



New World China Land Limited

Annual Report 2003



a new way of living and working

The New World Group has been active in the Mainland China property market since the early 1980s. New World China Land is helping to transform the nation and its people by offering a wide variety of property projects, encompassing residential communities, hotels, offices, shopping malls and resorts.

We have always dedicated ourselves to delivering the highest quality developments. The Company is bringing new definitions of style and comfort, unprecedented levels of service and convenience. Together, these are creating distinctive environments for families or business. We stand for a whole new way of living and working.

A truly national developer

Our property portfolio spans the nation. By maintaining this broad geographic presence in Mainland China, we seek to play a key role in fulfilling the nation's property needs.

Global expertise

Our professional management team from Mainland China and from overseas brings together diverse skills and expertise. We blend best international practice with home-grown vision and talent to deliver unrivalled results.

Serving the community

As we invest in a region, we recognise we have a responsibility as a good corporate citizen. We are dedicated to improving the lives of the local communities in which we operate.

30-year blue-chip heritage

Through our parent New World Development, a reputable and international conglomerate, we draw upon three decades of property investment experience, along with well-developed business networks and deep resources.

Best in class

Quality is at the heart of everything we do. Across the entire spectrum of our diverse property portfolio, we have demonstrated our dedication to product and service excellence for our customers.

Turning dreams into reality

We do more than build properties. We are helping a new generation aspire to a new way of living. Above all, we are leading Chinese to a new way of achieving their dreams.

Listed in 1999, **New World China Land** is the China property arm of New World Development. New World China Land now has an asset base of HK\$25 billion. Our portfolio comprises a developable floor area of 17 million sq.m. in 18 high-growth cities.

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Transforming City Vistas

In Beijing and Tianjin, we have rejuvenated entire city districts through modern architecture and tree-lined boulevards — all complemented by first-class shopping, entertainment and leisure facilities.



Location... Location... Location...

We seek the very best locations for our developments, prime downtown districts where — as China's cities modernize and grow — our properties will become natural landmarks.



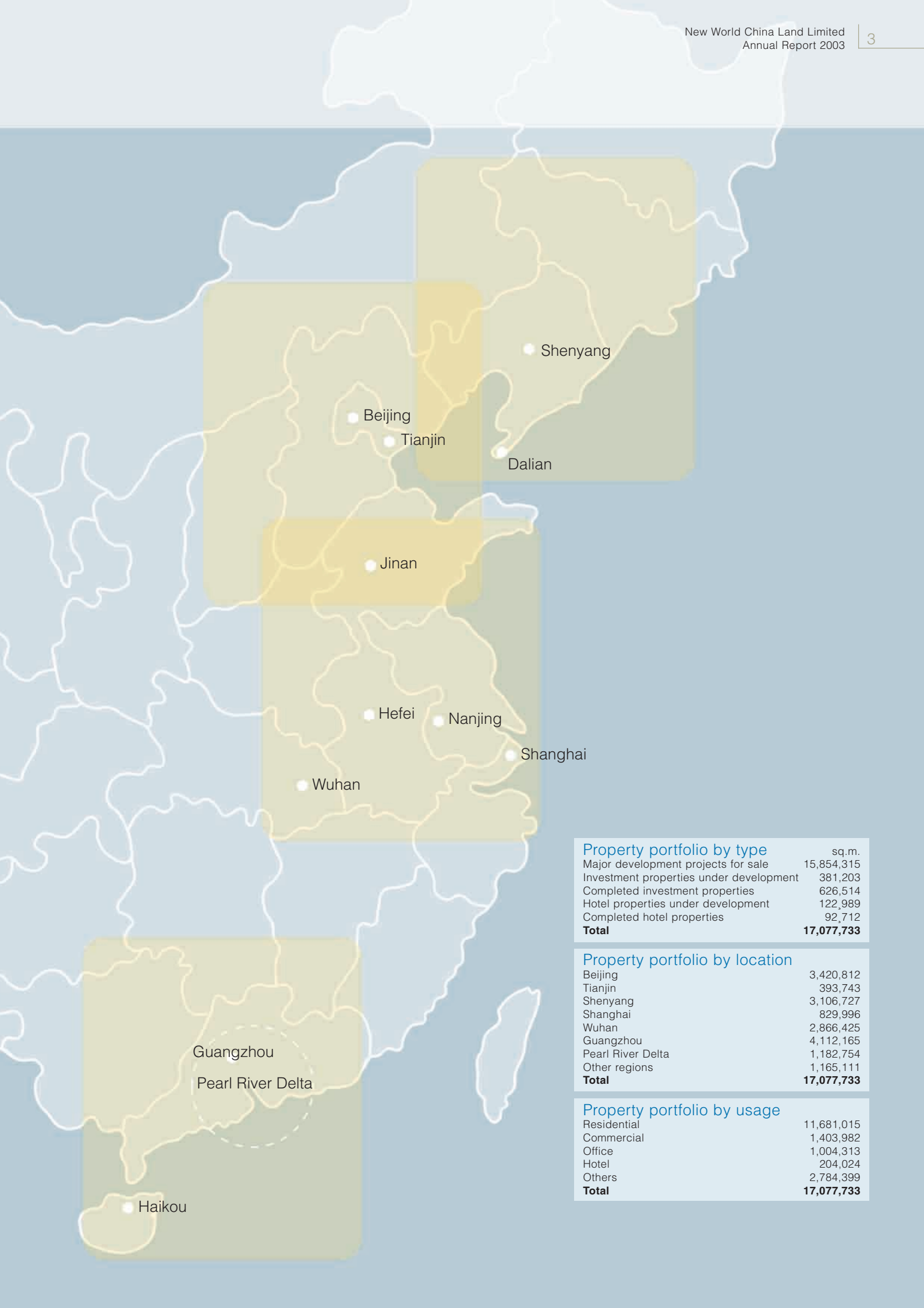
A Modern Community

An integral part of our business philosophy is to create attractive self-contained communities that nurture family life and provide a healthy and fulfilling living environment.



New Vision of Living

Our luxury residential and leisure developments set new standards in luxury and good taste, allowing prosperity and success to be enjoyed in comfort and style.



Property portfolio by type		sq.m.
Major development projects for sale		15,854,315
Investment properties under development		381,203
Completed investment properties		626,514
Hotel properties under development		122,989
Completed hotel properties		92,712
Total		17,077,733

Property portfolio by location		sq.m.
Beijing		3,420,812
Tianjin		393,743
Shenyang		3,106,727
Shanghai		829,996
Wuhan		2,866,425
Guangzhou		4,112,165
Pearl River Delta		1,182,754
Other regions		1,165,111
Total		17,077,733

Property portfolio by usage		sq.m.
Residential		11,681,015
Commercial		1,403,982
Office		1,004,313
Hotel		204,024
Others		2,784,399
Total		17,077,733



■ Mainland China

Inception of investment in the PRC property market

The Group's investment in the PRC property market dated back to 1980 when it first invested in China Hotel, Guangzhou, the first sino-foreign joint venture hotel of the PRC. A prestigious landmark architecture of Guangzhou since the commencement of its operations. China Hotel, Guangzhou has been managed by New World for more than 14 years, leading the service of the hotel to international standard.



