



# New World China Land Limited

## 新世界中國地產有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 0917)

### ANNUAL RESULTS ANNOUNCEMENT 2005/2006

#### RESULTS

The directors of New World China Land Limited (“the Company”) announce the audited results of the Company and its subsidiaries (“the Group”) for the year ended 30th June 2006:

#### Consolidated Income Statement

		(Restated)	
		Year ended 30th June	
	Note	2006 HK\$'000	2005 HK\$'000
Turnover	3	<b>1,691,320</b>	1,618,023
Cost of sales		<b>(1,162,175)</b>	(1,181,078)
Gross profit		<b>529,145</b>	436,945
Other gains, net	4	<b>296,478</b>	197,066
Increase in fair value of investment properties		<b>348,926</b>	–
Selling expenses		<b>(80,331)</b>	(68,674)
Administrative expenses		<b>(43,683)</b>	(34,396)
Other operating expenses		<b>(343,846)</b>	(325,766)
Operating profit before financing	5	<b>706,689</b>	205,175
Finance costs		<b>(187,275)</b>	(97,636)
Share of results of			
Associated companies		<b>121,921</b>	42,945
Jointly controlled entities		<b>305,349</b>	61,074
Profit before taxation		<b>946,684</b>	211,558
Taxation charge	6	<b>(190,266)</b>	(44,976)
Profit for the year		<b>756,418</b>	166,582
Attributable to:			
Equity holders of the Company		<b>740,512</b>	166,025
Minority interests		<b>15,906</b>	557
		<b>756,418</b>	166,582
Dividend, final of HK\$0.04 (2005: HK\$0.03) per share	7	<b>153,103</b>	113,236
Earnings per share	8		
Basic		<b>19.50 cents</b>	8.38 cents
Diluted		<b>19.48 cents</b>	8.30 cents

## Consolidated Balance Sheet

	Note	As at 30th June 2006 HK\$'000	(Restated) As at 30th June 2005 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		943,200	1,398,250
Investment properties		4,371,152	2,886,030
Land use rights		319,790	416,066
Goodwill		73,720	–
Properties held for development		4,243,616	3,918,668
Associated companies		1,598,564	1,527,193
Jointly controlled entities		10,377,155	9,936,477
Other investments		–	115,876
Cash and bank balances, restricted		121,041	166,896
		<b>22,048,238</b>	<b>20,365,456</b>
<b>Current assets</b>			
Hotel inventories		1,117	1,392
Debtors, deposits and other receivables	9	2,905,135	838,547
Amounts due from group companies		97,578	31,234
Properties under development		4,927,245	2,614,492
Completed properties held for sale		1,291,986	1,567,735
Cash and bank balances, restricted		368,630	650,621
Cash and bank balances, unrestricted		2,362,227	5,534,354
		<b>11,953,918</b>	<b>11,238,375</b>
<b>Total assets</b>		<b>34,002,156</b>	<b>31,603,831</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		382,578	376,825
Reserves		23,499,334	22,634,855
Proposed final dividend		153,103	113,236
		<b>24,035,015</b>	<b>23,124,916</b>
<b>Minority interests</b>		<b>176,681</b>	<b>(17,051)</b>
<b>Total equity</b>		<b>24,211,696</b>	<b>23,107,865</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long term borrowings		4,813,143	4,073,027
Long term payable		124,279	196,350
Deferred tax liabilities		507,152	311,712
		<b>5,444,574</b>	<b>4,581,089</b>

<b>Current liabilities</b>			
Creditors and accruals	10	1,342,327	1,124,247
Deposits received on sale of properties		862,040	387,107
Amounts due to group companies		328,746	481,991
Short term bank loans		371,742	567,153
Current portion of long term borrowings		911,341	810,394
Current portion of long term payable		77,757	72,440
Amounts due to minority shareholders		313,526	368,092
Taxes payable		138,407	103,453
		<b>4,345,886</b>	<b>3,914,877</b>
<b>Total liabilities</b>			
		<b>9,790,460</b>	<b>8,495,966</b>
<b>Total equity and liabilities</b>			
		<b>34,002,156</b>	<b>31,603,831</b>
<b>Net current assets</b>			
		<b>7,608,032</b>	<b>7,323,498</b>
<b>Total assets less current liabilities</b>			
		<b>29,656,270</b>	<b>27,688,954</b>

Notes:

**1. Basis of preparation**

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements are prepared under the historical cost convention, as modified by the revaluation of investment properties.

**2. Change in accounting policies**

For the year ended 30th June 2005, the Group early adopted HKFRS 3 “Business combinations”, Hong Kong Accounting Standard (“HKAS”) 36 “Impairment of assets” and HKAS 38 “Intangible assets”. With effect from 1st July 2005, the Group adopted all the remaining new and revised HKFRS that are currently in issue and effective for the accounting periods commencing on or after 1st January 2005 and also early adopted the amendment to HKAS 21 “The effects of changes in foreign exchange rates – Net investment in a foreign operation” which is effective for the accounting periods commencing on or after 1st January 2006.

