	1,133,573	—	8.5% HK	981,308	2,114,881
China New World Electronic Ltd.	70%	1,149,427	—	Prime rate	—	1,149,427
Guangzhou Jixian Zhuang New World City Garden Development Limited	60%	91,480	283,512	10%	179,400	554,392
Jinan New World Sunshine Development Ltd.	65%	125,399	25,553	5.85% to 5.94%	226,317	377,269
Tianjin New World Housing Development Co., Ltd.	60%	617,854	101,867	10%	—	719,721
Tianjin New World Properties Development Co., Ltd.	70%	638,448	—	9% to 10%	—	638,448
Wuhan New World Housing Development Limited	60%	483,388	188,616	5.31% to 5.58%	163,551	835,555
Sub-total (E)		5,655,157	599,548		2,017,866	8,272,571
Total (D+E)		5,655,157	1,505,009		2,203,321	9,363,487

Continuing obligations under Chapter 13 of the Listing Rules (continued)

(A) Advances and guarantees to entities (continued)

These loans have been provided by the Group to the abovenamed entities as shareholders' loans which are unsecured and have no specific repayment terms.

Note: The market capitalisation of the Company as at 31st December 2004 amounted to HK\$4,608,195,000 based on the total number of 1,498,600,094 shares of the Company in issue on 31st December 2004 and the average closing price per share of HK\$3.075 for the five business days immediately preceding 31st December 2004.

(B) Financial assistance and guarantees to affiliated companies

In accordance with the requirements under Rule 13.22 of the Listing Rules, the directors of the Company reported below details of advances to, and guarantees given for the benefit of its affiliated companies as at 31st December 2004, which in aggregate exceeded 8% of the Company's market capitalization as at 31st December 2004.

As at 31st December 2004, the Company and its subsidiaries had advanced an aggregate amount of HK\$9,251,487,000 (30th June 2004: HK\$9,148,422,000) to affiliated companies, guaranteed bank loans and other borrowing facilities for the benefit of the affiliated companies in the amount of HK\$2,535,286,000 (30th June 2004: HK\$2,598,081,000) and contracted to further provide an aggregate amount of HK\$1,459,627,000 (30th June 2004: HK\$1,437,585,000) in capital and loans to affiliated companies. The advances are unsecured and interest free except for an aggregate amount of HK\$6,929,249,000 (30th June 2004: HK\$7,118,102,000) which carry interest ranging from 5.31% to 12% per annum (30th June 2004: 4% to 12% per annum). Other than an amount of HK\$299,065,000 (30th June 2004: HK\$311,526,000) which is repayable by instalments up to December 2016, the advances have no fixed repayment terms. Contracted capital and loan contributions to affiliated companies would be funded by proceeds from internal resources and bank and other borrowings of the Group.

In addition, in accordance with the requirements under Rule 13.22 of the Listing Rules, the Company is required to include in its annual report a pro forma combined balance sheet of its affiliated companies which should include significant balance sheet classifications and state the attributable interest of the Company in the affiliated companies. The Company has numerous affiliated companies and is of the opinion that it is not practical nor meaningful to prepare a pro forma combined balance sheet and such information may be misleading. Pursuant to Rule 13.22 of the Listing Rules, the Company made an application to, and has received a waiver from, the Stock Exchange as an alternative to provide the following statement.

As at 31st December 2004, the Group's total exposure on the combined indebtedness reported by such affiliated companies (including amounts owing to the Group) amounted to approximately HK\$16,286,023,000 (30th June 2004: HK\$15,537,481,000). Such affiliated companies reported no capital commitments and contingent liabilities as at 31st December 2004 (30th June 2004: Nil).

Independent non-executive directors

Mr. Lee Luen-wai, John was appointed as an independent non-executive director (“INED”) of the Company on 7th December 2004 following the retirement of Mr. Lo Hong-sui as INED of the Company at the annual general meeting of the Company held on 6th December 2004. Messrs. Cheng Wai-chee, Christopher and Tien Pei-chun, James continue to act as INED of the Company.

In this regard, the Company has complied with rules 3.10(1) and 3.10(2) of the Listing Rules regarding the appointment of sufficient number of INED and is having INED with relevant professional qualifications or accounting or relating financial management expertise.

Audit committee

Audit committee was established in accordance with requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee consists of three independent non-executive directors of the Company. The audit committee has reviewed the unaudited interim financial statements and discussed the financial related matters with management. At the request of directors, the Group’s external auditors have carried out a review of the interim financial statements in accordance with Statement of Auditing Standards 700 issued by the HKICPA.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transaction by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 of the Listing Rules. The Company has confirmed with the directors that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors’ securities transactions.

Compliance with the Code of best practice of the Listing Rules

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the period, except that the non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at Annual General Meeting in accordance with Article 116 of the Company’s Articles of Association.

Employee’s information

As at 31st December 2004, the Group had 2,252 full-time employees. Total staff related costs incurred were HK\$56.80 million (2003:HK\$57.03 million), of which retirement benefits cost was included. Remuneration of the employees are reviewed annually based on the assessment of individual performance. Discretionary year-end bonus was paid to employees based on individual performance.

Major Acquisition or Disposal

During the period under review, there was no major acquisition or disposal undertaken by the Group.

Purchase, Sale or Redemption of Shares

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board

Dr. Cheng Kar-shun, Henry

Chairman and Managing Director

Hong Kong, 15th March 2005



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