



# New World China Land Limited

## 新世界中國地產有限公司

(incorporated in the Cayman Islands with limited liability)

(Hong Kong stock code: 0917)

### Interim Results Announcement 2003/2004

## RESULTS

The directors of New World China Land Limited (the “Company”) announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31st December 2003:

	Note	Unaudited 6 months ended 31st December	
		2003 HK\$'000	2002 (Restated) HK\$'000
Turnover	2	914,395	378,362
Cost of sales		(730,164)	(289,834)
Gross profit		184,231	88,528
Other revenue		5,124	3,494
Other income	3	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	4	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	5	(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	7		
Basic		1.09 cents	0.80 cents

## 1. Basis of preparation

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 the 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 policies following its adoption of the new SSAP 12 “Income Taxes” issued by the HKSA which become effective for accounting period commencing on or after 1st January 2003. The changes to the Group’s accounting policy and the effect of adoption are 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 the 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 differences can be controlled and it is probable that the temporary differences 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.

The interim financial results, which are unaudited, have been reviewed by the audit committee. At the request of directors, the Group’s external auditors have carried out a review of these interim financial statements in accordance with the Statement of Auditing Standards 700 issued by the HKSA.

## 2. Turnover and segment information

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

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 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.

	Property sales HK\$'000	Rental operation HK\$'000	Hotel operation HK\$'000	Property management operation HK\$'000	Other operations HK\$'000	Total HK\$'000
6 months ended 31st December 2003						
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

	Property sales HK\$'000	Rental operation HK\$'000	Hotel operation HK\$'000	Other operations HK\$'000	Total HK\$'000
6 months ended 31st December 2002 (Restated)					
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 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 joint ventures	(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

### 4. Operating profit before financing

	6 months ended 31st December	
	2003 HK\$'000	2002 HK\$'000
Operating profit before financing is arrived at after charging:		
Cost of properties sold	656,217	271,559
Staff costs	55,241	46,908
Depreciation	26,867	12,303
Amortisation of deferred expenditure	4,180	2,645

## 5. Taxation

	6 months ended 31st December	
	2003	2002 (Restated)
	HK\$'000	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
	<u>12,343</u>	<u>16,307</u>

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

## 6. Dividend

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

## 7. 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 share options would not have dilutive effect on the earnings per share.

## 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.

### Analysis of attributable operating profit (“AOP”)

	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 also attributable to improved sales margins of both inventory and newly completed projects as compared with that of interim FY2003's.

## 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 Phase II	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%
<b>Total</b>		<b>431,125</b>	

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. Coupled with proven benefits from the campaigns and the unexpected quick turnaround in market sentiment after SARS, we were also able to catch an unplanned golden opportunity to raise selling prices of some of our property units. 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%
<b>Total</b>		<b>627,854</b>	

## 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 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

Project	Usage	Total GFA (sq. m.)	NWCL's interest
Shanghai Hong Kong New World Tower	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. It 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 other 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 were written back during this period since the improved 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 completion and the cessation of further capitalisation of interest costs into future phases of certain sizable projects in Beijing, Shanghai and Guangzhou.

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## **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 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 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, the Group's committed unutilised bank loan facilities amounted to HK\$717 million (30th June 2003: HK\$734 million).

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## **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.

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## **MAJOR ACQUISITION AND DISPOSAL**

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

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## **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 sale, 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.

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## **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. Share options, as part of basic remuneration package, have also been offered to all employees to strengthen loyalty to the Group.

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## **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 26 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.

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## **PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE EXCHANGE'S WEBSITE**

A detailed results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange of Hong Kong Limited.

**Dr. Cheng Kar-shun, Henry**  
**Chairman and Managing Director**

Hong Kong, 18th March 2004

*Please also refer to the published version of this announcement in the (South China Morning Post)*