The following is a summary of the material changes in the principal accounting policies or presentation of consolidated financial statements as a result of the adoption of those new or revised HKFRS.

(i) *HKAS 1 Presentation of financial statements*

The adoption of HKAS 1 has affected the presentation of minority interests, share of net after-tax results of jointly controlled entities and associated companies and other disclosures.

(ii) *HKAS 17 Leases*

The adoption of HKAS 17 has resulted in change in accounting policy relating to the reclassification of land use rights from property, plant and equipment to operating leases. The upfront prepayments made for land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement.

In respect of property held for/under development, the amortisation of land use rights is included as part of the costs of the property under development in the course of property development. In all other cases, the amortisation charge is recognised in the income statement.

In previous years, land use rights were accounted for at cost or fair value less accumulated depreciation and impairment. This change in accounting policy has been applied retrospectively.

(iii) *HKAS 32 Financial instruments: Disclosures and presentation*  
*HKAS 39 Financial instruments: Recognition and measurement*

The adoption of HKAS 32 and 39 has resulted in a change in the accounting policy relating to the classification and measurement of loans and receivables and available-for-sale investment. HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis.

(iv) *HKAS 40 Investment properties*

The adoption of HKAS 40 has resulted in a change in accounting policy in which the changes in fair value of investment properties are recognised in the income statement.

In previous years, increases in valuation of investment properties were credited to the investment properties revaluation reserve; decreases were first set off against earlier revaluation surpluses on a portfolio basis and thereafter charged to the income statement.

The Group has applied the relevant transitional provisions under HKAS 40 and elected to apply HKAS 40 from 1st July 2005 onwards. As a result, investment property revaluation reserve as at 1st July 2005 has been transferred to the revenue reserve. Comparative information has not been restated.

In addition, HKAS 40 has removed the 15% benchmark for determining the significance of the portion of property held for own use. Accordingly, the property held for own use, previously recognised as investment properties, has been classified as property, plant and equipment and land use rights under HKAS 16 "Property, plant and equipment" and HKAS 17 "Leases" respectively. This change in accounting policy has been applied retrospectively.

(v) *HK – Int 2 The appropriate accounting policies for hotel properties*

Hong Kong Interpretation 2 requires owner-operated hotel properties to be classified as property, plant and equipment in accordance with HKAS 16. The Group has adopted the cost model and the change in accounting policy has been applied retrospectively. The land portion is accounted for in accordance with HKAS 17.

In previous years, hotel properties were stated at their open market value based on an annual professional valuation at the balance sheet date. No depreciation was provided on hotel properties held on leases of more than 20 years. Increases in valuation of hotel properties were credited to the hotel properties revaluation reserve; decreases were first set off against earlier revaluation surpluses and thereafter charged to the income statement.

(vi) *HK (SIC) – Int 21 Income taxes – Recovery of revalued non-depreciated assets*

The adoption of Hong Kong (SIC) Interpretation 21 has resulted in a change in accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from the recovery of the carrying amount of that asset through use. In previous years, the carrying amount of that asset was expected to be recovered through sale.

(vii) *HKFRS 2 Share-based payments*

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 30th June 2005, the provision of share options to employees did not result in an expense in the income statement. Effective on 1st July 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options which were granted after 7th November 2002 and had not yet vested on 1st July 2005 was expensed retrospectively in the income statement of the respective periods.

Summary of the effects of changes in accounting policies

(i) The effects on opening balances of total equity at 1st July 2005 and 1st July 2004 are as follows:

	Attributable to equity holders of the Company				Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
	Investment properties revaluation reserve HK\$'000	Hotel properties revaluation reserve HK\$'000	Share option reserve HK\$'000	Revenue reserve HK\$'000			
At 1st July 2005							
- HKAS 17	-	-	-	(19,143)	(19,143)	(980)	(20,123)
- HKAS 39	-	-	-	(2,559)	(2,559)	-	(2,559)
- HKAS 40	(928,503)	-	-	906,572	(21,931)	(1,032)	(22,963)
- HKFRS 2	-	-	2,625	(2,625)	-	-	-
- HK-INT 2 & HKAS 16	26,246	(19,054)	-	(117,964)	(110,772)	(36,116)	(146,888)
<b>Increase/(decrease) in equity</b>	<b>(902,257)</b>	<b>(19,054)</b>	<b>2,625</b>	<b>764,281</b>	<b>(154,405)</b>	<b>(38,128)</b>	<b>(192,533)</b>
At 1st July 2004							
- HKAS 17	-	-	-	(24,292)	(24,292)	(1,680)	(25,972)
- HKAS 40	-	-	-	(12,452)	(12,452)	(893)	(13,345)
- HKFRS 2	-	-	571	(571)	-	-	-
- HK-INT 2 & HKAS 16	-	-	-	(62,218)	(62,218)	(6,673)	(68,891)
<b>Increase/(decrease) in equity</b>	<b>-</b>	<b>-</b>	<b>571</b>	<b>(99,533)</b>	<b>(98,962)</b>	<b>(9,246)</b>	<b>(108,208)</b>

