



# 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: 00917)

## ANNUAL RESULTS ANNOUNCEMENT 2006/2007

### 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 2007:

### Consolidated Income Statement

	Note	Year ended 30th June	
		2007	2006
		HK\$'000	HK\$'000
Revenue	2	2,474,238	1,691,320
Cost of sales		(1,627,044)	(1,162,175)
Gross profit		847,194	529,145
Other gains, net	3	703,080	296,478
Changes in fair value of investment properties		72,682	348,926
Selling expenses		(103,950)	(80,331)
Administrative expenses		(71,125)	(43,683)
Other operating expenses		(495,658)	(343,846)
Operating profit before finance costs	4	952,223	706,689
Finance costs		(230,790)	(187,275)
Share of results of			
Associated companies		141,133	121,921
Jointly controlled entities		452,276	305,349
Profit before taxation		1,314,842	946,684
Taxation charge	5	(132,054)	(190,266)
Profit for the year		1,182,788	756,418
Attributable to:			
Equity holders of the Company		1,191,444	740,512
Minority interests		(8,656)	15,906
		1,182,788	756,418
Dividends	6	306,566	153,116
Earnings per share	7		
Basic		31.12 cents	19.50 cents
Diluted		31.07 cents	19.48 cents
Final dividend per share	6	6.00 cents	4.00 cents

## Consolidated Balance Sheet

		As at 30th June 2007 HK\$'000	As at 30th June 2006 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		919,864	943,200
Investment properties		5,871,951	4,371,152
Land use rights		332,521	319,790
Goodwill		48,095	73,720
Properties held for development		7,852,456	4,243,616
Associated companies		1,746,047	1,598,564
Jointly controlled entities		10,484,071	10,377,155
Available-for-sale financial assets		71,427	-
Cash and bank balances, restricted		-	121,041
		<b>27,326,432</b>	<b>22,048,238</b>
<b>Current assets</b>			
Hotel inventories, at cost		833	1,117
Debtors, deposits and other receivables	8	3,870,289	2,905,135
Amounts due from group companies		146,544	97,578
Properties under development		4,133,351	4,927,245
Completed properties held for sale		1,240,554	1,291,986
Cash and bank balances, restricted		464,303	368,630
Cash and bank balances, unrestricted		5,931,761	2,362,227
		<b>15,787,635</b>	<b>11,953,918</b>
<b>Total assets</b>		<b>43,114,067</b>	<b>34,002,156</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		383,036	382,578
Reserves		25,616,877	23,499,334
Proposed final dividend		229,975	153,103
		<b>26,229,888</b>	<b>24,035,015</b>
<b>Minority interests</b>		<b>1,241,695</b>	<b>176,681</b>
<b>Total equity</b>		<b>27,471,583</b>	<b>24,211,696</b>

## Consolidated Balance Sheet (Continued)

		As at 30th June 2007 HK\$'000	As at 30th June 2006 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long term borrowings		9,797,465	4,813,143
Long term payable		-	124,279
Deferred tax liabilities		502,076	507,152
		<b>10,299,541</b>	<b>5,444,574</b>
<b>Current liabilities</b>			
Creditors and accruals	9	1,630,188	1,342,327
Deposits received on sale of properties		1,052,050	862,040
Amounts due to group companies		483,117	328,746
Short term bank loans		486,735	371,742
Current portion of long term borrowings		980,615	911,341
Current portion of long term payable		132,898	77,757
Amounts due to minority shareholders		302,284	313,526
Taxes payable		275,056	138,407
		<b>5,342,943</b>	<b>4,345,886</b>
<b>Total liabilities</b>		<b>15,642,484</b>	<b>9,790,460</b>
<b>Total equity and liabilities</b>		<b>43,114,067</b>	<b>34,002,156</b>
<b>Net current assets</b>		<b>10,444,692</b>	<b>7,608,032</b>
<b>Total assets less current liabilities</b>		<b>37,771,124</b>	<b>29,656,270</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. The financial statements are prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets which are carried at fair value.