■ Guangzhou

First property development project in the PRC launched

New World Group launched its first property development project in the PRC, namely Fortuna Garden, located next to Guangzhou Zoo in Dongshan District, Guangzhou, introducing overseas planning of high-rise residential estates to the Guangzhou market. Well recognized by homebuyers and industry counterparts for its innovative design and quality of engineering composition, the development was sold out soon after its launch and has been a paradigm for similar developments.



■ Beijing

Participation in redevelopment project of Chongwen District in city centre of Beijing

The Group's Beijing Project Management Centre was established to participate in the redevelopment programme of the city centre of Beijing and undertake the project of Chongwen District.



■ Wuhan

Agreement with Wuhan government on development of the large-scale Wuhan Changqing Garden

An agreement was entered into with the Wuhan government in respect of a series of projects, including the large-scale residential project Wuhan Changqing Garden, a star project accommodating more than 10,000 families and was visited and appraised by government officials on a number of occasions.



■ Guangzhou

Guangzhou New World Garden villa project launched

The Group launched its first luxurious villa-typed projects, the New World Garden, located on the most premium Ersha Island of Guangzhou, with the selling price exceeding RMB40,000 per square metre, a record high for the then property market of the PRC.

■ Tianjin

Participate in the first national Anju Development project

The Group, cooperates with Tianjin Anju Construction Development Company, participated in the construction of Phase I Huayuan Residential Area, the first national Anju Development project in Tianjin.



■ Shunde

New World Courtyard Hotel, Shunde opened

New World Courtyard Hotel located at a prime location in the city centre of Da Liang, Shunde. The only four-star hotel with international management standard within the city, the hotel has been the most upmarket venue for the affluent locals and for business purposes, and is the first choice of many foreign businessmen for short-term stay or long-term accommodation.



■ Shenyang

Land Transfer Agreement in respect of a parcel of land located in Wangjiazhuang to the North of Hun River, Shenyang signed

The Land Transfer Agreement in respect of a parcel of land located in Wangjiazhuang to the North of Hun River, Shenyang was formally signed for the construction of the Group's largest residential estate in Shenyang, namely Shenyang New World Garden.



■ Hong Kong

Listing of New World China Land Limited on the Stock Exchange of Hong Kong in July

New World China Land Limited is listed on the Stock Exchange of Hong Kong Limited in July, further fortifying its status as a national property developer.



■ Guangzhou

High-end residential community New World Casa California located at Ersha Island, Guangzhou launched

New World Casa California, another landmark project of the Group, was built on the premium residential community Ersha Island in Guangzhou. Taking the lead to bring to the PRC the concept of planning and designing low-density, international resort residence, the project was another demonstration of New World China's leading position in the industry. A product of Bensley Design Studio, an internationally renowned designer in hotel resorts, New World Casa California has been popular for the middle class in Guangzhou.





■ Beijing

Beijing New World Centre designated as one of the 1990's Top-ten Architecture of Beijing

Beijing New World Centre was designated as one of the 1990's Top-ten Architecture of Beijing by the Urban Planning Society of Beijing.

■ Shenzhen

Phase I villas of Shenzhen New World Yi Shan Garden launched

As one of the launching activities of Shenzhen New World Yi Shan Garden Phase I, a fund-raising exercise involving a fleet of 30 Ferrari marched all the way from Hong Kong to Shenzhen Yishan Garden and then to Huiyang Palm Island Golf Resort was organized.



■ Huiyang

Entering into long-term tenancy agreement at Huiyang Palm Island Golf Resort by CNOOC & Shell Petrochemicals Co. Ltd

The golf resort has been chosen as leased residence for their senior expatriate staff.

■ Wuhan

Construction of Wuhan New World Centre

An investment amounting to RMB170 million was invested to build a landmark in the city centre of Wuhan, namely Wuhan New World Centre, occupying 37,000 square metres, the landmark is a modern multi-use commercial architecture comprising large-scale shopping arcades, hotel, residential and office space.

■ Tianjin

Official launch of Tianjin New World Garden

The official launch of Tianjin New World Garden attracted homebuyers and had the vice mayor of Tianjin to attend the launching ceremony and the various activities that followed. Tianjin New World Garden is located in the busy centre of Heping district, occupying 4.66 hectares and a total GFA of about 150,000 square metres. Nearly 800 premium units are planned.

■ Dalian

Opening of New World Department Store in Dalian New World Plaza

New World Department Store opened an outlet in a portion of Dalian New World Plaza, which was the single upmarket shopping arcade along Tianjin Commercial Street.



■ Guangzhou

Launch of Guangzhou Central Park-view in Pearl-River New City of Tianhe District, Guangzhou

Guangzhou Central Park-view, the largest residential project in Pearl-River New City of Tianhe District, Guangzhou, was launched as the Group's symbolic construction of premium property in a new-generation community within the Guangzhou metropolis.

■ Beijing

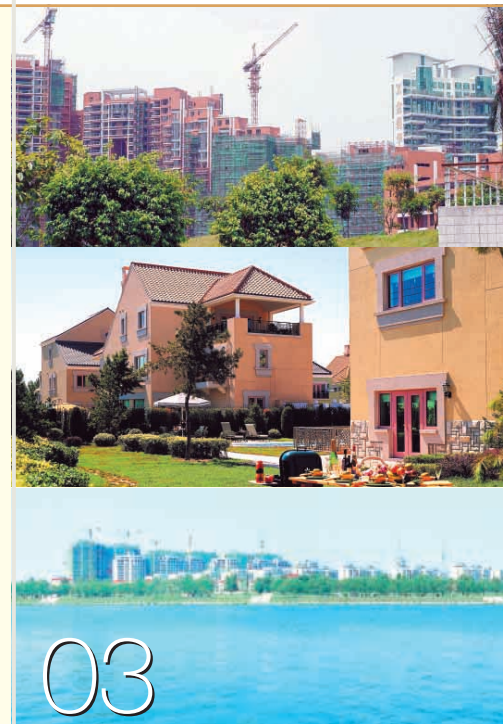
Launch of the luxurious Chateau Regalia Beijing

Pre-sale of the Group's Chateau Regalia Beijing, a project in Beijing offering a choice of luxurious villas, complex townhouses and apartments, received very encouraging response, with the segment of luxurious villas registering record high sales. The project has been established as a superb premium residence along the Wenyu River. Leasing was fully underway as tenants were gradually moving in.

■ Shenyang

Launch of Jasper Villa of Shenyang New World Garden

Jasper Villa, a new-phase of high-rise construction of Shenyang New World Garden, was launched after more than 800 units of phases I and II were sold out.



