



New World China Land Limited

Interim Report
2003/2004



Chairman Statement

To Our Shareholders,

New World China Land (“NWCL”) is a national developer in Mainland China. Our portfolio comprises 37 projects with a total GFA of 16 million sq.m., spanning over 18 high-growth cities.

New World Group has been active in the Mainland China property market since the early 1980s. NWCL is a well-recognised brand in every city where we have a footprint. In November 2003, NWCL was awarded “2003 Top 50 China Real Estate Enterprises”.

During the period under review, we have completed a GFA of 541,174 sq.m. in 9 cities even when the early period was still under the shadow of SARS. In the second half of FY2004, we expect to accelerate development pace to complete a GFA of 627,854 sq.m. in 6 cities.

Our corporate strategy is to primarily focus on producing residential units for sale while gradually build up our rental income base. On one hand, our high-quality residential property is to meet the predominant demand from residence across all cities. On the other hand, with a higher contribution from rental income, NWCL’s profitability is able to maintain at a reasonable level even when the property development market is soft. Our investment properties in prime location such as Beijing, Tianjin, Shanghai, Wuhan, Dalian and Guangzhou are expected to contribute more and more significantly in the future.

According to newly enacted national policy, all land sites must be acquired through public auctions or tendering. With the abundant land reserve, NWCL is definitely at a better position than other developers who need to acquire land in the open market at a premium price.

Dr. Cheng Kar-shun, Henry

Chairman and Managing Director

Hong Kong, 18 March 2004

BUSINESS REVIEW

For the six months period under review, the Group posted a profit of HK\$16.2 million as compared to profit of HK\$11.9 million in the first half of FY2003. The improvement in results reflected the Group's great effort and determination to eliminate the set-back caused from SARS's effect last year.

Analysis of attributable operating profit ("AOP")

	Unaudited 6 months ended 31st December	
	2003 HK\$'000	2002 (restated) HK\$'000
Property sales	11,695	(5,024)
Rental operation	46,020	42,683
Hotel operation	9,133	12,676
Land sale	—	2,015
Property management operation	(4,144)	(5,687)
Others	(437)	2,084
AOP before provisions and finance costs	62,267	48,747
Provisions	—	(6,402)
Write-back of provisions	57,316	33,413
Finance costs — project loans	(47,961)	(3,724)
AOP	71,622	72,034
Finance costs — corporate loans	(10,895)	(9,069)
Corporate administrative expenses	(49,637)	(54,545)
Bank and other interest income	5,124	3,494
Profit attributable to shareholders	16,214	11,914

Property sales

During the first half of financial year 2004, the Group completed 431,125 sq.m. of residential units, an increase of 29% from that of last interim period. The overall sales volume also increased by 69% to 390,020 sq.m., 40% of which was from sales of residential units completed during the current period. As a result of the increase in both completion and sales volume, the Group was able to achieve improvement in AOP. The increased AOP recorded was primarily attributable to improved sales margins of both inventory and newly completed projects as compared with that of interim FY2003's. During the current period, the effect of better sales margin was especially prominent in some of our completed projects, a high-end-villa-typed project, Chateau Regalia, located in Beijing and a well-received residential complex, Shenyang New World Garden, located in Shenyang, both of which contributed promising sales margins to our improved results.

During the interim period under review, the Group had successfully sold out inventory units of over 235,541 sq.m., with an increase of 122% as compared to that of previous period. The remaining inventory as at 31st December 2003 reached 505,877 sq.m.. It is imperative that the Group should endeavour to clear up the inventory in the immediate short run.

Development projects completed during the first half of FY2004

Projects	Usage	Total GFA (sq. m.)	NWCL's interest
Beijing Xin Kang Garden Phase III	R	83,318	70%
Chateau Regalia Beijing	R	121,505	100%
Jinan Sunshine Garden Phase I	R	25,806	65%
Tianjin New World Garden Phase I	R	22,862	60%
Wuhan Menghu Garden Phase IA	R	12,098	100%
Shenyang New World Garden Phase IC (Area D)	R	98,023	90%
Guangzhou Xintang New World Garden	R	19,504	60%
Shunde New World Convention & Exhibition Centre Phase II	R	20,527	35%
Huiyang Palm Island Golf Resort Phase I &II	R	27,482	34%
Total		431,125	

R : Residential

C : Commercial

O : Office

Faced with the pressure of increasing supply and continuing challenging and competitive environment, the Group was able to cope with this stringent market condition with its competitive pricing strategy, unique-branded quality products and superior property management services. To minimize the negative disruption from the SARS outbreak, we swiftly re-launched a number of marketing campaigns in August 2003 to catch up the delay in our sales plan. They were organised mainly for launches of the first phases of several sizable projects in Guangzhou and Beijing and also for presales of some projects to be completed in the second half of financial year 2004. With this strong effort to regain our sales momentum, we incurred inevitably higher selling and marketing expenses comparing to last period. Coupled with proven benefits from the campaigns and the unexpected quick turnaround in market sentiment after SARS, we were able to catch an unplanned golden opportunity to raise selling prices of some of our property units. This earlier recovery indicated that the negative impact of SARS outbreak proved to have been temporary. This picked-up market forces has been especially prevailing in Guangzhou.

In the second half of FY2004, the Group will complete 10 projects in 6 cities with a total GFA of 627,854 sq.m.. Of the projects to be completed in FY2004, almost 40% of the launched area was pre-sold as of February 2004.

Development projects to be completed in the second half of FY2004

Projects	Usage	Total GFA (sq. m.)	NWCL's interest
Beijing Xin Yu Garden Block 3 & 4	R, C, O	71,814	70%
Tianjin New World Garden Phase II	R, C	79,531	60%
Dalian Manhattan Tower II	R	37,109	88%
Dalian New World Plaza Remaining Phases	O	15,218	88%
Nanjing New World Centre	R	68,701	92%
Guangzhou New World Oriental Garden Phase I	R	115,587	100%
Guangzhou Central Park-view Phase I	R, C	171,011	91%
Guangzhou Covent Garden Phase II	R	25,786	60%
Guangzhou Xintang New World Garden	R	30,217	60%
Huiyang Palm Island Golf Resort Phase III	R	12,880	34%
Total		627,854	

Rental operation

The Group continued to place emphasis in building up strong rental base and achieved the completion of over 110,000 sq.m. of investment properties during the period, being the completion of remaining units of an office premise located in a prime location of Shanghai city centre. The Group immediately secured successful leasing of these office units and had posted positive contributions to AOP.