#### (a) The adoption of new or revised HKFRS

For the year ended 30th June 2006, the Group early adopted the amendment to Hong Kong Accounting Standard 21 “The effects of changes in foreign exchange rates - Net investment in a foreign operation”. For the year ended 30th June 2007, the Group has adopted all the remaining new standards, amendments to standards and interpretations that are effective for accounting periods beginning on or after 1st January 2006.

However, the adoption of these new standards did not have any significant effect on the accounting policies or results and financial position of the Group.

**(b) Standards, amendments and interpretations which are not yet effective**

Certain new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 1 January 2007 or later periods but which the Group has not early adopted, are as follows:

Effective for the year ending 30 June 2008

HKAS 1 Amendment	Presentation of financial statements – capital disclosures
HKFRS 7	Financial instruments: disclosures
HK(IFRIC) – Int 10	Interim financial reporting and impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and treasury share transactions

Effective for the year ending 30 June 2009

HK(IFRIC) – Int 12	Service concession arrangements
HK(IFRIC) – Int 13	Customer loyalty programmes
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

Effective for the year ending 30 June 2010

HKFRS 8	Operating segments
HKAS 23 (Revised)	Borrowing costs

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

## 2 Revenue and segment information

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

	2007	2006
	HK\$'000	HK\$'000
Sale of properties	1,852,583	1,231,136
Rental income	310,358	240,174
Income from hotel operation	234,326	189,677
Property management services fee income	43,361	27,610
Project management fee income	33,610	2,723
	<u>2,474,238</u>	<u>1,691,320</u>

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 property, plant and equipment, investment properties, land use rights, properties held for/under development, debtors, deposits and other receivables, and completed properties held for sale. They exclude cash and bank balances held at corporate office and prepayment for proposed development projects. Segment liabilities comprise mainly creditors and accruals, and other payable. They exclude bank and other borrowings, taxes payable, other creditors and accruals at corporate office.

No geographical segment 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	Property	Rental	Hotel	Property	Other	Total
	sales	operation	operation	management	operations	
30th June 2007	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenues	1,885,622	310,671	234,326	43,619	-	2,474,238
Segment results	702,042	134,988	54,141	13,023	(17,124)	887,070
Bank and other interest income						48,971
Corporate expenses						(145,057)
Net foreign exchange gains						161,239
Operating profit before finance costs						952,223
Finance costs						(230,790)
Share of results of Associated companies	1,285	139,655	614	(421)	-	141,133
Jointly controlled entities	108,401	349,487	(3,825)	(435)	(1,352)	452,276
Profit before taxation						1,314,842
Taxation charge						(132,054)
Profit for the year						1,182,788
Capital expenditure	27,351	107,263	17,941	1,550	4,735	158,840
Depreciation and amortisation	25,229	35,059	63,503	792	1,881	126,464
Provision for amounts due from jointly controlled entities	639	-	-	-	-	639
Impairment of goodwill	30,586	-	-	-	7,096	37,682

Year ended	Property					Total
	Property sales	Rental operation	Hotel operation	Property management services	Other operations	
30th June 2006	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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						(111,481)
Net foreign exchange losses						(62,015)
Operating profit before finance costs						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 from 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

	Property	Rental	Hotel	Property	Other	Total
<b>As at 30th June</b>	sales	operation	operation	management	operations	
<b>2007</b>	HK\$'000	HK\$'000	HK\$'000	services	HK\$'000	HK\$'000
Segment assets	19,229,817	6,794,820	925,356	72,092	12,913	27,034,998
Associated companies and jointly controlled entities	5,361,878	6,489,933	339,561	(6,374)	45,120	12,230,118
Unallocated assets						3,848,951
<b>Total assets</b>						<b>43,114,067</b>
Segment liabilities	3,132,430	259,550	171,431	31,188	9,767	3,604,366
Unallocated liabilities						12,038,118
<b>Total liabilities</b>						<b>15,642,484</b>