*Real Estate is the
Pillar Industry of
Mainland China*



To Our Shareholders,

In 2003, Mainland China's economy continues to grow at an enviable pace when compared to other parts of the world. The desire of locals to improve living standard naturally put the "Pillar Industry" tag on the real estate industry in Mainland China. This has been confirmed by the central government on the (2003) No.18 Paper published by the State Council on 12 August 2003.

Regarding the measures imposed by the central government to stabilise the domestic property market, it is the right move in avoiding bubblisation and paving the way to long term healthy growth. However, I believe there will be only minimal effect on a national developer with concrete financial strength and best-in-class quality product like New World China Land Limited.

Review of Results

During the financial year under review, New World China Land experienced a substantial setback in operating performance which was the consequence of increased provisions required, revaluation deficits suffered and decline in operating results from the Group's operating

segments. For the full year, the Group posted a loss of HK\$1,711 million. Of which, there was provisions of HK\$1,328 million against the development and investment portfolio and hotel investment.

In FY2003, the Group completed 717,600 sq.m. of commodity housing increase 53% from that of FY2002. We also added 3 investments properties in Dalian, Shanghai and Guangzhou totalling 116,028 sq.m. to our portfolio.

Our mission and strategy

The unforeseeable outbreak of SARS in March 2003 had a dramatic effect on all levels of city life throughout Asia. Despite the painful experience brought us, this incident did not take away our hope of life. Rather, it reminded us the basics of living.

Likewise, this one-time hiccup of results does not deter our belief in the long-term growth and prospect of the property market in Mainland China. Rather, it reminded us the basics of operation excellence.

Our mission is to differentiate our brand by maintaining a reputation for best-in-class product and service quality. Our strategy is to accelerate the completion of our developments in order to increase sales revenue, while gradually growing our investment portfolio and enhancing the rental performance of existing properties. Expansion of our investment property portfolio will increase the recurrent revenue stream serving as a stabilizer to the ups and downs in the property trading market.

Prospects

The Group currently has 37 major development property projects with a total GFA of 16 million sq. m. Of the projects to be completed in FY2004, almost 40% was pre-sold as of September 2003. Completion of the Group's projects in the Pearl River Delta is expected to reach a peak in coming years with five projects in Guangzhou and four projects in Zhuhai, Shunde, Huiyang and Zhaoqing. These projects are just on time to meet the increasing demand from the fast-growing Pearl River Delta Region.

The Group has 14 completed property investment and hotel projects with a total GFA of 719,226 sq. m.. Currently, the Group has 5 investment property and hotel projects under construction, with a total GFA of 504,192 sq. m.. The Group aims to gradually expand our investment portfolio catering for the increased demand likely to result from the newly signed Closer Economic Partnership Arrangement ("CEPA"). In particular, our remaining portion of Shanghai Hong Kong New World Tower with GFA 110,049 sq. m. is expected to be completed by FY2004. Currently, the building is 70% leased at competitive market rate.

While expanding our recurrent income base in the next few years, our primary business focus is on residential developments. Robust economic growth, liberal mortgage policies and the emergence of a secondary market continue to fuel demand for development properties.

Dr. Cheng Kar Shun, Henry
Chairman and Managing Director
Hong Kong, 16 October 2003

We differentiate our brand by maintaining a reputation for best-in-class product and services quality

Transforming City



Vistas



In Beijing and Tianjin, we have rejuvenated entire city districts through modern architecture and tree-lined boulevards — all complemented by first-class shopping, entertainment and leisure facilities.

BEIJING

The bustling Chongwenmenwai Street is lined with New World's commercial and residential complexes, a modern hub where domestic living and business services converge



HIGHLIGHTS






The Group's large-scale integrated cosmopolitan communities in the Chongwen District embody our commitment to transforming the capital's key district. Since we first invested in the district a decade ago, multi-purpose modern complexes and well-equipped residential estates have spawned where run-down ancient city alleys once stood. The Group's total development in the district will provide a GFA of 3.3 million sq.m..



- Railway station
- 7 Beijing Xin Kang Garden

Beijing — completion schedule

FY2003	Beijing New World Garden Phase I	Office	13,000	sq.m.
Total			13,000	
FY2004	Chateau Regalia Beijing	Residential	121,505	
	Beijing Xin Kang Garden Phase III	Residential	83,317	
	Beijing Xin Kang Garden Phase III	Commercial	21,953	
	Beijing Liang Guang Road Blocks 3 & 4	Residential	77,080	
	Beijing Liang Guang Road Blocks 3 & 4	Commercial	4,972	
	Beijing Liang Guang Road Blocks 3 & 4	Office	573	
Total			309,400	
FY2005	Beijing New World Garden Phase I	Commercial	1,543	
	Beijing New World Garden Phase II	Residential	61,360	
	Beijing Xin Kang Garden Phase III	Residential	12,000	
	Beijing Xin Kang Garden Phase III	Commercial	9,953	
Total			84,856	

-  Railway station
-  Metro line
-  Proposed metro line No. 5
-  Subway
-  Completed development
-  To be completed next two years
-  Future development
-  1 Beijing New World Centre Phase II
-  3 Beijing New World Garden
-  4 Beijing Xin Yi Garden
-  5 Beijing New View Garden
-  6 Beijing Xin Yu Garden
-  40 Beijing New World Centre Phase I
-  41 New World Courtyard Hotel, Beijing



Located at the north end of our redevelopments perimeter is our flagship project Beijing New World Centre Phase I and II, now a well-known landmark in the Chongwen district. Newly furnished Thai style luxury suites on the top floor of Phase I were launched in 2003 to meet the growing demand of the high-end residential market in the district, while occupancy rate of the service apartments at Phase II remained at high level.

New infrastructure improvements have accelerated Chongwen district's renewal. Running through our projects in the district along key artery Chongwenmenwai Street, the metro line route 5 under construction is set to greatly increase our projects' accessibility by enhancing transport links. Flanked by our two major residential projects Beijing New View Garden and Beijing Xin Yu Garden, Guangqumennei Street is being turned into a major shopping avenue under the government's redevelopment plan, further boosting visitor traffic in our commercial properties.

The Group's reach in Beijing's high-end property market extends well beyond Chongwen, as our Chateau Regalia Beijing in the prestige north-east suburb along Wenyu River continued to appeal to homebuyers. The project's villas, duplexes and apartments have proved to be highly popular among consular officials and expatriate staff.

PROPERTY PORTFOLIO

There are seven major property development projects with GFA of 3,159,100 sq.m.. We expect to build 281,902 sq.m. of residential space in the next financial year with a further 73,360 sq.m. of residential space in subsequent financial years.