Investment property completed during the first half of FY2004

Projects	Usage	Total GFA (sq. m.)	NWCL's interest
Shanghai Hong Kong New World Tower remaining portion	C, O	110,049	44%

Hotel operation

During the first half of the financial year 2004, a new four-star hotel located in Changning District, Shanghai with 860 rooms and GFA of 52,000 sq.m. was completed and added to the Group's hotel portfolio. The hotel was officially opened in late September with satisfactory occupancy during the initial launch period.

The Group was not able to achieve higher AOP from hotel operations during this interim period despite the increase in hotel room capacity. The expected disappointing performance was the direct result of adverse impact from SARS outbreak at the beginning of the interim period. With the SARS effect fading away in the later months of the interim period, the hotel occupancy had been gradually restored to steady level in our hotels in Beijing and Shunde. The AOP also could not smoothly rebound as a result of downward adjustments of room rates in Shenyang and Beijing with immense competition from the hotels in close proximity.

Provisions

During the current period, no further provisions on the Group's completed property units and properties under development were required. A total of HK\$57,316,000 of provision made in previous year was written back during this period since the current selling prices of these projects are higher than their carrying costs.

Finance costs — project loans

During this interim period, borrowing costs increased to HK\$47,961,000 following higher level of development completions and the cessation of further capitalization of interest costs into future phases of some sizable projects in Beijing, Shanghai and Guangzhou.

LIQUIDITY AND CAPITAL RESOURCES

As at 31st December 2003, the Group's cash and bank deposits amounted to HK\$917 million (30th June 2003: HK\$1,330 million). Its consolidated net debt amounted to HK\$5,102 million (30th June 2003: HK\$5,122 million), translating into a gearing ratio of 32% (30th June 2003: 32%). The Group's financing requirement matches with the development pace and bear no direct connection to any seasonality factors.

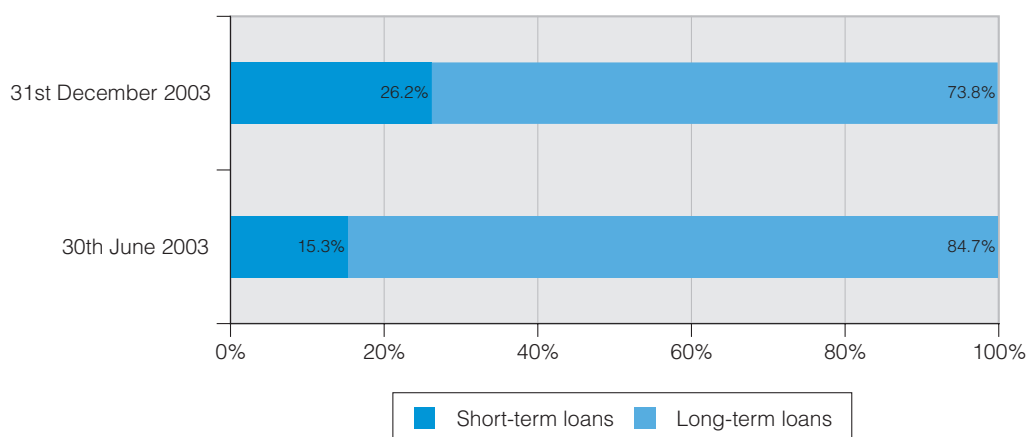
The Group maintained a balanced debt profile with adequate risk diversification through specifying the preferred mix of fixed and floating rate debt, the permitted currency exposure and a well-balanced spread of maturity. The Group's capital structure strikes a balance between equity, bank loans, loans from fellow subsidiaries and loans from minority shareholders of certain subsidiaries of the Group. The Group policy is to leverage funding by straight debts rather than quasi-debt financial instruments and to borrow in local currencies where possible. The proportion of bank loans denominated in Renminbi that the Group has procured directly in Mainland China are continuously being increased to mitigate the foreign currency exposure of the Group.

The amount of debt due within the 12 months to December 2004 amounts to HK\$1,574 million, which should be served by our cash on hand of HK\$917 million and by improved property sales proceeds and rental income.

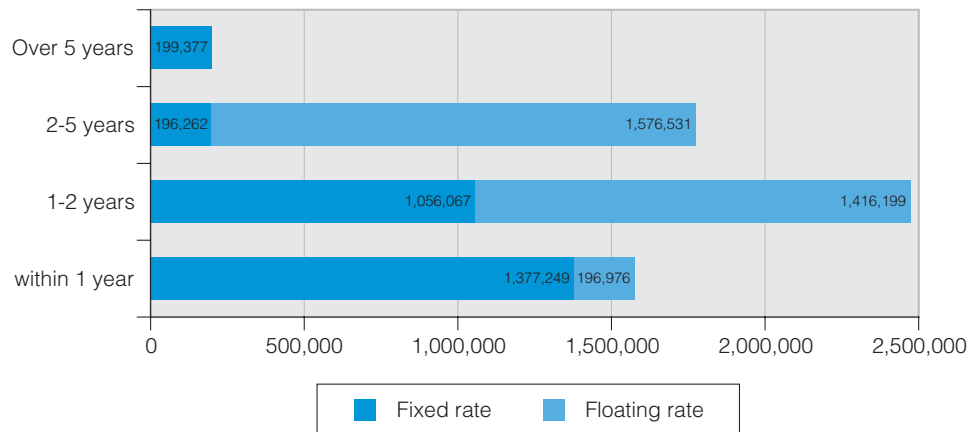
As at 31st December 2003, 24% (30th June 2003: 28%) of the total outstanding loans was secured by the Group's assets.

Over 53% (30th June 2003: 44%) of the Group's total debts are on a floating rate basis, whilst fixed rate borrowings are mainly related to the Renminbi loan facilities. As at 31st December 2003, the Group's committed unutilised bank loan facilities amounted to HK\$717 million (30th June 2003: HK\$734 million).