	Property	Rental	Hotel	Property	Other	Total
<b>As at 30th June</b>	sales	operation	operation	management	operations	
<b>2006</b>	HK\$'000	HK\$'000	HK\$'000	services	HK\$'000	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
<b>Total assets</b>						<b>34,002,156</b>
Segment liabilities	2,403,174	243,467	159,615	30,596	3,193	2,840,045
Unallocated liabilities						6,950,415
<b>Total liabilities</b>						<b>9,790,460</b>



### 3 Other gains, net

	2007	2006
	HK\$'000	HK\$'000
Bank and other interest income	383,147	155,345
Tax indemnity from the ultimate holding company	188,424	34,773
Net foreign exchange gains/(losses)	165,950	(48,995)
Excess of fair value of net assets acquired over cost of acquisition of subsidiaries and jointly controlled entities	3,880	135,513
Provision for investments in/amounts due by jointly controlled entities	(639)	(4,673)
Write back of provision for amount due from an investee company	-	60,545
Impairment of goodwill	(37,682)	(26,955)
Loss on disposal of a subsidiary	-	(6,411)
Provision for completed properties held for sale	-	(2,664)
	<u>703,080</u>	<u>296,478</u>

### 4 Operating profit before finance costs

	2007	2006
	HK\$'000	HK\$'000
Operating profit before finance costs is arrived at after charging:		
Cost of properties sold	1,337,511	921,229
Depreciation of property, plant and equipment	117,822	111,244
Amortisation of land use rights	8,642	7,038
	<u>1,463,975</u>	<u>1,149,511</u>

## 5 Taxation charge

	2007	2006
	HK\$'000	HK\$'000
Current taxation		
PRC enterprise income tax	114,925	97,159
PRC land appreciation tax	117,676	5,363
Deferred taxation		
Origination and reversal of temporary differences	(13,368)	(40,848)
Revaluation of investment properties	17,949	128,592
Effect of change in tax rates	(105,128)	-
	<u>132,054</u>	<u>190,266</u>

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the year (2006: Nil). PRC income tax has been provided on the estimated assessable profits of subsidiaries, associated companies and jointly controlled entities operating in the PRC at 33% (2006: 33%). PRC land appreciation tax is provided at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land use rights and property development expenditures.

On 16th March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law"), pursuant to which the corporate income tax rates for domestic and foreign enterprises are unified at 25% effective from 1st January 2008. As a result, the enterprise income tax rate of the subsidiaries, associated companies and jointly controlled entities operating in the PRC will be changed from 33% to 25% with effect from 1st January 2008. The change in the carrying amount of deferred tax assets and liabilities, as a result of the change in tax rate, has been reflected in the financial statements of the Group. The Group will continue to evaluate the impact of the new CIT Law as the detailed regulations are issued.

## 6 Dividends

	2007	2006
	HK\$'000	HK\$'000
Interim dividend paid of HK\$0.02 (2006: Nil) per share	76,591	-
Final dividend proposed of HK\$0.06 (2006 : paid of HK\$0.04) per share	229,975	153,116
	<u>306,566</u>	<u>153,116</u>

At a meeting held on 11th October 2007, the directors recommended a final dividend of HK\$0.06 per share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of contributed surplus for the year ending 30th June 2008.

## 7 Earnings per share

The calculation of basic and diluted earnings per share for the year is based on the following:

	2007	2006
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	1,191,444	740,512
Interest expense on convertible bonds	5,426	-
Profit used to determine diluted earnings per share	<u>1,196,870</u>	<u>740,512</u>

	Number of shares	
	2007	2006
Weighted average number of shares for calculating basic earnings per share	3,828,347,936	3,797,947,714
Effect of dilutive potential shares:		
Share options	4,004,435	3,407,616
Convertible bonds	19,367,567	-
Weighted average number of shares for calculating diluted earnings per share	<u>3,851,719,938</u>	<u>3,801,355,330</u>

## 8 Debtors, deposits and other receivables

Debtors, deposits and other receivables include trade debtors, utility and other deposits, interest and other receivables and prepayments for land cost and proposed development projects.