(ii) The estimated effects of the changes in the accounting policies on the results for the year ended 30th June 2006 are as follows:

	Increase/(decrease) in profit for the year Effect of adopting HKAS 40 & HK(SIC) HK - INT 2 & HKAS 16						Total HK\$'000
	HKAS 1 HK\$'000	HKAS 17 HK\$'000	HKAS 39 HK\$'000	-Int 21 HK\$'000	HK - INT 2 & HKAS 16 HK\$'000	HKFRS 2 HK\$'000	
Turnover	-	-	-	-	-	-	-
Cost of sales	-	3,676	-	-	(436)	-	3,240
Gross profit	-	3,676	-	-	(436)	-	3,240
Other gains, net	-	-	1,603	-	-	-	1,603
Increase in fair value of investment properties	-	-	-	348,926	-	-	348,926
Selling expenses	-	-	-	-	-	-	-
Administrative expenses	-	-	-	-	-	(4,200)	(4,200)
Other operating expenses	-	(1,522)	-	(1,557)	(60,941)	-	(64,020)
Operating profit before financing	-	2,154	1,603	347,369	(61,377)	(4,200)	285,549
Finance costs	-	-	-	-	-	-	-
Share of results of							
Associated companies	(73,565)	18	-	83,096	(5,057)	-	4,492
Jointly controlled entities	(91,913)	(280)	345	82,461	(8,470)	-	(17,857)
Profit before taxation	(165,478)	1,892	1,948	512,926	(74,904)	(4,200)	272,184
Taxation charge	165,478	-	-	(128,592)	-	-	36,886
<b>Profit for the year</b>	<b>-</b>	<b>1,892</b>	<b>1,948</b>	<b>384,334</b>	<b>(74,904)</b>	<b>(4,200)</b>	<b>309,070</b>
Attributable to:							
Equity holders of the Company	-	1,612	1,948	376,524	(60,849)	(4,200)	315,035
Minority interests	-	280	-	7,810	(14,055)	-	(5,965)
	-	1,892	1,948	384,334	(74,904)	(4,200)	309,070
Earnings per share (HK cents)							
Basic	-	0.04	0.05	9.91	(1.60)	(0.11)	8.29
Diluted	-	0.04	0.05	9.90	(1.60)	(0.11)	8.28

The effects of the changes in the accounting policies on the results for the year ended 30th June 2005 are as follows:

	Increase/(decrease) in profit for the year Effect of adopting					Total HK\$'000
	HKAS 1 HK\$'000	HKAS 17 HK\$'000	HKAS 40 HK\$'000	HK - INT 2 & HKAS 16 HK\$'000	HKFRS 2 HK\$'000	
Turnover	-	-	-	-	-	-
Cost of sales	-	6,213	-	(708)	-	5,505
Gross profit	-	6,213	-	(708)	-	5,505
Other gains, net	-	-	-	-	-	-
Selling expenses	-	-	-	-	-	-
Administrative expenses	-	-	-	-	(2,054)	(2,054)
Other operating expenses	-	(1,359)	(2,076)	(59,389)	-	(62,824)
Operating profit before financing	-	4,854	(2,076)	(60,097)	(2,054)	(59,373)
Finance costs	-	-	-	-	-	-
Share of results of						
Associated companies	(9,061)	16	(64)	(6,434)	-	(15,543)
Jointly controlled entities	(20,844)	647	(867)	(8,396)	-	(29,460)
Profit before taxation	(29,905)	5,517	(3,007)	(74,927)	(2,054)	(104,376)
Taxation charge	29,905	-	-	-	-	29,905
Profit for the year	-	5,517	(3,007)	(74,927)	(2,054)	(74,471)
Attributable to:						
Equity holders of the Company	-	5,149	(2,868)	(55,746)	(2,054)	(55,519)
Minority interests	-	368	(139)	(19,181)	-	(18,952)
	-	5,517	(3,007)	(74,927)	(2,054)	(74,471)
Earnings per share (HK cents)						
Basic	-	0.26	(0.15)	(2.81)	(0.10)	(2.80)
Diluted	-	0.26	(0.15)	(2.79)	(0.10)	(2.78)

### 3. Turnover and segment information

The Group is principally engaged in investment and development of property projects in the People's Republic of China ("PRC"). Turnover comprises gross proceeds from sale of properties, revenue from rental and hotel operations, property management services fee income and project management fee income.

	Year ended 30th June	
	2006 HK\$'000	2005 HK\$'000
Sale of properties	1,231,136	1,244,647
Rental income	240,174	190,961
Income from hotel operation	189,677	165,668
Property management services fee income	27,610	16,451
Project management fee income	2,723	296
	1,691,320	1,618,023

The Group is organised into four main business segments, comprising property sales, rental operation, hotel operation and property management services. There is no other significant identifiable separate business segment. Segment assets consist primarily of investment properties, property, plant and equipment, land use rights, properties held for/under development, debtors, deposits and other receivables and completed properties held for sale. Segment liabilities comprise mainly creditors and accruals, bank and other loans and other payable.