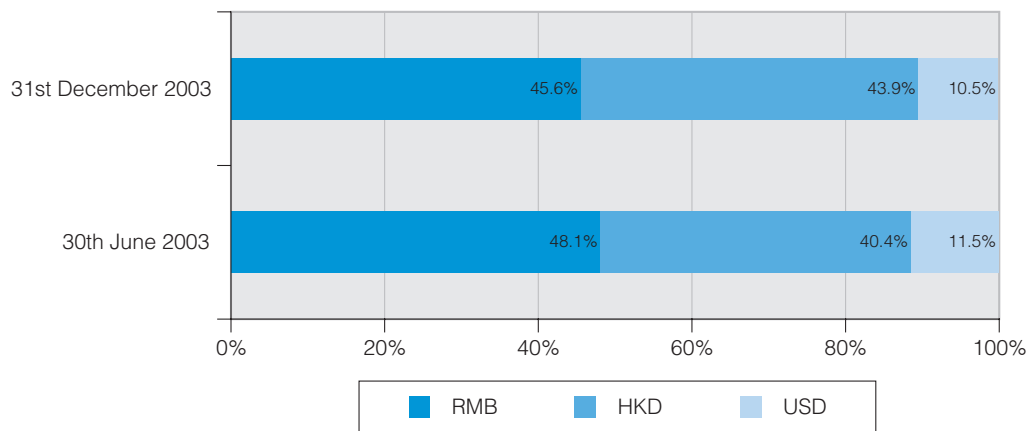
Source of borrowing



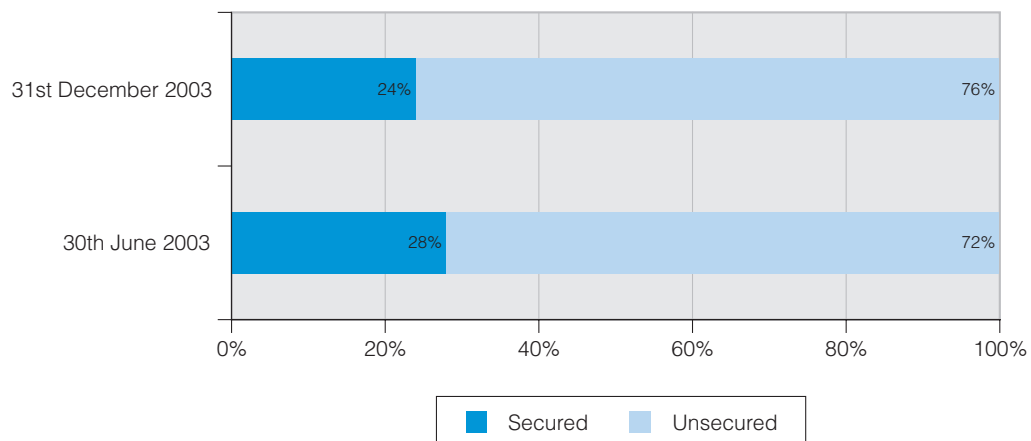
Interest rate and Maturity Profile (As at 31st December 2003)



Currency Profile of Borrowing



Nature of debt



Foreign currency exposure

The Group's property projects are all located in Mainland China. Funding for their development is inevitably achieved by cross-border investments through numerous Sino-foreign owned joint ventures in the form of registered capital injected into these joint ventures and shareholder's loan advances. As a result of this locality restriction, the return of such funding is either through repayment of shareholders' advance, interest costs or cash dividend. The funding made from Hong Kong to Mainland China is all denominated in either US dollars or Hong Kong dollars and this quasi-capital investment funding is legally required to go through the registration process in Foreign Exchange Bureaus in China before being converted to Renminbi for funding the development costs. The return of these fundings out of China has to be made in the same original currency remitted from Hong Kong and has to go through the releasing registration procedures. Hence the Group is effectively not exposed to foreign currency risk on return of our investments. Owing to the unique nature of China's foreign currency control system, and our Group's view on the foreseeable continuity of the Hong Kong Dollar peg, the exposure of foreign currency fluctuation is not regarded as substantial. The Group has hence conducted minimal hedging activities.

CONTINGENT LIABILITIES

As at 31st December 2003, the Group has contingent liabilities of approximately HK\$2,351,894,000 (30th June 2003: HK\$2,068,623,000) 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.

MAJOR ACQUISITION AND DISPOSAL

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

OUTLOOK

In 2003, the GDP of Mainland China increased by 9.1%, the record-high figure since 1997. With the Central Government predicting the GDP growth to be 7% in 2004, we expect the domestic housing demand will continue to be robust, especially the residential segment.

The new lending guidelines released on 26th February 2004 by the China Banking Regulatory Commission for public comments were only one of the measures from the Central Government to support the long-term healthy growth of the property market in Mainland China. We are of the opinion that there will be minimal effect to the Group.

For FY2004, we expect to complete over one million sq.m., representing over 40% increase from the completion of 717,600 sq.m. in FY2003. We expect to accelerate the completion in the future years.