The ageing analysis of trade debtors is as follows:

	2007	2006
	HK\$'000	HK\$'000
0 to 30 days	185,800	74,265
31 to 60 days	77,494	28,318
61 to 90 days	4,423	50,296
Over 90 days	104,868	59,329
	<u>372,585</u>	<u>212,208</u>

Sales proceed receivables in respect of sales 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. Monthly property management fees are payable in advance in accordance with the agreements.

## 9 Creditors and accruals

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

	2007	2006
	HK\$'000	HK\$'000
0 to 30 days	89,988	257,390
31 to 60 days	9,655	96,282
61 to 90 days	4,463	41,472
Over 90 days	826,165	270,757
	<u>930,271</u>	<u>665,901</u>

## BUSINESS REVIEW

The Group has recorded a profit of HK\$1,191 million in FY2007, up 61% year-on-year. The significant increase in profit for the year was attributable to the improved performance achieved by all three major operations of the Group, namely property sales, rental operation and hotel operation. The attributable operating profit (“AOP”) before provisions, finance costs and increase in fair value of investment properties amounted to HK\$1,234 million, representing an increase of over 134% over that of FY2006.

Earnings per share were HK\$0.31, representing an increase of 60% from FY2006.

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

	FY2007 HK\$'000	FY2006 HK\$'000
Property sales	885,667	259,626
Rental operation	334,726	249,596
Hotel operation	24,734	23,298
Property management services	(6,191)	(2,111)
Others	(4,743)	(2,027)
AOP before provision and finance costs	1,234,193	528,382
Net increase in fair value of investment properties, net of deferred taxation	446,030	373,199
Provisions	(639)	(7,018)
Provisions written back	-	47,569
Land appreciation tax	(238,462)	(34,773)
Tax indemnity from the ultimate holding company	188,424	34,773
Excess of fair value of net assets acquired over cost of acquisition of interests in subsidiaries and jointly controlled entities	3,880	135,513
Impairment of goodwill	(37,682)	(26,955)
Finance costs – project loans	(342,804)	(157,246)
AOP	1,252,940	893,444
Finance costs – corporate loans	(126,649)	(91,280)
Corporate administrative expenses	(145,057)	(111,481)
Net foreign exchange gains/(losses)	161,239	(62,015)
Bank and other interest income	48,971	111,844
Profit attributable to equity holders of the Company	1,191,444	740,512

## Property sales

In FY2007, property sales operation has achieved a marked increase in AOP to HK\$885.7 million or an increase of 241% over last financial year. The Group has completed 640,205 sq.m. gross floor area (“GFA”) of development projects in five regions: Beijing, Tianjin, Wuhan, Guangzhou and Pearl River Delta.

During the year under review, 653,949 sq.m. GFA were sold to generate approximately RMB5.2 billion gross sales proceeds. Around 78% of the development properties completed during FY2007 were sold.

Though the sales volume was slightly decreased compared to FY2006, the average gross margin and the average selling price of the sold units were improved substantially. The robust growth in selling prices is prominent for our projects in Beijing, Wuhan and Guangzhou. During the period under review, average gross margin of development projects achieved over 33% and average selling price of the sold units was nearly RMB 8,000 per sq.m..