INVESTMENT PROPERTIES

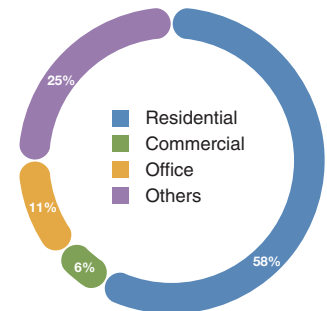
There are three completed investment property projects with GFA of 261,712 sq.m.. A total of 13,000 sq.m. office space were completed during the year. We expect to build 26,925 sq.m. of commercial space in the next financial year.

Benefiting from the growing traffic in Chongwen district, the office and shopping space of Beijing New World Centre Phase I and Phase II recorded high occupancy rates.

For New World Courtyard Hotel, Chongwen District's only four-star hotel, average monthly occupancy rate has recovered to 80% after the SARS impact.

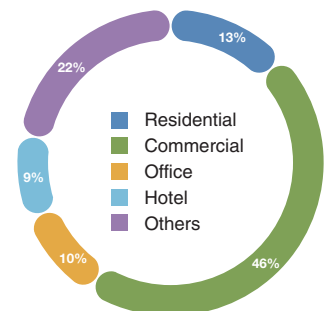
Beijing — development properties for sale

Total GFA 3,159,100 sq.m.



Beijing — completed investment properties

Total GFA 261,712 sq.m.



Left: Beijing New World Garden is a prime example of high quality living

Right: A quiet corner inside Beijing Xin Kang Garden

Bottom: Chateau Regalia Beijing exudes a tranquil contemporary European exquisiteness

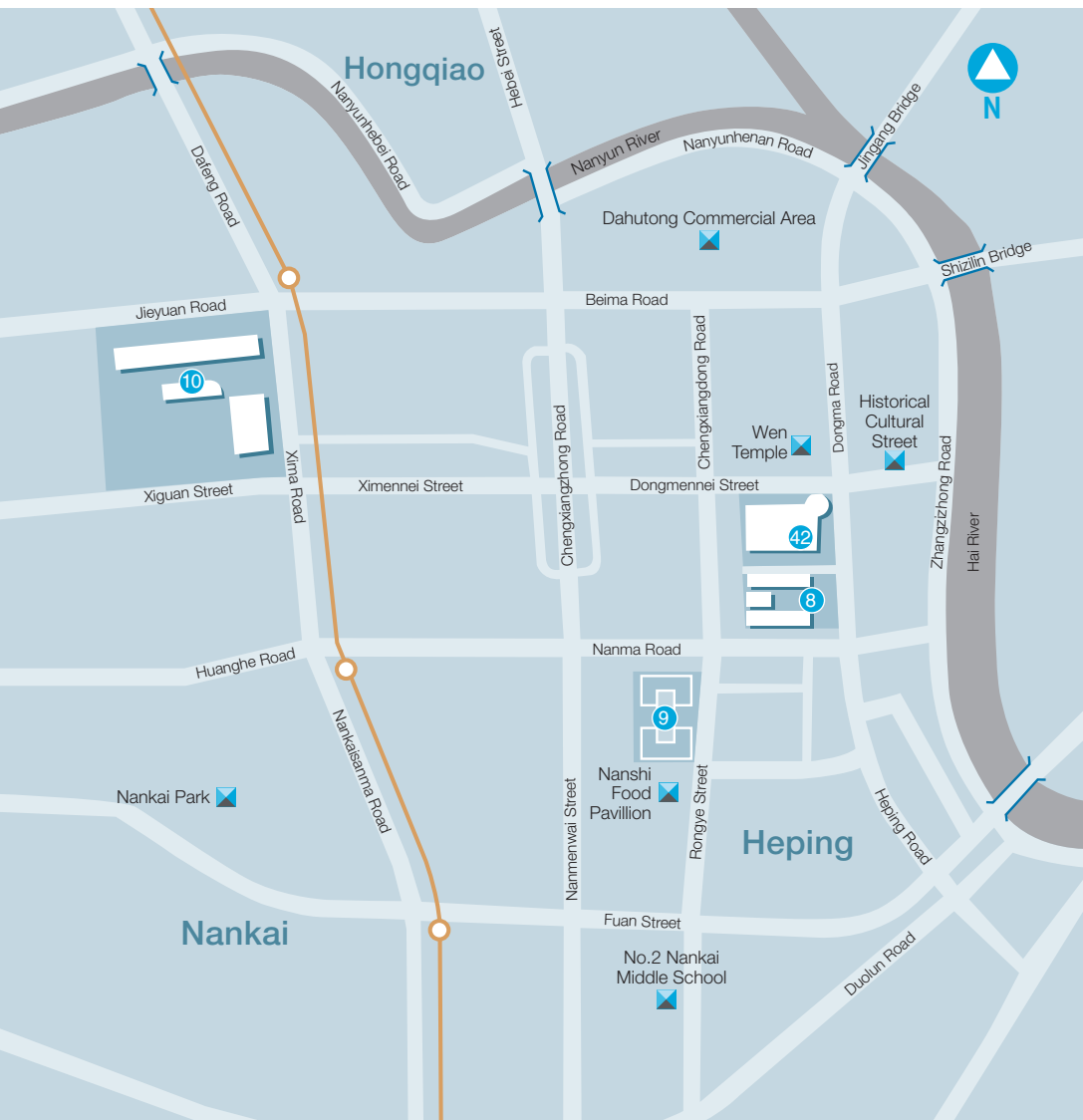
TIANJIN

The magnificent Tianjin New World Shopping Centre with its dome shaped feature and the adjacent Tianjin Xin An Garden signify convenient urban living



HIGHLIGHTS

In Tianjin, we develop contemporary and comprehensive communities in conveniently located districts. Since 1996, our partnership with local district governments has helped rejuvenating the city's core rundown urban area with new infrastructure and four new thoroughfares. In Heping, Hongqiao and Nankai — three interjoining districts where the Group projects are mainly located, stylish high-rise residential estates and shopping facilities are springing up in place of dilapidated old quarters.



-  Metro line
-  Bridge
-  Completed development
-  To be completed next two years
-  Future development
-  Tianjin Xin An Garden
-  Tianjin New World Garden
-  Tianjin Xin Chun Hua Yuan Development
-  Tianjin New World Shopping Centre

Tianjin — completion schedule

			sq.m.
FY2003	Tianjin Xin Chun Hua Yuan Development Phase II	Residential	32,985
	Tianjin Xin Chun Hua Yuan Development Phase II	Commercial	1,600
Total			34,585
FY2004	Tianjin New World Garden Phase I	Residential	54,140
	Tianjin New World Garden Phase I	Commercial	16,160
	Tianjin New World Garden Phase II	Residential	80,900
	Tianjin New World Garden Phase II	Commercial	1,100
Total			152,300

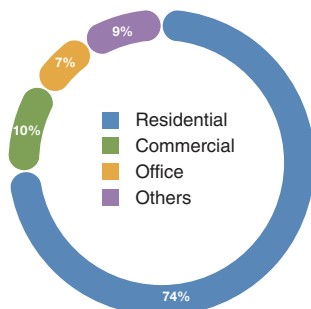
Tianjin New World Garden with its exquisite tropical Southern California landscaped garden



Following its successful launch in 2002, Tianjin New World Garden in Heping district struck the right chord with homebuyers, who were drawn to the project's Southern California-styled landscaping and yuppie inspired retail facilities. With 135,040 sq.m. of residential space and 17,260 sq.m. of commercial space, the project's Phase I was almost completely pre-sold, while Phase II has so far recorded outstanding pre-sales. Government's plans to refurbish and extend metro line 1 and develop the banks of Hai River, will add to Heping's attractiveness and benefit the Group's projects in years to come.