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

Year ended 30th June 2006	Property sales HK\$'000	Rental operation HK\$'000	Hotel operation HK\$'000	Property management services HK\$'000	Other operations HK\$'000	Total HK\$'000
Segment revenues	1,233,859	256,561	189,677	11,223	–	1,691,320
Segment results	387,705	365,233	17,825	(2,410)	(12)	768,341
Bank and other interest income						111,844
Corporate expenses						(173,496)
Operating profit before financing						706,689
Finance costs						(187,275)
Share of results of						
Associated companies	(2,198)	122,974	2,082	(937)	–	121,921
Jointly controlled entities	125,673	184,213	(3,240)	731	(2,028)	305,349
Profit before taxation						946,684
Taxation charge						(190,266)
Profit for the year						756,418
Capital expenditure	234,435	209,578	20,373	626	1,026	466,038
Depreciation and amortisation	16,403	36,696	62,955	677	1,551	118,282
Provision for/(write back of provision for) amounts due to jointly controlled entities, associated companies and an investee company	(57,525)	1,653	–	–	–	(55,872)
Provision for properties	2,664	–	–	–	–	2,664
Impairment of goodwill	–	8,629	18,326	–	–	26,955

  

As at 30th June 2006	Property sales HK\$'000	Rental operation HK\$'000	Hotel operation HK\$'000	Property management services HK\$'000	Other operations HK\$'000	Total HK\$'000
Segment assets	15,157,755	4,877,082	960,077	55,040	6,839	21,056,793
Associated companies and jointly controlled entities	5,836,334	5,783,071	351,587	(7,898)	12,625	11,975,719
Unallocated assets						969,644
Total assets						34,002,156
Segment liabilities	5,071,960	1,093,364	915,398	31,142	3,193	7,115,057
Unallocated liabilities						2,675,403
Total liabilities						9,790,460

Year ended 30th June 2005 (Restated)	Property sales HK\$'000	Rental operation HK\$'000	Hotel operation HK\$'000	Property management services HK\$'000	Other operations HK\$'000	Total HK\$'000
Segment revenues	1,244,943	186,147	180,125	6,808	–	1,618,023
Segment results	251,723	32,315	(17,696)	(348)	(1,922)	264,072
Bank and other interest income						50,464
Corporate expenses						(109,361)
Operating profit before financing						205,175
Finance costs						(97,636)
Share of results of						
Associated companies	5,466	41,551	(3,244)	(828)	–	42,945
Jointly controlled entities	(5,991)	73,561	(4,746)	(1,844)	94	61,074
Profit before taxation						211,558
Taxation charge						(44,976)
Profit for the year						166,582
Capital expenditure	3,870	93,040	20,997	1,217	2,250	121,374
Depreciation and amortisation	12,978	24,661	61,973	561	2,379	102,552
Provision for/(write back of provision for) amount due from jointly controlled entities, associated companies and an investee company	(55,255)	1,994	(5,315)	–	–	(58,576)
Write back of provision for properties	(9,000)	–	–	–	–	(9,000)
Impairment loss on property, plant and equipment	–	–	6,154	–	–	6,154
As at 30th June 2005 (Restated)	Property sales HK\$'000	Rental operation HK\$'000	Hotel operation HK\$'000	Property management services HK\$'000	Other operations HK\$'000	Total HK\$'000
Segment assets	10,220,324	3,550,533	964,597	27,546	4,878	14,767,878
Associated companies and jointly controlled entities	5,961,915	5,139,407	362,807	(10,611)	10,152	11,463,670
Unallocated assets						5,372,283
Total assets						31,603,831
Segment liabilities	4,523,988	1,883,189	874,086	18,461	5,490	7,305,214
Unallocated liabilities						1,190,752
Total liabilities						8,495,966



#### 4. Other gains, net

	(Restated)	
	Year ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
Bank and other interest income	155,345	90,115
Write back of provision for amount due from an investee company	60,545	66,632
Excess of fair value of net assets acquired over cost of acquisition of interests in subsidiaries and jointly controlled entities	135,513	46,853
Impairment of goodwill	(26,955)	–
Loss on disposal of a subsidiary	(6,411)	–
Tax indemnity from the ultimate holding company	34,773	–
Net foreign exchange losses	(48,995)	(1,324)
(Provision for)/write back of provision for properties under development and completed properties held for sale	(2,664)	9,000
Write back of provision for amount due by an associated company	–	5,315
Impairment loss on property, plant and equipment	–	(6,154)
Provision for investments in/amounts due by jointly controlled entities	(4,673)	(13,371)
	<b>296,478</b>	<b>197,066</b>