<b>Development property projects completed in FY2007</b>	<b>Usage</b>	<b>Total GFA (sq. m.)</b>	<b>NWCL's interest</b>
Beijing Xin Yi Garden Phase II (北京新怡家園二期)	R, C	54,411	70%
Beijing New View Garden Phase III (北京新景家園三期)	R, C	31,252	70%
Beijing Xin Yu Garden Phase II (北京新裕家園二期)	R, C, O	36,645	70%
Tianjin Xin Chun Hua Yuan Phase III (天津新春花苑三期)	R, C	39,852	60%
Wuhan New World Centre Phase I (武漢新世界中心一期)	R, O	91,785	100%
Wuhan Menghu Garden Phase III (武漢夢湖香郡三期)	R	26,446	70%
Wuhan Changqing Garden Phase VIB (武漢常青花園六期 B)	R, C	74,279	60%
Guangzhou Dong Yi Garden Phase IV (廣州東逸花園四期)	R	77,261	100%
Guangzhou Park Paradise Phase IID2 (廣州嶺南新世界家園二期 D2)	R	41,418	60%
Guangzhou Concord New World Garden Phase II (廣州協和●新世界二期)	R, C, P	44,336	40%
Guangzhou Xintang New World Garden Phase IVA (廣州新塘新世界花園四期 A)	R	20,082	63%
Huiyang Palm Island Resort Phase V (惠陽棕櫚島 Resort 五期)	R	27,912	59%
Haikou New World Garden Phase II (海口新世界花園二期)	R	74,526	60%
<b>Total</b>		<b>640,205</b>	

*R: Residential*

*C: Commercial*

*O: Office*

*P: Carpark*

*H: Hotel*

## Rental Operation

The Group's investment properties portfolio has been increased by 195,452 sq.m. GFA in FY2007, mainly from the completion of Wuhan New World Centre shopping arcade and office tower as well as car parks at various projects.

Benefited from the continuing improvement in rental performance of both office and commercial properties of our investment portfolio with increasing occupancy rates and unit rental rate, the Group has achieved an AOP from rental operation of HK\$335 million or an increase of 34% as compared to that of FY2006. The improved performance was particularly prominent for Beijing New World Centre shopping arcade, Shanghai Hong Kong New World Tower, Wuhan New World Trade Tower I and Shanghai Belvedere Apartment. Moreover, the newly completed property, Wuhan New World Centre has started to provide the contribution to the Group's rental operation.

<b>Investment properties completed in FY2007</b>	<b>Usage</b>	<b>Total GFA (sq. m.)</b>	<b>NWCL's interest</b>
Beijing Xin Yu Garden Phase II (北京新裕家園二期)	P	9,746	70%
Beijing New View Garden Phase III (北京新景家園三期)	P	4,148	70%
Beijing Xin Yi Garden Phase II (北京新怡家園二期)	P	7,982	70%
Beijing Xin Kang Garden Phase III (北京新康家園三期)	C	2,594	70%
Wuhan New World Centre Phase I (武漢新世界中心一期)	C,O,P	144,006	100%
Guangzhou Dong Yi Garden Phase IV (廣州東逸花園四期)	C, P	12,975	100%
Guangzhou Park Paradise Phase IID2 (廣州嶺南新世界家園二期 D2)	C,P	14,001	60%
<b>Total</b>		<b>195,452</b>	

## Hotel operation

Our hotel portfolio currently comprises four hotels providing 1,790 guest rooms. During the year under review, hotel operation registered an AOP of HK\$24.7 million, on the back of improved average room rate and occupancy rate, particularly for New World Mayfair Hotel Shanghai. With the re-opening of Shenyang New World Hotel in September 2006, it is anticipated that the AOP of hotel operation will be further improved.

<b>Hotel portfolio</b>	<b>Number of rooms</b>
Courtyard by Marriot 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 Marriot Shunde (順德新世界萬怡酒店)	376
	<hr/>
	1,790

Two hotels in Wuhan and Dalian are under construction during the year under review. Upon completion of these hotels, they will further enhance the Group's hotel portfolio. The opening of the hotel at Wuhan New World Centre is scheduled before the end of 2007.

## LIQUIDITY AND CAPITAL RESOURCES

As at 30th June 2007, the Group's cash and bank deposits amounted to HK\$6,396 million (30th June 2006: HK\$2,852 million). The Group's consolidated net debt (aggregate of borrowings, net of cash and bank balances) amounted to HK\$4,869 million (30th June 2006: HK\$3,098 million), translating into a gearing ratio of 17.7% (30th June 2006: 12.8%). The gearing ratio is calculated on the basis of net debts over total equity. The increase in net debt was mainly due to increase in financing requirement to kick off the development of certain property development projects, namely Haikou Meilisha and Guiyang Sunny Town.