Tianjin — development properties for sale

Total GFA 291,809 sq.m.



PROPERTY PORTFOLIO

There are three major property development projects with GFA of 291,809 sq.m.. A total of 34,585 sq.m. of saleable GFA were completed during the year, including 32,985 sq.m. of residential space and 1,600 sq.m. of commercial space. We expect to build 135,040 sq.m. of residential space and 17,260 sq.m. of commercial space in the next financial year.

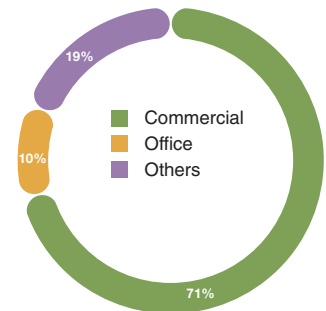
INVESTMENT PROPERTY

Tianjin New World Plaza consists of 71,998 sq.m. commercial space and a 10,464 sq.m. office space. The mega shopping mall was fully leased, while its office space recorded a high occupancy rate.

Tianjin New World Plaza now stands as Nankai district's landmark shopping mall with high daily visitor traffic. The popularity of the Group's projects has reinforced its corporate branding as an experienced developer dedicated to improve the quality of life among prospective customers.

Tianjin — completed investment property

Total GFA 101,934 sq.m.



Left: Residents in Tianjin Xin An Garden enjoy elevated view of the Heping skyline

Right: The Palm Spring Shopping Mall of Tianjin New World Garden will bring together up-market catering and retail outlets

JINAN

Jinan Sunshine Garden is introducing English butler service to its prestige residents, a first in the city



HIGHLIGHTS

Jinan Sunshine Garden, our residential project in Jinan, comprises multi-storey and high-rise apartments with 378,208 sq.m. of residential space and 15,933 sq.m. of commercial space. Each residential block was designed to maximize sunlight exposure of individual units. The project won national awards for its many novel design concepts. Its phase I recorded satisfactory sales, with 80% of launched GFA sold as of end August 2003.

PROPERTY PORTFOLIO

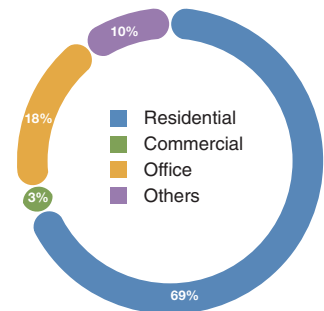
A total of 37,014 sq.m. of saleable GFA were completed during the year. We expect to build 67,527 sq.m. of residential space in the financial year 2005.

Jinan — completion schedule

			sq.m.
FY2003	Jinan Sunshine Garden Phase I	Residential	37,014
Total			37,014
FY2005	Jinan Sunshine Garden Phase I	Residential	67,527
	Jinan Sunshine Garden Phase I	Commercial	5,600
Total			73,127

Jinan — development property for sale

Total GFA 546,478 sq.m.



Location... Location...



. Location...



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Shanghai Hong Kong New World Tower

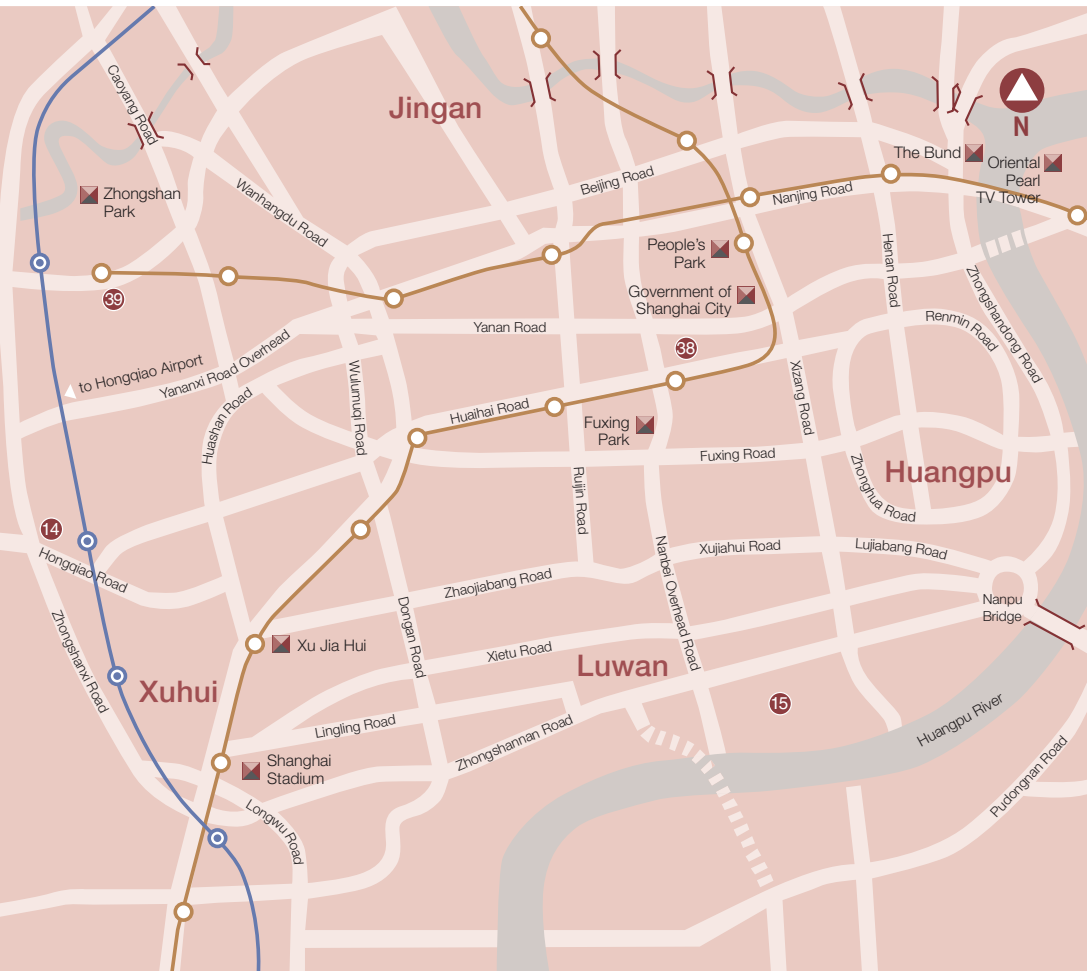
SHANGHAI

Shanghai Hong Kong New World Tower displaying its majestic grandeur at broad daylight, the variable display lighting outside the building could be seen across Shanghai during the night



HIGHLIGHTS

Shanghai Hong Kong New World Tower is the Group's flagship investment property on the well-known Huaihai Road in Shanghai. The 60-storey landmark office complex has proven to be an attractive office choice for local and multinational corporations, with its high-end retail and dining facilities and easy accessibility to the Shanghai metro system and the trendy Xintiandi. Offering a total GFA of 138,392 sq.m. when fully completed, the completed portion has been a source of the Group's rental income.