#### 5. Operating profit before financing

	(Restated)	
	Year ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
Operating profit before financing is arrived at after charging:		
Cost of properties sold	921,229	972,875
Depreciation of property, plant and equipment and amortisation of land use rights	118,282	102,552

#### 6. Taxation charge

	(Restated)	
	Year ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
PRC income tax – current	102,522	16
PRC income tax – deferred		
Origination and reversal of temporary differences	(40,848)	44,960
Revaluation of investment properties	128,592	–
	<b>190,266</b>	<b>44,976</b>

Share of taxation of associated companies and jointly controlled entities for the year ended 30th June 2006 are HK\$73,565,000 (2005: HK\$9,061,000) and HK\$91,913,000 (2005: HK\$20,844,000) respectively are included in the income statement as share of results of associated companies and jointly controlled entities.

#### 7. Dividend

The directors recommended the payment of a final dividend of HK\$0.04 per share for year ended 30th June 2006 (2005: HK\$0.03).

#### 8. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$740,512,000 (2005 restated: HK\$166,025,000) and weighted average of 3,797,947,714 shares (2005: 1,980,770,048 shares) in issue during the year.

Diluted earnings per share is based on profit attributable to shareholders of HK\$740,512,000 (2005 restated: HK\$166,025,000) divided by 3,801,355,330 (2005: 1,999,832,094) shares which is the weighted average number of shares in issue of 3,797,947,714 (2005: 1,980,770,048) shares plus the weighted average of 3,407,616 (2005: 19,062,046) potential shares deemed to be issued at no consideration assuming all outstanding share options had been exercised.

## 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 and proposed development projects. The ageing analysis of trade debtors is as follows:

	As at 30th June 2006 HK\$'000	As at 30th June 2005 HK\$'000
0 to 30 days	74,265	111,234
31 to 60 days	28,318	11,175
61 to 90 days	50,296	5,737
Over 90 days	59,329	67,779
	<b>212,208</b>	<b>195,925</b>

Sale 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 30th June 2006 HK\$'000	As at 30th June 2005 HK\$'000
0 to 30 days	257,390	232,733
31 to 60 days	96,282	23,212
61 to 90 days	41,472	88,074
Over 90 days	270,757	382,301
	<b>665,901</b>	<b>726,320</b>

## POST BALANCE SHEET EVENT

On 11th September 2006, the Company entered into a participation agreement with a fellow subsidiary and the ultimate holding company whereby the Company agreed the participation of the fellow subsidiary in 50% of the total interest in the property projects undertaken by several subsidiaries of the Group. The fellow subsidiary agreed to share 50% of the costs payable by the Group in connection with the property projects totalling approximately HK\$5,910 million. The participation agreement is conditional upon the approval by the independent shareholders of the Company.

## BUSINESS REVIEW

The Group has recorded a profit of HK\$741 million in FY2006, up 346% year-on-year. All three major operations, namely property sale, rental operation and hotel operation, achieved significant growth in AOP.

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

	(Restated)	
	Year ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
Property sale	224,853	167,211
Rental operation	249,596	150,650
Hotel operation	23,298	(34,843)
Property management services	(2,111)	(3,033)
Others	(2,027)	(1,575)
AOP before provisions and finance costs	493,609	278,410
Increase in fair value of investment properties	373,199	–
Excess of fair value of net assets acquired over cost of acquisition of interest in subsidiaries and jointly controlled entities	135,513	46,853
Provisions written back	47,569	93,970
Provisions	(7,018)	(54,956)
Tax indemnity	34,773	–
Impairment of goodwill	(26,955)	–
Finance costs – project loans	(157,246)	(108,106)
AOP	893,444	256,171
Finance costs – corporate loans	(91,280)	(31,249)
Corporate administrative expenses	(111,481)	(109,157)
Net foreign exchange losses	(62,015)	(204)
Bank and other interest income	111,844	50,464
Attributable profit to shareholders	740,512	166,025

### Property sale

In FY2006, the Group has completed 707,043 sq.m. GFA, up 12% year-on-year, in five regions: Beijing, Guangzhou, Wuhan, Nanjing and Pearl River Delta.

During the year under review, 765,774 sq.m. GFA were sold to generate approximately HK\$4.2 billion gross sale proceeds. The total GFA sold in FY2006 was slightly increased compared to FY2005. Over 80% of the development properties completed during FY2006 were sold. The total inventory as at 30 June 2006 amounted to 384,796 sq.m. GFA.

With the increase in both completion and sales volume, the Group was able to achieve improvement in AOP. The average gross profit margin was maintained at steady level.