Directors' interests in securities

As at 31st December 2003, 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 2003
	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. Chan Kam-ling	100,000	—	—	100,000	0.01
Mr. Chow Kwai-cheung	126	—	—	126	—
Mr. Fong Shing-kwong, Michael	200,000	—	—	200,000	0.01
Mr. Tien Pei-chun, James	—	—	770,000 ^(note 1)	770,000	0.05
New World Development Company Limited					
(Ordinary shares of HK\$1 each)					
Mr. Leung Chi-kin, Stewart	23,253	—	—	23,253	0.001
Mr. Chan Kam-ling	96,669	—	—	96,669	0.004
Mr. Chow Kwai-cheung	20,818	—	—	20,818	0.001
Mr. Chow Yu-chun, Alexander	250,000	—	—	250,000	0.010
New World TMT Limited (formerly known as New World Infrastructure 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 2)	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				Percentage to the relevant issued/ registered capital as at
	Personal interests	Family interests	Corporate interests	Total	31st December 2003
NWS Holdings Limited					
(Ordinary shares of HK\$1 each)					
Dr. Cheng Kar-shun, Henry	—	587,000	—	587,000	0.03
Mr. Doo Wai-hoi, William	—	—	492,000 ^(note 2)	492,000	0.03
Mr. Cheng Kar-shing, Peter	—	—	2,989,700 ^(note 3)	2,989,700	0.17
Mr. Leung Chi-kin, Stewart	3,724,630	—	221,607 ^(note 4)	3,946,237	0.22
Mr. Chan Kam-ling	3,991	—	10,254,321 ^(note 5)	10,258,312	0.58
Mr. Chow Kwai-cheung	2,264,652	—	—	2,264,652	0.13
Mr. Chow Yu-chun, Alexander	2,457,652	—	—	2,457,652	0.14
Mr. Chan Wing-tak, Douglas	410,900	—	—	410,900	0.02
Mr. Fong Shing-kwong, Michael	1,864,040	—	—	1,864,040	0.10
Dragon Fortune Limited					
(Ordinary shares of US\$1 each)					
Mr. Cheng Kar-shing, Peter	—	—	15,869 ^(note 6)	15,869	27.41
Faith Yard Property Limited					
(Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	1 ^(note 2)	1	50.00
Fortune Star Worldwide Limited					
(Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	60 ^(note 2)	60	60.00
Fung Seng Estate Development (Shanghai) Co., Ltd.					
(Registered capital in US\$)					
Mr. Doo Wai-hoi, William	—	—	3,000,000 ^(note 7)	3,000,000	30.00
Grand Make International Limited					
(Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	10 ^(note 2)	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 2003
	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. Chan Kam-ling	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
Nanjing New World Chang Jiang Equipment Co. Ltd.					
(Registered capital in RMB)					
Mr. Doo Wai-hoi, William	—	—	5,357,275 ^(note 2)	5,357,275	21.18
Nanjing Xinlidao Property Development Limited					
(Registered capital in HK\$)					
Mr. Doo Wai-hoi, William	—	—	21,000,000 ^(note 2)	21,000,000	35.00
Ramada Property Ltd.					
(Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	200 ^(note 2)	200	20.00
Shanghai Juyi Real Estate Development Co., Ltd.					
(Registered capital in US\$)					
Mr. Doo Wai-hoi, William	—	—	105,000,000 ^(note 7)	105,000,000	30.00
Shanghai Trio Property Development Co. Ltd.					
(Registered capital in US\$)					
Mr. Doo Wai-hoi, William	—	—	28,350,000 ^(note 8)	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 9)	3,650,000	45.63
Sun Legend Investments Limited					
(Ordinary shares of HK\$1 each)					
Mr. Cheng Kar-shing, Peter	—	—	500 ^(note 10)	500	50.00

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital as at 31st December 2003
	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 11)	3,600,000	60.00
Zhaoqing New World Property Management Limited (Registered capital in HK\$) Mr. Doo Wai-hoi, William	—	—	300,000 ^(note 11)	300,000	60.00

Notes:

- (1) These shares are beneficially owned by a company of which Mr. Tien Pei-chun, James has an indirect interest of 59.15%.
- (2) These shares are beneficially owned by companies wholly-owned by Mr. Doo Wai-hoi, William.
- (3) These shares are beneficially owned by a company wholly-owned by Mr. Cheng Kar-shing, Peter.
- (4) These shares are beneficially owned by a company of which Mr. Leung Chi-kin, Stewart has a direct interest of 55%.
- (5) These shares are beneficially owned by a company of which Mr. Chan Kam-ling owns an interest of 50%.
- (6) 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.
- (7) These represent the participating interests held by a company wholly-owned by Mr. Doo Wai-hoi, William.
- (8) 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.
- (9) These shares are held by a company of which Mr. Cheng Kar-shing, Peter owned an indirect interest of 48.18%.
- (10) Mr. Cheng Kar-shing, Peter is deemed to be interested in the shares of Sun Legend Investments Limited by virtue of his interest in Sun City.
- (11) 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 subscription price per share of HK\$1.955	
			Balance as at 1st July 2003	Balance as at 31st December 2003
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	2,500,000
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. Chan Kam-ling	9th February 2001	10th March 2002 to 9th March 2006 ^(note 2)	400,000	400,000
Mr. Chow Kwai-cheung	9th February 2001	10th March 2001 to 9th March 2006	500,000	500,000
Mr. Chan Wing-tak, Douglas	12th February 2001	13th March 2001 to 12th March 2006	500,000	500,000
Mr. Fong Shing-kwong, Michael	17th February 2001	18th March 2002 to 17th March 2006 ^(note 2)	800,000	800,000
Total			15,500,000	15,500,000

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 note (2).
- (2) The share options are 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 on the respective commencement dates of the exercisable period.
- (3) The cash consideration paid by each director for each grant of the share options is HK\$10.

No share option of the Company was exercised by the above directors for the period ended 31st December 2003.

(2) *New World TMT Limited*

Under the share option scheme of a fellow subsidiary, New World TMT Limited ("NWTMT"), (formerly known as New World Infrastructure Limited) adopted on 3rd October 1997, the following directors of the Company, who are also directors of NWTMT, were granted share options to subscribe for shares in NWTMT and accordingly, they are regarded as interested in the underlying shares of NWTMT. Details of the share options of NWTMT granted to them are as follows:

Name of director	Date of grant	Number of share options outstanding at 31st December 2003 with exercise price per share of	
		HK\$10.20 ^(note 1)	HK\$12.00 ^(note 2)
Dr. Cheng Kar-shun, Henry	2nd December 1998	600,000	2,400,000
Mr. Chan Wing-tak, Douglas	26th November 1998	320,000	1,280,000
Mr. Fu Sze-shing	23rd September 1999	240,000 ^(note 3)	960,000 ^(note 4)

Notes:

- (1) Exercisable from 1st July 1999 to 1st June 2004, unless otherwise stated.
- (2) Divided into 3 tranches exercisable from 1st July 2000, 2001 and 2002 to 1st June 2004 respectively, unless otherwise stated.
- (3) Exercisable from 1st July 2000 to 1st June 2005.
- (4) Divided into 3 tranches exercisable from 1st July 2001, 2002 and 2003 to 1st June 2005 respectively.

The cash consideration paid by each director for each grant of the share options is HK\$10. No share option has been exercised by the directors under the share option scheme of NWTMT for the period ended 31st December 2003.