- Light rail transit
- Metro line
- Bridge
- Tunnel
- Shanghai Zhongshan Square
- Shanghai Hong Kong New World Garden
- Shanghai Hong Kong New World Tower
- Shanghai Ramada Plaza/ Shanghai Mayfair Hotel

Shanghai — completion schedule

FY2003	Shanghai Hong Kong New World Tower	Commercial	3,760
	Shanghai Hong Kong New World Tower	Office	24,583
Total			28,343
FY2004	Shanghai Hong Kong New World Tower	Commercial	52,540
	Shanghai Hong Kong New World Tower	Office	57,509
Total			110,049

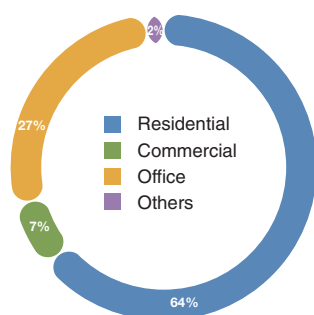
Left: The retail portion of Shanghai Ramada Plaza houses the New World Department Store

Right: Shanghai Mayfair Hotel



Shanghai — development properties for sale

Total GFA 559,585 sq.m.



PROPERTY PORTFOLIO

There are two major property development projects with GFA of 559,585 sq.m.. A total of 28,343 sq.m. of saleable GFA were completed during the year, including 1,370 sq.m. of commercial space and 24,583 sq.m. of office space.

INVESTMENT PROPERTIES

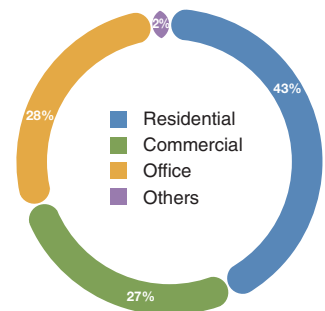
There are two completed investment properties and two investment properties under development with 88,375 sq.m. and 182,036 sq.m. respectively.

Strategically located in the Changning District with direct pedestrian link to Zhongshan Park metro station, our multi-purpose complex Shanghai Ramada Plaza has recently re-positioned itself to tap the fast-growing Shanghai's tourism market by combining its hotel space with the Group's acquired Shanghai Mayfair Hotel in early 2003. It comprises the largest 4-star hotel in Shanghai with over 850 guest rooms. The Apartment Belvedere of the project recorded high occupancy rates, while its 22,351 sq.m. commercial space was completely leased.

Capitalizing on the buoyant property market in Shanghai, both Shanghai Hong Kong New World Tower and Shanghai Ramada Plaza are expected to greatly increase rental contribution to the Group in the near future.

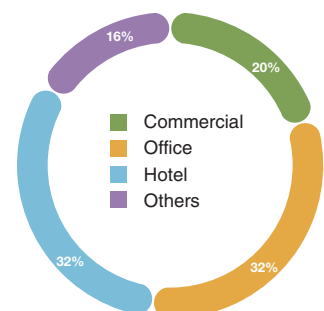
Shanghai — completed investment properties

Total GFA 88,375 sq.m.



Shanghai — investment properties under development

Total GFA 182,036 sq.m.



An executive suite of Shanghai Mayfair Hotel



DALIAN

Dalian New World Plaza with its world class design and facilities embodies the cosmopolitan spirit and hospitality of Dalian



HIGHLIGHTS

Combining apartments, office, shopping mall and private clubhouse, the Group's Dalian New World Plaza has set a new paradigm for high-end multi-use complex in Dalian.

Commanding a pivotal location on the famous pedestrian shopping avenue Tianjin Street, the project comprises two towers for office and apartment uses resting on a seven-level

retail podium. It has a residential space of 76,101 sq.m.. During the year, over 50% launched GFA for Manhattan Tower I were sold, while Manhattan Tower II recorded encouraging pre-sales since its launch in early 2003. New World Department Store commenced its operation on the project's shopping space in late 2002. Coupled with the impending relaunch of Tianjin Street under government's refurbishment plan, this will help increase in visitor traffic to the shopping arcade.

PROPERTY PORTFOLIO

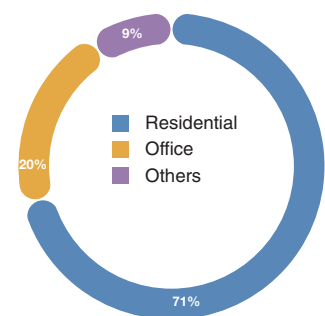
There is one property development project and one completed investment property project with GFA of 77,040 sq.m. and 73,946 sq.m. respectively. A total of 69,196 sq.m. of commercial space were completed during the year. We expect to build 44,414 sq.m. of residential space and 15,218 sq.m. of office space in the next financial year.

INVESTMENT PROPERTY

The Group's Dalian New World Plaza consists of 69,196 sq.m. commercial space and of which around 30,000 sq.m. was leased by New World Department Store.

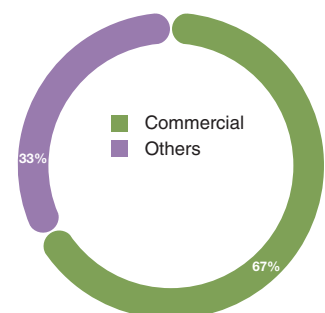
Dalian — development property for sale

Total GFA 77,040 sq.m.



Dalian — completed investment property

Total GFA 73,946 sq.m.