Development projects completed in FY2006	Usage	Total GFA (sq.m.)	NWCL's interest
Beijing Xin Cheng Commercial Building (北京新成文化大廈)	C, O	36,692	70%
Beijing Xin Yi Garden Phase I (北京新怡家園一期)	R, C, O	115,821	70%
Beijing New View Garden Phase II (北京新景家園二期)	R, C, O	94,453	70%
Wuhan Changqing Garden Phase VIA (武漢常青花園六期A)	R, C	67,111	60%
Wuhan Menghu Garden Phase IIA (武漢夢湖香郡二期A)	R	23,671	70%
Wuhan Xin Hua Garden Phase III (武漢新華家園三期)	R, C	85,562	60%
Nanjing New World Centre Phase II (南京新世界中心二期)	R	72,124	92%
Guangzhou Park Paradise Phase IIC (廣州嶺南新世界二期C)	R	90,722	60%
Guangzhou Park Paradise Phase IIB2 (廣州嶺南新世界二期B2)	R	6,789	100%
Guangzhou Covent Garden Phase IIB (廣州逸彩庭園二期B)	R	40,234	60%
Guangzhou Xintang New World Garden Phase III (廣州新塘新世界花園三期)	R	70,354	60%
Shenzhen New World Yi Shan Garden Phase II (深圳新世界倚山花園二期)	R	3,510	90%
<b>Total</b>		<b>707,043</b>	

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

### Rental operation

The Group's investment property portfolio has been increased by 356,738 sq.m. GFA in FY2006, mainly from the completion of remaining floors of Wuhan New World Trade Tower I, service apartment and shopping mall of Guangzhou Central Park-view.

The rental operation has maintained a steady AOP contribution to the Group during the year under review. Capitalised on the buoyant rental market in Beijing, our major investment property, Beijing New World Centre, provided growing contributions to the Group. Riding on the continuous demand for office space in Shanghai, Shanghai Hong Kong New World Tower achieved a satisfactory growth in the contribution. Furthermore, Wuhan New World Trade Tower started to provide positive contribution to the Group.

Investment properties completed in FY2006	Usage	Total GFA (sq.m.)	NWCL's interest
Beijing Xin Cheng Commercial Building (北京新成文化大廈)	P	8,313	70%
Beijing Xin Kang Garden Phase III (北京新康家園三期)	C, O, P	13,123	70%
Beijing Xin Yi Garden Phase I (北京新怡家園一期)	P	33,487	70%
Beijing New View Garden Phase II (北京新景家園二期)	C, P	42,483	70%
Wuhan New World Trade Tower I (武漢新世界國貿大廈一座)	O	60,366	100%
Wuhan Changqing Garden Phase VIB (武漢常青花園六期B)	O, P	14,405	60%
Wuhan Xin Hua Garden Phase III (武漢新華家園三期)	P	11,952	60%
Nanjing New World Centre Phase II (南京新世界中心二期)	P	19,601	92%
Guangzhou Central Park-view Phase IIB (廣州凱旋新世界二期B)	R, C, P	97,607	91%
Guangzhou Park Paradise Phase IIC (廣州嶺南新世界二期C)	C, P	22,201	60%
Guangzhou Park Paradise Phase IIB2 (廣州嶺南新世界二期B2)	R	22,220	100%
Guangzhou Covent Garden Phase IIB (廣州逸彩庭園二期B)	P	4,914	60%
Guangzhou Xintang New World Garden Phase III (廣州新塘新世界花園三期)	C	2,967	60%
Shenzhen New World Yi Shan Garden Phase II (深圳新世界倚山花園二期)	C	3,099	90%
<b>Total</b>		<b>356,738</b>	

## Hotel operation

Our hotel portfolio currently comprises 4 hotels providing 1,790 guest rooms. During the year under review, the achieved average room rates of Courtyard by Marriott Beijing and the occupancy rate of New World Mayfair Hotel Shanghai were improved significantly.

Hotel portfolio	Number of rooms
Courtyard by Marriott Beijing (北京萬怡酒店)	293
New World 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
Courtyard by Marriott Shunde (順德新世界萬怡酒店)	376
<b>Total</b>	<b>1,790</b>

New World Hotel Shenyang has re-opened for business in September 2006. Two hotels in Wuhan and Dalian are under construction during the year under review. When all being completed in 2007, they will further enhance the Group's hotel portfolio.

## LIQUIDITY AND CAPITAL RESOURCES

As at 30th June 2006, the Group's cash and bank deposits amounted to HK\$2,851.9 million (30th June 2005: HK\$6,351.9 million). The drop in cash and bank deposits was mainly due to funding of increased working capital requirements in relation to the expanding land bank and property development portfolio to new regions including Chengdu, Changsha and Guiyang.

Gearing ratio as at 30th June 2006, calculated on the basis of net debts over total equity, increased moderately to 12.8% from zero at 30th June 2005. The Group's consolidated net debt as at 30th June 2006 amounted to HK\$3,098.4 million (30th June 2005: Nil).

The Group's bank and other borrowings as at 30th June 2006 totaling HK\$5,950.2 million (30th June 2005 restated: HK\$5,319.3 million) of which 22%, 14%, 62% and 2% are repayable respectively within one year, one to two years, two to five years and over five years. The Group's borrowings are principally arranged on floating rate basis.