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	Number of share options outstanding at 31st December 2003 with exercise price per share of	
		HK\$6.93 ^(note 1)	HK\$3.725 ^(note 2)
Dr. Cheng Kar-shun, Henry	21st July 2003	—	3,000,000
Mr. Doo Wai-hoi, William	21st July 2003	—	2,000,000
Mr. Cheng Kar-shing, Peter	21st July 2003	—	500,000
Mr. Leung Chi-kin, Stewart	21st July 2003	—	200,000
Mr. Chan Kam-ling	21st July 2003	—	2,000,000
Mr. Chow Yu-chun, Alexander	21st July 2003	—	200,000
Mr. Chan Wing-tak, Douglas	11th May 1999	1,000,000	—
Mr. Fong Shing-kwong, Michael	21st July 2003	—	500,000
Mr. Cheng Wai-chee, Christopher	21st July 2003	—	600,000

Notes:

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

No share option has been exercised by the directors under the share option schemes of NWS for the period ended 31st December 2003.

(C) Long position in debentures

The following director of the Company has interests in the debentures issued by New World Capital Finance Limited, a fellow-subsiary of the Company, detailed as follows:

Name of director	Amount of debentures		Percentage to the total debentures in issue as at	
	Interest as founder of discretionary trust	Family interests	Total	31st December 2003
Mr. Cheng Wai-chee, Christopher	US\$ 9,200,000 ^(note 1)	US\$ 200,000 ^(note 2)	US\$ 9,400,000	2.73

Notes:

- (1) These debentures are convertible into 2,898,522 shares of HK\$1 each of New World Development Company Limited, representing approximately 0.12% of its issued share capital as at 31st December 2003, for the period from 9th August 1999 to 9th May 2004.
- (2) These debentures are convertible into 63,010 shares of HK\$1 each of New World Development Company Limited, representing approximately 0.003% of its issued share capital as at 31st December 2003, for the period from 9th August 1999 to 9th May 2004.

Save as disclosed above, as at 31st December 2003, none of the directors, chief executive or any of their associates had or deemed to have any interests 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 Companies.

Substantial shareholders' interests in shares

As at 31st December 2003, 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 2003
	Beneficial interest	Corporate interest	Total	
Chow Tai Fook Enterprises Limited ^{note 1}	—	1,050,768,800	1,050,768,800	70.86
New World Development Company Limited ("NWD") ^{note 2}	1,011,714,293	39,054,507	1,050,768,800	70.86
Oaktree Capital Management, LLC ("OCM") ^{note 3}	—	104,177,800	104,177,800	7.03
OCM Emerging Markets Fund, LP ("EMF")	104,177,800	—	104,177,800	7.03

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.
- (3) OCM is the general partner of EMF and is holding 1% interest in EMF. OCM is deemed to be interested in the shares held by EMF.

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 2003.

Share option schemes

On 18th December 2000, the Company adopted a share option scheme ("2000 Share Option Scheme") pursuant to which employees, including directors of the Company and/or its subsidiaries (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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 the six months ended 31st December 2003, 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.
- (B) Movement of share options to employees was as follows:

Under the 2000 Share Option Scheme

Date of grant	Number of share options				Outstanding as at 31st December 2003	Subscription price per share HK\$
	Balance as at 1st July 2003	Granted during the period	Exercised during the period (note 3)	Lapsed during the period		
5th February 2001 to 2nd March 2001	29,373,600	—	(393,600)	(1,498,000)	27,482,000	1.955
2nd May 2001 to 29th May 2001	458,400	—	—	—	458,400	2.605
29th June 2001 to 26th July 2001	2,328,000	—	—	(18,000)	2,310,000	3.192
31st August 2001 to 27th September 2001	2,130,000	—	—	(679,600)	1,450,400	2.380
26th March 2002 to 22nd April 2002	1,543,200	—	—	(554,000)	989,200	2.265
Total	35,833,200	—	(393,600)	(2,749,600)	32,690,000	

Share option schemes (continued)

Under the 2002 Share Option Scheme

Date of grant	Number of share options				Outstanding as at 31st December 2003	Subscription price per share HK\$
	Balance as at 1st July 2003	Granted during the period (note 2)	Exercised during the period (note 4)	Lapsed during the period		
3rd January 2003 to 30th January 2003	1,344,000	—	(171,600)	—	1,172,400	1.33
12th May 2003 to 6th June 2003	2,214,400	—	(370,000)	(210,000)	1,634,400	1.00
28th October 2003 to 22nd November 2003	—	265,600	—	—	265,600	1.81
Total	3,558,400	265,600	(541,600)	(210,000)	3,072,400	

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).
- (2) The closing price per share immediately before 28th October 2003, the date of grant, was HK\$1.78.
- (3) 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\$2.13.
- (4) 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\$1.95.

The fair value of the share options granted during the period with subscription price per share of HK\$1.81 is estimated at HK\$1.16 using the Black-Scholes option pricing model. Value is estimated based on the risk-free rate of 0.29% per annum with reference to the rate prevailing on the Exchange Fund Notes, a one-year period historical volatility of 0.8, 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 period 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

FINANCIAL SECTION

Consolidated Profit and Loss Account

For the six months ended 31st December 2003

		Unaudited	
		6 months ended 31st December	
	Note	2003	2002
		HK\$'000	(restated) HK\$'000
Turnover	2	914,395	378,362
Cost of sales		(730,164)	(289,834)
Gross profit		184,231	88,528
Other revenue	3	5,124	3,494
Other income	4	59,344	36,355
Selling expenses		(76,964)	(14,388)
Administrative expenses		(36,398)	(20,157)
Other operating expenses		(93,577)	(87,445)
Operating profit before financing	5	41,760	6,387
Finance costs		(37,054)	(12,794)
Share of results of			
Associated companies		9,014	789
Jointly controlled entities		5,754	22,086
Profit before taxation		19,474	16,468
Taxation	6	(12,343)	(16,307)
Profit after taxation		7,131	161
Minority interests		9,083	11,753
Profit attributable to shareholders		16,214	11,914
Earnings per share	8		
Basic		1.09 cents	0.80 cents