The Group's borrowings from banks and fellow subsidiaries and liabilities of convertible bonds as at 30th June 2007 totaling HK\$10,417 million (30th June 2006: HK\$5,950 million) of which 18.6% were secured by way of charges over assets and 81.4% were unsecured.



The maturity profile of the Group's borrowings from banks and fellow subsidiaries and liabilities of convertible bonds is set out as follows:

	30th June 2007	30th June 2006
	HK\$'million	HK\$'million
Repayable:		
Within one year	1,467	1,283
Between one and two years	2,763	859
Between two to five years	6,065	3,664
Over five years	122	144
	10,417	5,950

In June 2007, New World China Land Finance Limited, a subsidiary of the Company issued Renminbi denominated USD settled zero coupon guaranteed convertible bonds in the aggregate amount of RMB2,800 million, which are convertible into fully paid shares with par value of HK\$0.1 each of the Company.

The bonds, guaranteed by the Company, are convertible into shares of the Company at a conversion price of HK\$8.044 per share at any time on and after 26th June 2007 up to 26th May 2012, with Renminbi principal amount of the bond translated into Hong Kong dollar at a fixed rate of HK\$1 = RMB0.9848, subject to adjustments according to the terms governing the convertible bonds.

The net proceeds from the bonds are intended for financing the development costs of a property project in Beijing and for general working capital.

As at 30th June 2007, the Group's committed unutilised bank loan facilities amounted to HK\$1,288 million (30th June 2006: HK\$1,003 million).

### **Capital expenditure commitments**

The capital expenditure commitments of the Group as at 30th June 2007 were HK\$149,591,000 (30th June 2006: HK\$781,459,000) of which HK\$41,591,000 (30th June 2006: HK\$673,459,000) were contracted but not provided for in the financial statements and HK\$108,000,000 (30th June 2006: HK\$108,000,000) were authorised but not contracted for. The Group did not have any share of capital commitments of jointly controlled entities (30th June 2006: Nil). The source of funding for capital commitments are internally generated resources and bank loan facilities.

## **Foreign currency exposure**

The Group has net Renminbi exposure in the form of net monetary and non-monetary assets held and investment in PRC entities. During the year under review, the Group has not used any foreign currency derivatives product to hedge its exposure to currency risk.

## **CONTINGENT LIABILITIES**

As at 30th June 2007, the Group has contingent liabilities of approximately HK\$2,535,903,000 (30th June 2006: HK\$1,279,322,000) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities. The increase in contingent liabilities was due to the continuing financing requirements of certain projects of the Group.

As at 30th June 2007, the Group had provided 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 amounting to HK\$398,402,000 (30th June 2006: HK\$407,066,000).

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

As at 30th June 2007, the Group's property, plant and equipment, investment properties, land use rights, properties under development, completed properties held for sale and bank deposits of HK\$510,541,000 (30th June 2006: HK\$534,049,000), HK\$1,853,135,000 (30th June 2006: HK\$1,651,688,000), HK\$146,646,000 (30th June 2006: HK\$139,900,000), HK\$117,802,000 (30th June 2006: HK\$53,577,000), HK\$112,228,000 (30th June 2006: Nil) and HK\$464,303,000 (30th June 2006: HK\$489,671,000) respectively have been pledged as securities for short term and long term loans.

## **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 2007, except for the following derivations:

### **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 Transaction by Directors of Listed Issuers set out in Appendix 10 to 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 the 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 the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) in Appendix 10 to the Listing Rules as the code of conduct regarding directors’ securities transactions. The Company has confirmed with the directors that they have complied with the standard set out in the Model Code during the year under review.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30th June 2007, the Group has 3,860 full-time employees. Total staff related costs incurred during the year under review were HK\$203 million (2006: HK\$142 million), of which retirement benefits was included. Remuneration of the employee is reviewed annually based on assessment of individual performance. Discretionary year-end bonus was paid to employee based on individual performance.