Dalian — completion schedule

			sq.m.
FY2003	Dalian New World Plaza Phase II	Commercial	69,196
Total			69,196
FY2004	Dalian Manhattan Tower II	Residential	44,414
	Dalian New World Plaza Remaining Phases	Office	15,218
Total			59,632

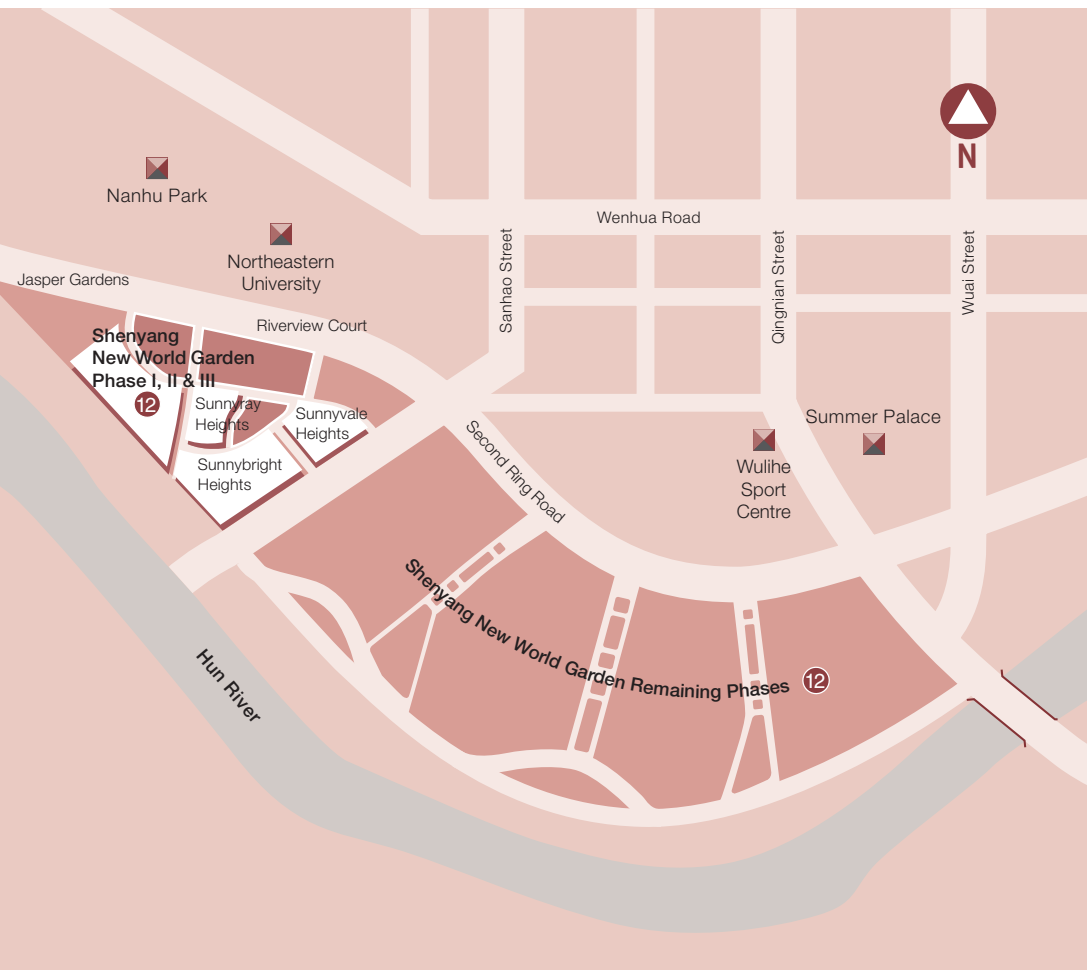
SHENYANG

Shenyang New World Garden represents high quality living with unsurpassed river and park view, Phase II Jasper Garden Villas are a class of its own



HIGHLIGHTS

Overlooking the scenic Hun River, the Group flagship comprehensive community project Shenyang New World Garden is the largest single residential development in Shenyang. The project's unique location at the heart of southern Shenyang will enable it to benefit from government's town planning to move the city centre southward. Following the prompt sold out of Phase I in 2001, Shenyang New World Garden Phase II were greeted with good response from homebuyers since their launch in late 2002, setting a record for the highest unit selling price for the city's residential property. Phase III, comprising medium to high-rise apartments was launched in June 2003.



Shenyang — completion schedule

			sq.m.
FY2003	Shenyang New World Garden Phase IB	Residential	19,102
Total			19,102
FY2004	Shenyang New World Garden Phase IC	Residential	118,336
Total			118,336

The flamboyant Shenyang New World Garden Phase II interior shows off its exclusiveness and esteem



Water landscaping by Belt Collins is a major attraction of Phase III



PROPERTY PORTFOLIO

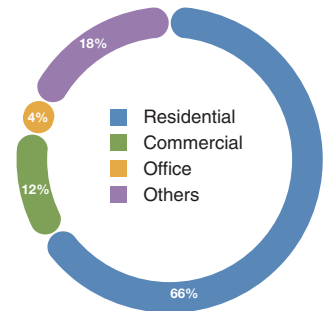
There is one major property development project with GFA of 3,074,527 sq.m. A total of 19,102 sq.m. of residential space were completed during the year. We expect to build 118,336 sq.m. of residential space in the next financial year.

INVESTMENT PROPERTY

Occupancy rate of New World Hotel Shenyang comprising GFA of 32,200 sq.m., consisting of 22 storeys with 252 guest rooms, remained at high level. Shenyang New World Department Store in the Hotel's podium was fully leased. It has long been a popular shopping centre frequented by foreign businessmen and high-spending local individuals.

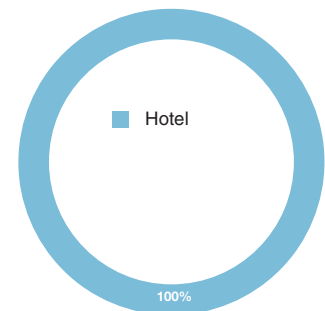
Shenyang — development property for sale

Total GFA 3,074,527 sq.m.



Shenyang — completed investment property

Total GFA 32,200 sq.m.



A large scale park fronting the river provides the residents of Shenyang New World Garden with ample greenery and recreational space

A Modern Comm



unity



An integral part of our business philosophy is to create attractive self-contained communities that nurture family life and provide a healthy and fulfilling living environment.

Guangzhou Covent Garden club house

WUHAN









Changqing Garden is a well known brand in Wuhan. Cultural events were frequently held in its community complex and gardens events



HIGHLIGHTS

In Wuhan, the Group offers developments targeting different market segments. As one of the country's largest comprehensive residential community developments, Changqing Garden offers a total GFA of 3,872,292 sq.m.. Complete with essential community facilities and amenities, the project is a self-sufficient town in its own right, providing homes to over 10,000 families of over 70,000 residents. It stands testimony to the Group's expertise in creating and managing large-scale vibrant communities. Changqing Garden's outstanding planning and rich cultural life have earned it wide acclaim all over Hubei Province. Benefiting from its brand name and reputation, the project has been able to maintain excellent sales record.