Consolidated Balance Sheet

As at 31st December 2003

	Note	Unaudited As at 31st December 2003 HK\$'000	(restated) Audited As at 30th June 2003 HK\$'000
Fixed assets		4,738,703	4,442,443
Properties held for development		4,075,234	3,743,306
Associated companies		1,205,220	1,198,248
Jointly controlled entities		10,231,780	8,706,406
Other investments	9	143,925	1,758,573
Deferred tax assets		2,976	2,932
Other non-current assets		47,710	50,293
Total non-current assets		20,445,548	19,902,201
Current assets			
Debtors, deposits and other receivables	10	699,147	454,400
Properties under development		1,608,881	2,556,235
Completed properties held for sale		1,371,610	454,329
Cash and bank balances		869,491	1,283,427
		4,549,129	4,748,391
Current liabilities			
Creditors and accruals	11	869,654	531,936
Deposits received on sale of properties		743,193	405,059
Amounts due to fellow subsidiaries		397,532	306,597
Short term bank loans			
Secured		214,953	481,308
Unsecured		203,394	564,691
Current portion of bank and other borrowings	14	1,155,878	1,418,479
Taxes payable		110,684	106,299
		3,695,288	3,814,369
Net current assets		853,841	934,022
Employment of funds		21,299,389	20,836,223
Financed by:			
Share capital	12	148,288	148,194
Reserves	13	15,880,780	15,854,487
Shareholders' funds		16,029,068	16,002,681
Bank and other borrowings	14	4,444,435	3,987,493
Deferred income		350,698	355,658
Deferred tax liabilities		126,347	110,097
Minority interests and loans from minority shareholders	15	348,841	380,294
Funds employed		21,299,389	20,836,223

Condensed Consolidated Cash Flow Statement

For the six months ended 31st December 2003

	Unaudited 6 months ended 31st December	
	2003 HK\$'000	2002 HK\$'000
Net cash from/(used in) operating activities	369,632	(717,268)
Net cash used in investing activities	(245,618)	(332,573)
Net cash (used in)/from financing activities	(196,012)	1,132,299
(Decrease)/increase in cash and bank balances	(71,998)	82,458
Cash and bank balances at beginning of the period	902,570	847,844
Cash and bank balances at end of the period	830,572	930,302
Analysis of balances of cash and cash equivalents		
Cash and bank balances — unrestricted	830,572	930,302

Consolidated Statement of Changes in Equity

For the six months ended 31st December 2003

	Unaudited	
	6 months ended 31st December	
	2003	2002
	HK\$'000	HK\$'000
Total equity at 1st July, as previously reported	16,191,163	17,881,500
Changes in accounting policy in respect of deferred taxation	(188,482)	(170,732)
Total equity at 1st July, as restated	16,002,681	17,710,768
Exchange differences arising on translation of subsidiaries, associated companies and joint ventures not recognised in the profit and loss account	3,290	1,051
Release of goodwill	6,647	—
Release of investment properties revaluation reserve	(1,133)	—
Profit for the period	16,214	11,914
Dividend paid	—	(29,639)
Premium on issue of shares	1,275	78
Issue of shares	94	4
At 31st December	16,029,068	17,694,176

NOTES TO THE ACCOUNTS

1. Principal accounting policies

The unaudited interim financial statements have been prepared in accordance with Statement of Standard Accounting Practices (“SSAP”) 25 “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants (“HKSA”) and Appendix 16 of the Listing Rules of the Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with accounting principles adopted in the preparation of the Group’s annual financial statements for the year ended 30th June 2003 except that the Group has changed certain of its accounting policy following its adoption of the new SSAP 12 “Income taxes” issued by the HKSA which become effective for accounting periods commencing on or after 1st January 2003. The changes to the Group’s accounting policy and the effect of adoption is set out below:

Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In previous years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively such that the comparatives presented have been restated to conform to the changed policy.

Accordingly, the opening retained profit at 1st July 2002 and 2003 have been reduced by HK\$19,427,000 and HK\$13,961,000, respectively, which represent the unprovided deferred tax liabilities. This change has resulted in an increase in net deferred tax liabilities at 30th June 2003 by HK\$107,165,000. The profit for the six months ended 31st December 2002 have been reduced by HK\$5,154,000.

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 sales of properties, income from rental and hotel operations, property management services income, project management fee income and interest income in respect of loan financing provided to associated companies and joint ventures, net of withholding tax.

	6 months ended 31st December	
	2003 HK\$'000	2002 HK\$'000
Sales of properties	772,658	273,346
Rental income	57,839	51,094
Property management services fee income	9,989	10,928
Project management fee income	4,629	6,616
Income from hotel operation	56,397	—
	901,512	341,984
Interest income less withholding tax	12,883	36,378
	914,395	378,362

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

No geographical segment analysis is presented as the majority of the assets and 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 2003	Property	Rental	Property		Other	Total
	sales	operation	Hotel	management	operations	
	HK\$'000	HK\$'000	operation	operation	HK\$'000	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

6 months ended 31st December 2002 (restated)	Property	Rental	Hotel	Other	Total
	sales	operation	operation	operations	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenues	310,359	50,554	5,981	11,468	378,362
Segment results	12,889	46,055	5,065	(10,221)	53,788
Bank and other interest income					3,494
Net gain on disposal of other investments					3,650
Corporate administrative expenses					(54,545)
Operating profit before financing					6,387
Finance costs					(12,794)
Share of results of					
Associated companies	(1,264)	357	1,696	—	789
Jointly controlled entities	(5,724)	20,838	4,298	2,674	22,086
Profit before taxation					16,468
Taxation					(16,307)
Profit after taxation					161
Minority interests					11,753
Profit attributable to shareholders					11,914

3. Other revenue

6 months ended 31st December		
	2003 HK\$'000	2002 HK\$'000
Bank and other interest income	5,124	3,494

4. Other income/(charges)

6 months ended 31st December		
	2003 HK\$'000	2002 HK\$'000
Write-back of provision for diminution in values of properties held for sale	44,135	3,813
Write-back of provision for amounts due from joint ventures	15,124	35,294
Profit on disposal of a jointly controlled entity	6,770	—
Provision for amounts due from a joint venture	(2,575)	(3,704)
Loss on disposal of a subsidiary	(4,110)	—
Profit on disposal of other investments	—	3,650
Provision for diminution in value of completed properties held for sale	—	(2,698)
	59,344	36,355

5. Operating profit before financing

	6 months ended 31st December	
	2003 HK\$'000	2002 HK\$'000
Operating profit before financing is arrived at after crediting:		
Gross rental income from investment properties	33,494	41,923
and after charging:		
Cost of properties sold	656,217	271,559
Staff costs	55,241	46,908
Depreciation	26,867	12,303
Rental for leased premises	19,949	6,398
Outgoings in respect of investment properties	11,204	26,087
Amortisation of deferred expenditure	4,180	2,645
Retirement benefits costs	1,785	1,944
Auditors' remuneration	1,600	1,600

6. Taxation

	6 months ended 31st December	
	2003 HK\$'000	(restated) 2002 HK\$'000
PRC income tax — deferred		
Company and subsidiaries	16,950	8,189
Associated companies	1,809	(232)
Jointly controlled entities	(6,416)	8,350
	12,343	16,307

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 (2002: 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 jointly controlled entities established in the PRC are required to pay income tax at the rate of 33% (2002: 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 (2002: Nil).

