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 2004/2005

RESULTS

The directors of New World China Land Limited (the "Company") announce the unaudited consolidated results of the Company and its subsidiaries (the "Group" or "NWCL") for the six months ended 31st December 2004:

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

Consolidated Balance Sheet

	Unaudited As at 31st December 2004 HK$'000	Audited As at 30th June 2004 HK$'000
Fixed assets	3,624,438	3,616,762
Properties held for development	4,255,258	3,947,225
Associated companies	1,430,887	1,298,372
Jointly controlled entities	10,292,140	10,319,994
Other investments	49,599	49,132
Other non-current assets	115,670	34,831
Total non-current assets	19,767,992	19,266,316
Current assets		
Debtors, deposits and other receivables	653,408	929,571
Amounts due from fellow subsidiaries	30,091	23,543
Properties under development	2,152,538	2,116,807
Completed properties held for sale	1,846,624	1,825,614
Cash and bank balances	1,086,392	857,391
	5,769,053	5,752,926
Current liabilities		
Creditors and accruals	1,114,874	1,065,084
Deposits received on sale of properties	311,742	244,775
Amounts due to fellow subsidiaries	559,905	573,943
Short term bank loans	364,486	401,869
Current portion of bank and other borrowings	2,536,578	1,731,562
Taxes payable	95,658	97,546
	4,983,243	4,114,779
Net current assets	785,810	1,638,147
Employment of funds	20,553,802	20,904,463
Financed by:		
Share capital	149,860	148,886
Reserves	16,309,618	16,220,336
Shareholders' funds	16,459,478	16,369,222
Bank and other borrowings	3,107,611	3,636,163
Deferred income	346,865	349,987
Deferred tax liabilities	165,193	139,911
Minority interests and loans from minority shareholders	474,655	409,180
Funds employed	20,553,802	20,904,463

Notes:

1. Basis of preparation

The unaudited consolidated condensed interim accounts for the current period (the "interim accounts") are prepared in accordance with Statement of Standard Accounting Practice 2.125, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The interim accounts should be read in conjunction with the 2004 annual accounts.

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

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

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

(i) Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(ii) Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries, associated companies or jointly controlled entities at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies is included in investments in associated companies. Goodwill on acquisitions of jointly controlled entities is included in investments in jointly controlled entities. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

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 sale of properties, revenue from rental and hotel operations, property management services fee income, project management fee income and interest income in respect of loan financing provided to associated companies and jointly controlled entities, net of withholding tax.

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

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

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

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

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

3. Other income/(charges)

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

4. Operating profit before financing

	6 months ended 31st December 2004 HK$'000	2003 HK$'000
Operating profit before financing is arrived at after charging:		
Cost of properties sold	613,002	656,217
Depreciation	26,245	26,867
Amortisation of deferred expenditure	1,158	4,180

5. Taxation

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

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

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

6. Dividend

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

7. Earnings per share

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

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

BUSINESS REVIEW

In 2004, the total sales of commodity housing in Mainland China amounted to RMB1,037 billion, up 30% year-on-year. The average selling price of commodity residential housing in Mainland China was up 15.2% in 2004. The demand was driven by the growing economy and the expanding middle class population. Riding on the growing market, the profit margin of both inventory and newly completed projects had improved. The Group recorded a profit of HK$62 million, an increase of 283% compared to same period last year.

All major business operations, namely property sales, rental and hotel operations, have a significant improvement during the period under review. Property sales recorded an AOP of HK$31 million, increased 161% year-on-year. Meanwhile, rental operation and hotel operation reported a year-on-year AOP growth of 70% and 17% to HK$78 million and HK$11 million respectively.

Project finance costs slightly increased 10% to HK$53 million in first half of FY2005 due to the increase in interest rate and higher borrowing costs expensed resulting from increase in completed projects.

Analysis of Attributable operating profit ("AOP")

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

Property sales

During the first half of FY2005, the Group has completed five property development projects in three cities with a total GFA of 241,751 sq. m. and, together with the inventory in hand on 30th June 2004, of which 331,712 sq. m. was sold. The AOP contributions are mainly from the projects in Beijing, Tianjin and Guangzhou, namely Beijing Xin Yu Garden, Beijing Xin Kang Garden Phase III, Tianjin New World Garden, Guangzhou Xintang New World Garden Phase II, Guangzhou New World Oriental Garden Phase I and Guangzhou Central Park-view Phase I. Around 60% of sales in the reporting period were from sales of inventory and approximately 55% of the GFA completed in the 6 months ended 31st December 2004 were sold.

Development projects completed in the first half of FY2005

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

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

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

Development projects to be completed in the second half of FY2005

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

Rental operation

The Group's 1.1 million sq. m. rental portfolio is located at prime locations in Mainland China. Capitalising on the buoyant rental market in Beijing and Shanghai, our major investment properties, Beijing New World Centres and Shanghai Hong Kong New World Tower, provided a stable revenue to the Group.

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

Investment properties completed in the first half of FY2005

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

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

Investment properties to be completed in the second half of FY2005

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

Hotel operation

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

The Group's bank and other borrowings as at 31st December 2004 totaling HK$6,009 million, of which 48.3%, 29.0%, 16.9% and 5.8% are repayable respectively within one year, one to two years, two to five years and over five years. Over 63% of the Group's total debts are on floating rate basis. As at 31st December 2004, the Group's committed unutilised bank loan facilities amounted to HK$595.53 million (30th June 2004: HK$602.80 million).

The current austerity measures imposed by the China Banking Regulatory Commission in connection with the real estate sector resulted inherent uncertainty in extending the Group's current bank loans to a longer tenure beyond two years. Due to the long-term nature of property development projects, the directors are of the view that financing such projects with short-term bank borrowings would lead to the Group's debt maturity mismatch.

In view of the increasing interest rate trend for loans denominated in Hong Kong dollar and Renminbi, the Company intends to reduce the Group's debts especially those on floating rate basis, and to consider alternative funding means for future projects other than bank borrowings. Therefore, the directors announced on 18th February 2005 that the Company proposed to raise capital funds by way of Rights Issue, detailed which were outlined in the announcement dated 18th February 2005 and circular dated 4th March 2005.

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

CONTINGENT LIABILITIES

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

DETAILS OF THE CHARGES ON GROUP'S ASSETS

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

AUDIT COMMITTEE

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

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

EMPLOYEE'S INFORMATION

As at 31st December 2004, the Group had 2,252 full-time employees. Total staff related costs incurred were HK$56.8 million (2003: HK$57.0 million), of which retirement benefits cost was included. Remuneration of the employees are reviewed annually based on the assessment of individual performance. Discretionary year-end bonus was paid to employees based on individual performance.

OUTLOOK

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

Clear and transparent central government policies support long-term healthy growth of the property market. In addition, land supply through public auctions and tendering enable a closer match between supply and demand. Developers with good reputation and quality projects, like NWCL, are better positioned to take advantages of these developments.

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

PUBLICATION OF DETAILED INTERIM RESULTS ANNOUNCEMENT ON THE EXCHANGE'S WEBSITE

A detailed interim results announcement containing all the information required by paragraphs 46(1) to 46(9) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") will be published on the Stock Exchange's website in due course.

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

Hong Kong, 15th March 2005

As at the date of this announcement, the Board of directors of the NWCL 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, Micheal 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 ***(South China Morning Post)***