## **MAJOR ACQUISITION OR DISPOSAL**

There was no major acquisition or disposal undertaken by the Group during the year under review.

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

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

## **OUTLOOK**

In the first half of 2007, China recorded a 11.5% GDP growth compared to same period last year. In particular, the fixed assets investment in middle and Western part of Mainland China were RMB 1,111.1 billion and RMB 1,009.4 billion, up 35.6% and 30.2% year-on-year respectively. With the economic boom in Mainland China, listing as a capital-raising activity for future development is becoming a trend for enterprises. In recent years, property developers in Mainland China have been surging to be listed on the Hong Kong Stock Exchange. NWCL has been listed in Hong Kong as early as 1999. And, NWCL has become one of the major developers in the mainland since then, creating modern communities and refining living lifestyle.

For a property developer, landbank is the most important asset and also the blueprint of its future development. In this regard, developers in Hong Kong and Mainland China are actively expanding their landbanks in different cities in Mainland China, thus contributing to the record-breaking land auction prices. High land prices inevitably bring negative effect to the profit margins of enterprises. NWCL has been continuously looking for suitable land parcels ever since its investment in China during the 1980s. As a Hong Kong developer with the largest land bank in China, NWCL can be immune from the impact of high land prices.

In 2006, the Group acquired several new projects located in mid-western Mainland China. The decision was based on our positive view on the property market in that region. Firstly, the lower land costs in these secondary cities will translate into better margins. Secondly, the rapid development of the mid-western cities, under the strong support from the central government, means a higher growth potential. In FY2008, the first phase of the projects located in Chengdu, Changsha and Guiyang will be completed and start the contribution to the Group. The Group plans to complete around 1 million sq.m. GFA of properties in FY2008.

<b>Properties to be completed in FY2008</b>	<b>Usage</b>	<b>Total GFA (sq.m.)</b>	<b>NWCL's interest</b>
Beijing Xin Kang Garden Phase III (北京新康家園三期)	R	6,822	70%
Beijing Xin Yi Garden Phase II (北京新怡家園二期)	R	49,030	70%
Jinan Sunshine Garden Phase II (濟南陽光花園二期)	R, C, P	158,901	73%
Shenyang New World Garden Phase ID (瀋陽新世界花園一期 D)	R, C, P	168,551	90%
Wuhan New World Centre Phase II (武漢新世界中心二期)	H	37,432	60%
Wuhan Changqing Garden Phase VIB (武漢常青花園六期 B)	R, C, P	169,340	60%
Wuhan Changqing Garden Phase VII (武漢常青花園七期)	R	49,573	60%
Wuhan Xin Hua Garden Phase IV (武漢新華家園四期)	R, C, P	63,843	60%
Chengdu New World Riverside Phase I (成都河畔新世界一期)	R	43,652	30%
Changsha La Ville New World Phase I (長沙新城新世界一期)	R, C	58,816	45%
Guangzhou Park Paradise Phase IID2 (廣州嶺南新世界家園二期 D2)	R, C, P	89,220	60%
Guangzhou Xintang New World Garden Phase IV (廣州新塘新世界花園四期)	C	14,922	63%
Guiyang Sunny Town Phase I (貴陽金陽新世界一期)	R, C, P	161,264	50%
Zhuhai New World Riviera Garden Phase III (珠海新世界海濱花園三期)	R, C	81,836	100%
<b>Total</b>		<b>1,153,202</b>	

Branding is to create an 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 four years in a row awarded “Top10 National Real Estate Developers Brand Value”, recognising ‘New World China Land’ as a name for guaranteed quality. The Group has planned to carry out a series of branding strategy, reinforcing market recognition to NWCL while at the same time, strive to deliver quality products, satisfying ever-increasing market demand.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Friday, 23rd November 2007 to Tuesday, 27th November 2007 (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, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Thursday, 22nd November 2007.

**Dr. Cheng Kar-shun, Henry**

*Chairman and Managing Director*

Hong Kong, 11th October 2007

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