7. Dividend

The directors do not declare the payment of a dividend for the six months ended 31st December 2003 (2002: Nil).

8. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$16,214,000 (2002: HK\$11,914,000) and the weighted average of 1,482,555,348 shares (2002: 1,481,941,068 shares) in issue during the period.

Diluted earnings per share is not presented as the exercise of subscription right attached to the share options would have no dilutive effect on the earnings per share.

9. Other investments

Certain other investments are reclassified as jointly controlled entities during the period upon the change of the term of profit sharing in these entities.

10. 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 2003 HK\$000	As at 30th June 2003 HK\$000
0 to 30 days	79,513	40,519
31 to 60 days	43,015	6,491
61 to 90 days	20,911	8,656
Over 90 days	61,134	11,353
	204,573	67,019

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.

11. 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 2003 HK\$'000	As at 30th June 2003 HK\$'000
0 to 30 days	378,808	81,367
31 to 60 days	2,668	1,413
61 to 90 days	90,898	6
Over 90 days	180,260	305,254
	652,634	388,040

12. Share capital

	As at 31st December 2003 HK\$'000	As at 30th June 2003 HK\$'000
Authorised: 8,000,000,000 shares of HK\$0.1 each	800,000	800,000
Issued and fully paid: 1,482,879,494 shares of HK\$0.1 each (30th June 2003: 1,481,944,294 shares of HK\$0.1 each)	148,288	148,194

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 30th June 2003	1,481,944,294	148,194
Exercise of share options (note)	935,200	94
At 31st December 2003	1,482,879,494	148,288

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 2003 are as follows:

Date of offer to grant	Exercise price per share HK\$	Number of shares				At 31st December 2003
		At 1st July 2003	Granted during the period (note)	Exercised during the period	Lapsed during the period	
5th February 2001	1.955	44,873,600	—	(393,600)	(1,498,000)	42,982,000
2nd May 2001	2.605	458,400	—	—	—	458,400
29th June 2001	3.192	2,328,000	—	—	(18,000)	2,310,000
31st August 2001	2.380	2,130,000	—	—	(679,600)	1,450,400
26th March 2002	2.265	1,543,200	—	—	(554,000)	989,200
3rd January 2003	1.330	1,344,000	—	(171,600)	—	1,172,400
12th May 2003	1.000	2,214,400	—	(370,000)	(210,000)	1,634,400
28th October 2003	1.810	—	265,600	—	—	265,600
		54,891,600	265,600	(935,200)	(2,959,600)	51,262,400

Note: 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.

13. Reserves

	Contributed surplus HK\$'000	Share premium HK\$'000	Investment properties revaluation reserve HK\$'000	Hotel properties revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profit/(accumulated loss) HK\$'000	Total HK\$'000
As at 30th June 2002, as previously reported	14,751,973	1,282,308	516,996	6,912	19,437	1,155,684	17,733,310
Change in accounting policy in respect of deferred taxation	—	—	(151,305)	—	—	(19,427)	(170,732)
As at 30th June 2002, as restated	14,751,973	1,282,308	365,691	6,912	19,437	1,136,257	17,562,578
Profit for the period as restated	—	—	—	—	—	11,914	11,914
2002 final dividend paid	(29,639)	—	—	—	—	—	(29,639)
Premium on issue of shares	—	78	—	—	—	—	78
Translation difference	—	—	—	—	1,051	—	1,051
As at 31st December 2002	14,722,334	1,282,386	365,691	6,912	20,488	1,148,171	17,545,982
As at 30th June 2003, as previously reported	14,722,334	1,282,386	581,159	—	12,434	(555,344)	16,042,969
Change in accounting policy in respect of deferred taxation	—	—	(174,521)	—	—	(13,961)	(188,482)
As at 30th June 2003, as restated	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)	—	—	(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

14. Bank and other borrowings

	As at 31st December 2003 HK\$'000	As at 30th June 2003 HK\$'000
Bank loans (note (i))		
Secured	1,249,307	1,450,254
Unsecured	1,161,300	1,471,553
Loans from fellow subsidiaries (note (ii))	3,189,706	2,484,165
	5,600,313	5,405,972
Current portion included in current liabilities	(1,155,878)	(1,418,479)
	4,444,435	3,987,493

Notes:

- (i) The bank loans are repayable as follows:

	Secured		Unsecured		Total	
	31st December 2003 HK\$'000	30th June 2003 HK\$'000	31st December 2003 HK\$'000	30th June 2003 HK\$'000	31st December 2003 HK\$'000	30th June 2003 HK\$'000
Within one year	587,321	410,691	371,580	816,776	958,901	1,227,467
Between one and two years	387,843	710,903	668,224	421,132	1,056,067	1,132,035
Between two and five years	74,766	116,822	121,496	233,645	196,262	350,467
After five years	199,377	211,838	—	—	199,377	211,838
	1,249,307	1,450,254	1,161,300	1,471,553	2,410,607	2,921,807

Included in the total bank loan balance is an amount of HK\$323,988,000 (30th June 2003: HK\$336,449,000) which is wholly repayable by instalments up to December 2016 and has been on-lent to an associated company.

14. Bank and other borrowings (continued)

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

	As at 31st December 2003 HK\$'000	As at 30th June 2003 HK\$'000
Within one year	196,977	191,012
Between one and two years	1,416,198	768,858
Between two and five years	1,576,531	1,524,295
	3,189,706	2,484,165

The loans from fellow subsidiaries are unsecured and bear interest ranging from three months HIBOR to 0.5% above LIBOR.