As at 30th June 2006, the Group's committed unutilised bank loan facilities amounted to HK\$1,002.6 million (30th June 2005: HK\$462.1 million).

The capital expenditure commitments of the Group as at 30th June 2006 were HK\$781,459,000 (30th June 2005: HK\$153,895,000), of which HK\$673,459,000 were contracted but not provided for and HK\$108,000,000 were authorised but not provided for in the balance sheet. The Group did not have any share of capital commitments of the jointly controlled entities (30th June 2005: Nil). The source of funding for capital commitments are internally generated resources and bank loan facilities.

## CONTINGENT LIABILITIES

As at 30th June 2006, the Group has contingent liabilities of approximately HK\$1,279,322,000 (30th June 2005: HK\$2,057,808,000) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities. The drop in contingent liabilities reflects the Group's continuing effort to reduce reliance on debt generated from bank borrowings to finance its property projects.

As at 30th June 2006, the Group had issued performance guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of properties developed by certain subsidiaries of the Group amounted to HK\$407,066,000 (2005: HK\$388,535,000).

## **DETAILS OF THE CHARGES ON GROUP'S ASSETS**

As at 30th June 2006, the Group's property, plant and equipment, investment properties, land use rights, properties under development and bank deposits of HK\$534,049,000 (30th June 2005: HK\$588,792,000), HK\$1,651,688,000 (30th June 2005: HK\$767,186,000), HK\$139,900,000 (30th June 2005: HK\$137,472,000), HK\$53,577,000 (30th June 2005: HK\$328,425,000) and HK\$489,671,000 (30th June 2005: HK\$817,517,000) respectively have been pledged as securities for short term and long term loans. As at 30th June 2005, properties held for development of HK\$974,721,000 had been pledged as security for a short term loan. The short term loan was fully repaid during the year.

## **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 audited financial statements and discussed the financial related matters with management.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the Code of Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the year ended 30th June 2006, except for the following deviations:–

### **Code provision A.2.1**

The code provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Dr. Cheng Kar-shun, Henry acts as the Chairman and Managing Director of the Company. He is responsible for effective running of the board and formulating business strategies. He also provides leadership for effective running of the Company's business and implementing the policies devised by the board. The board believes that Dr. Cheng Kar-shun, Henry, in his dual capacity as the Chairman and Managing Director of the Company, can provide strong and consistent leadership for the development of the Group.

### **Code provision A.5.4**

The code provision A.5.4 provides that there should be written guidelines on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules for relevant employees in respect of their dealing in the securities of the issuer.

The Company has not established guideline for employees as required under this code provision, instead, the relevant provisions for insider dealing as set out in the Securities and Futures Ordinance have been included in the in-house "Human Resources & Administration Manual" so that the employees are reminded of their obligation under the Ordinance.

## **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 Transactions 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.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30th June 2006, the Group had 3,124 full-time employees. Total staff related costs incurred were HK\$141.5 million (2005 restated: HK\$129.7 million), of which retirement benefits was included. Remuneration of the employees is 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 year, the Group has acquired an effective interest of approximately 24.9% in Fortune Leader Overseas Chinese (Daiyawan) Real Estate Development Co. Ltd. (“Fortune Leader Real Estate”) and 4.9% in Fortune Leader Overseas Chinese (Daiyawan) Investment Co. Ltd (“Fortune Leader Investment”), for an aggregate consideration of approximately HK\$29.9 million. After the acquisitions, the Group effectively owns Fortune Leader Real Estate and Fortune Leader Investment as to approximately 59% and 39% respectively. Fortune Leader Real Estate is principally engaged in the development, sale and lease of residential properties in Palm Island Resort situated in Huiyang District, the PRC and Fortune Leader Investment is engaged in golf club operation of the Palm Island Resort.

On 20th March 2006, the Group acquired additional 65% of the equity interest and the related shareholder’s loan in Wing Shan International Country Club Co., Ltd. (“Wing Shan”), a 27.5% owned investee company of the Group, for a consideration of HK\$456.6 million. Wing Shan, through its subsidiaries, is principally engaged in property development and operation of a golf club in Foshan, the PRC.

On 15th May 2006, the Group acquired 60% of the equity interest in Chengdu Xinyi Real Estate Development Co. Ltd., which holds land use rights of a development project in Chengdu City, for an aggregate consideration of approximately HK\$480.8 million.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed shares.

## **OUTLOOK**

China achieved a GDP growth of 11.3% in the second quarter of 2006. The fastest growth in the last 12 years depicts the domestic economy in Mainland China still running at an enviable pace when compared with the rest of the World.

The resilient economic growth, stable increase of average income per capita and the expectation of Renminbi appreciation support the stable growth of real estate market in Mainland China. New World China Land (“NWCL”) is at the best position to take advantage of this market trend, given the Group’s strategic exposure in the downtown areas of key cities.