15. Minority interests and loans from minority shareholders

	As at 31st December 2003 HK\$'000	(restated) As at 30th June 2003 HK\$'000
Minority interests	(47,249)	(15,719)
Loans from minority shareholders (note)	396,090	396,013
	348,841	380,294

Note: As at 31st December 2003, except for loans of HK\$39,453,000 (30th June 2003: HK\$39,376,000) which are unsecured, bear interest at 7.48% (30th June 2003: 7.48%) 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.

16. Contingent liabilities

The Group has contingent liabilities of approximately HK\$2,351,894,000 (30th June 2003: HK\$2,068,023,000) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities. As at 31st December 2003, 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\$1,647,434,000 (30th June 2003: HK\$1,464,162,000).

17. Commitments

(i) Capital expenditure commitments

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

	As at 31st December 2003 HK\$'000	As at 30th June 2003 HK\$'000
Contracted but not provided for Fixed assets	659,271	388,557
Authorised but not contracted for	—	—
	659,271	388,557

(b) The Group did not have any share of capital commitments of the jointly controlled entities themselves not included in (a) above (30th June 2003: Nil).

(ii) Other commitments

As at 31st December 2003, the Group had issued performance guarantees amounting to HK\$325,257,000 (30th June 2003: HK\$382,347,000) in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of property projects developed by subsidiaries 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.

18. Related party transactions

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:

(i)	6 months ended 31st December	
	2003 HK\$'000	2002 HK\$'000
Interest on loans from fellow subsidiaries	10,451	24,685
Rental for leased premises to a fellow subsidiary	2,394	2,508
Rental for leased premises to an associated company	14,486	14,486
Interest income from jointly controlled entities	(8,497)	(36,378)
Estate management fee income from a fellow subsidiary and jointly controlled entities	(4,441)	(2,585)
Rental income from fellow subsidiaries	(24,912)	(5,607)
Rental income from an associated company	(2,804)	(3,095)

These related party transactions were governed in accordance with the terms as disclosed in 2003 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\$184,617,000 (2002: HK\$80,352,000). 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).

Practice Note 19 of the Listing Rules — Supplementary Information

(A) Financial assistance and guarantees to affiliated companies

In accordance with the requirements under paragraph 3.3 of Practice Note 19 (“PN 19”) of the Listing Rules, the directors of the Company reported below the details of advances to, and guarantees given for the benefit of, their affiliated companies (as defined by PN 19).

As at 31st December 2003, the Company and its subsidiaries had advanced an aggregate amount of HK\$7,780,139,000 (30th June 2003: HK\$7,847,201,000) to affiliated companies, guaranteed bank loans and other borrowing facilities for the benefit of the affiliated companies in the amount of HK\$2,351,894,000 (30th June 2003: HK\$2,068,623,000) and contracted to further provide an aggregate amount of HK\$1,289,961,000 (30th June 2003: HK\$1,337,372,000) in capital and loans to affiliated companies. The advances are unsecured and interest free except for an aggregate amount of HK\$6,154,244,000 (30th June 2003: HK\$6,236,782,000) which carry interest ranging from 1.5% above HIBOR to 12% per annum (30th June 2003: 1.5% above HIBOR to 12% per annum). Other than the amounts of HK\$19,626,000 (30th June 2003: HK\$19,626,000) and HK\$304,362,000 (30th June 2003: HK\$336,449,000) which are repayable within one year and repayable after five years respectively, 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 paragraph 3.10 of PN 19, the Company is required to include in its interim report a proforma 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 proforma combined balance sheet and such information may be misleading. Pursuant to PN 19 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 2003, the Group’s total exposure on the combined indebtedness reported by such affiliated companies (including amounts owing to the Group) amounted to approximately HK\$13,916,721,000 (30th June 2003: HK\$13,356,749,000). Such affiliated companies reported no capital commitments and contingent liabilities as at 31st December 2003 (30th June 2003: Nil).

(B) Banking facilities with covenants relating to specific performance of the controlling shareholder

In accordance with the requirements under paragraph 3.9 of PN 19 of the Listing Rules, the directors of the Company reported below the details of loan facilities which include conditions relating to specific performance of the controlling shareholder of the Company.

On 9th May 2002, the Company was granted a 4-year term loan facility of up to HK\$500,000,000 and on 16th July 2002, Guangzhou Xin Yi Development Limited (“Xin Yi”), a 90.5% owned subsidiary, was granted a 4-year term loan facility of up to HK\$171,600,000 and a revolving loan facility of up to RMB228,250,000. Upon the

Practice Note 19 of the Listing Rules — Supplementary Information (continued)

(B) Banking facilities with covenants relating to specific performance of the controlling shareholder (continued)

granting of each of these loan facilities, the Company undertook to the respective lender that NWD would retain a holding of at least 51% beneficial interest in the issued share capital of the Company throughout the term of the facility. Failure to perform the undertaking which continues for a period of 14 days following the date of notice given by the lender will constitute an event of default.

As at 31st December 2003, the aforesaid loan facilities to the Company and Xin Yi were fully repaid.

Details of the charges on Group's assets

As at 31st December 2003, the Group's investment properties, hotel properties, assets under construction, properties held for development, completed properties held for sales, properties held under development and bank deposits of HK\$293,210,000 (30th June 2003: HK\$297,862,000), HK\$140,663,000 (30th June 2003: Nil), HK\$497,675,000 (30th June 2003: HK\$910,412,000), HK\$42,056,000 (30th June 2003: HK\$91,215,000), HK\$848,212,000 (30th June 2003: HK\$116,642,000), HK\$Nil (30th June 2003: HK\$808,478,000) and HK\$47,045,000 (30th June 2003: HK\$389,333,000) respectively have been pledged as securities for short term and long term loans.

Audit committee

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 HKSA.

Employee's information

As at 31st December 2003, the Group had 1,808 full-time employees. Remuneration of the employees are reviewed annually based on the assessment of individual performance.

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.

Code of best practice

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the year, 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.

On behalf of the Board
Dr. Cheng Kar-shun, Henry
Chairman and Managing Director

Hong Kong, 18th March 2004