After several years of development, the China property market has evolved to a new stage. To be a successful property developer in this new era, one has to continuously pay attention to three aspects: land-reserving, execution and branding.

Land-reserving is to have the right size of land bank at the right locations. NWCL’s large land reserve is a definite asset to our operation, given the ever increasing land prices and difficulties in acquiring new pieces of land under the new land policy which had been in place since 31st August 2004. Recently, we have also started to expand our footprint to secondary cities which provide better margins.



Execution is to produce the right product to match the demand at the right time. NWCL develops wide ranges and types of properties to cater for varying demands on sizes and functions from different market segments. Our dedicated professionalism in our approach to projects and wide embracing experiences enable us to handle the stringent demand of multi-product lines with ease.

The Group plans to complete around one million sq.m. GFA of properties in FY2007. From July to September 2006, the Group sold and pre-sold 320,000 sq.m. GFA.

Properties to be completed in FY2007	Usage	Total GFA (sq.m.)	NWCL's interest
Beijing Xin Yi Garden Phase II (北京新怡家園二期)	R, C, P	76,669	70%
Beijing New View Garden Phase III (北京新景家園三期)	R, P	30,894	70%
Beijing Xin Yu Garden Phase II (北京新裕家園二期)	R, C, O, P	36,133	70%
Beijing Xin Kang Garden Phase III (北京新康家園三期)	R	6,790	70%
Tianjin Xin Chun Hua Yuan Phase III (天津新春花苑三期)	R	44,490	60%
Jinan Springs Plaza (濟南匯泉地王廣場)	C	20,893	51%
Wuhan New World Centre (武漢新世界中心)	R, C, O, P	239,479	100%
Wuhan Menghu Garden Phase III (武漢夢湖香郡三期)	R	26,663	70%
Wuhan Changqing Garden Phase VIB (武漢常青花園六期B)	R	61,237	60%
Nanjing New World Centre Phase II (南京新世界中心二期)	C	41,206	92%
Guangzhou Dong Yi Garden Phase IV (廣州東逸花園四期)	R	76,871	100%
Guangzhou Concord New World Garden Phase II (廣州協和•新世界二期)	R, C, P	52,657	40%
Guangzhou Park Paradise Phase IID2 (廣州嶺南新世界二期D2)	R, C, P	41,247	60%
Guangzhou Xintang New World Garden Phase IVA (廣州新塘新世界花園四期A)	R, C	34,925	60%
Huiyang Palm Island Resort Phase V (惠陽棕櫚島Resort五期)	R	27,912	59%
Zhuhai New World Riviera Garden Phase IIIA (珠海新世界海濱花園三期A)	R	35,188	100%
Haikou New World Garden Phase II (海口新世界花園二期)	R	77,716	60%
<b>Total</b>		<b>930,970</b>	

The 300,000 sq.m. Wuhan New World Centre at the bustling downtown commercial district will be completed in 2007. In addition, NWCL has two major projects in the pipeline. The first one is the 500,000 sq.m. Shanghai Hong Kong New World Garden located adjacent to the World Expo 2010 Shanghai China site. The second one is the 200,000 sq.m. Dalian New World Tower located in the downtown financial district of Dalian. NWCL will soon be running with full throttle.

Branding is to create an acquired response from a target audience based on cumulative impressions and positive reinforcement. Branding is no longer a fashion gimmick. It is also an important selection criterion for home buyers. New World China Land is now well-recognised by the local home buyers. NWCL has been certified and selected into the China's real estate company brand value research top ten list by the "China Real Estate Top 10 Research Team" for two consecutive years, and was awarded the "2006 Leading Company Brand in China Real Estate" this year. Meanwhile, NWCL was awarded "2006 China Blue Chip Real Estate Corporation" in September 2006. Recently, we have launched a re-branding exercise to strengthen the corporate's brand equity which is one of the key success factors for a national property developer.

A new series of macro control policies has been announced starting from May 2006. Again, like the measures introduced in the first quarter of 2005, we believe the aim of the central government is to curb the speculation and stabilise the price of the property market and direct the property market to a healthy and stable development in the long run. This is exactly what a long-term, committed developer like NWCL desires.

#### **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from 16th November 2006 to 21st November 2006 (both days inclusive). In order to establish entitlements to the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Standard Registrars Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 pm on 15th November 2006.

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

Hong Kong, 10th October 2006

*As at the date of this announcement, the Board of directors of the Company comprises: (1) Dr. Cheng Kar-shun, Henry, Messrs. Doo Wai-hoi, William, Cheng Kar-shing, Peter, Leung Chi-kin, Stewart, Chow Kwai-cheung, Chow Yu-chun, Alexander, Fong Shing-kwong, Michael, Ms. Ngan Man-ying, Lynda as executive directors; (2) Mr. Fu Sze-shing as non-executive director and (3) Messrs. Cheng Wai-chee, Christopher, Tien Pei-chun, James and Lee Luen-wai, John as independent non-executive directors.*

"Please also refer to the published version of this announcement in The Standard."