-  Railway station
-  Bridge
-  Embankment
-  16 Wuhan Menghu Garden
-  17 Wuhan New World Centre
-  18 Wuhan Changqing Garden
-  19 Wuhan Xin Hua Garden
-  44 Wuhan International Trade and Commerce Centre Annex Building

Wuhan — completion schedule

			sq.m.
FY2003	Wuhan Changqing Garden Phase IV	Residential	258,858
	Wuhan Changqing Garden Phase IV	Commercial	11,000
	Wuhan Changqing Garden Phase IV	Office	25,016
Total			294,874
FY2004	Wuhan Menghu Garden Phase I	Residential	12,186
	Total		12,186
FY2005	Wuhan Changqing Garden Phase V	Residential	160,000
	Wuhan Xin Hua Garden Phase II	Residential	147,338
	Wuhan Xin Hua Garden Phase II	Commercial	1,724
Total			309,062

A landmark in the old town of Wuhan, Wuhan New World Centre will crystallize the Group's long tradition in developing multi-use projects



PROPERTY PORTFOLIO

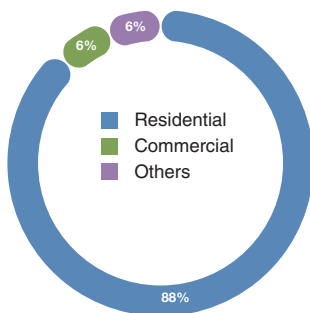
There are four major property development projects with GFA of 2,622,976 sq.m. A total of 294,874 sq.m. of saleable GFA were completed during the year, including 258,858 sq.m. of residential space. We expect to build 12,186 sq.m. of residential space in the next financial year and a further 307,338 sq.m. of residential space in subsequent financial years.

Located at Wuhan's Scenic Tazi Lake, low-density development Wuhan Menghu Garden is positioned for Wuhan's high-income bracket. The project has been well-received by the market since its recent launch.

Located at a prime site on Xinhua Road, Wuhan Xin Hua Garden is the largest high-rise residential apartment in downtown Wuhan. Phase I of the project is almost sold out.

Wuhan — development properties for sale

Total GFA 2,622,976 sq.m.





Wuhan Xin Hua Garden is a celebration of city lifestyle

INVESTMENT PROPERTIES

There are two completed investment property projects and two investment properties under development with 56,443 sq.m. and 187,005 sq.m. respectively.

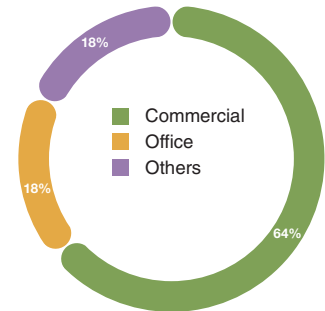
Providing a total GFA of 187,005 sq.m. on completion, Wuhan New World Centre is a multi-use complex comprising shopping arcade, apartments, offices, and a hotel. When completed in 2006, the project will become a major landmark on Jiefang Dai Road.

Wuhan International Trade and Commerce Centre Annex Building is composed of 9,963 sq.m. of office space and a high-end department store. Located at the intersection of Jianshe Road and Xin Hua Road, this property houses tenants that include world-renowned corporations and foreign consulates. The project's office portion was nearly fully leased.



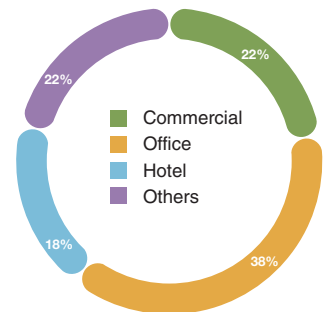
Wuhan — completed investment properties

Total GFA 56,443 sq.m.



Wuhan — investment properties under development

Total GFA 187,005 sq.m.

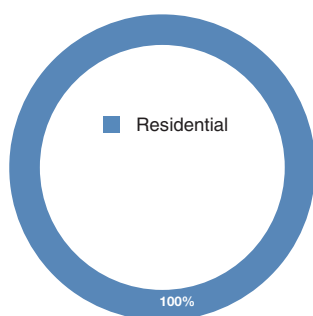


Wuhan Menghu Garden, will demonstrate the Group's strong capability in developing luxurious properties

NANJING

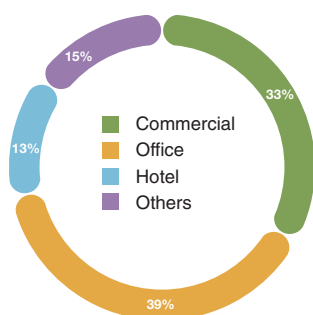
Nanjing — development property for sale

Total GFA 86,252 sq.m.



Nanjing — investment property under development

Total GFA 124,506 sq.m.



HIGHLIGHTS

In Nanjing, our landmark development Nanjing New World Centre is a multi-use complex comprising a 38-level hotel/office tower and a 38-level apartment tower on a 6-storey commercial podium. Commanding a premiere location in Xuanwu, the city's central business district, the project has a GFA of 210,758 sq.m..

PROPERTY PORTFOLIO

Nanjing New World Centre, a project currently under development, offers 86,252 sq.m. of residential space. We expect to build 68,680 sq.m. of residential space in the next financial year and a further 17,572 sq.m. of residential space in subsequent financial year.

INVESTMENT PROPERTY

A total of 59,649 sq.m. of commercial space and 48,443 sq.m. of office space of Nanjing New World Centre are expected to be completed in FY2004.

Nanjing — completion schedule

			sq.m.
FY2004	Nanjing New World Centre	Residential	68,680
	Nanjing New World Centre	Commercial	59,649
	Nanjing New World Centre	Office	48,443
Total			176,772
FY2005	Nanjing New World Centre	Residential	17,572
	Total		17,572

HEFEI



A tranquil corner of Hefei New World Garden

HIGHLIGHTS

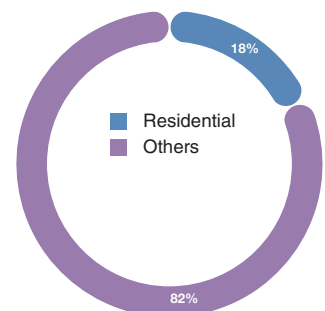
Neighbouring an artery leading to the railway station, Hefei New World Garden is a self-contained residential estate, consisting of 99,446 sq.m. of residential space. The development boasts a multi-purpose club house, almost 50% of green coverage, underground car park and a kindergarten. Phase I of the project was almost sold out.

PROPERTY PORTFOLIO

A total of 16,257 sq.m. of the saleable GFA were completed during the year, including 12,588 sq.m. of residential space.

Hefei — development property for sale

Total GFA 15,673 sq.m.



Hefei — completion schedule

			sq.m.
FY2003	Hefei New World Garden Phase II	Residential	12,588
	Hefei New World Garden Phase II	Commercial	3,669
Total			16,257

New Vision of Living





Our luxury residential and leisure developments set new standards in luxury and good taste, allowing prosperity and success to be enjoyed in comfort and style.

Shenzhen New World Yi Shan Garden Phase I

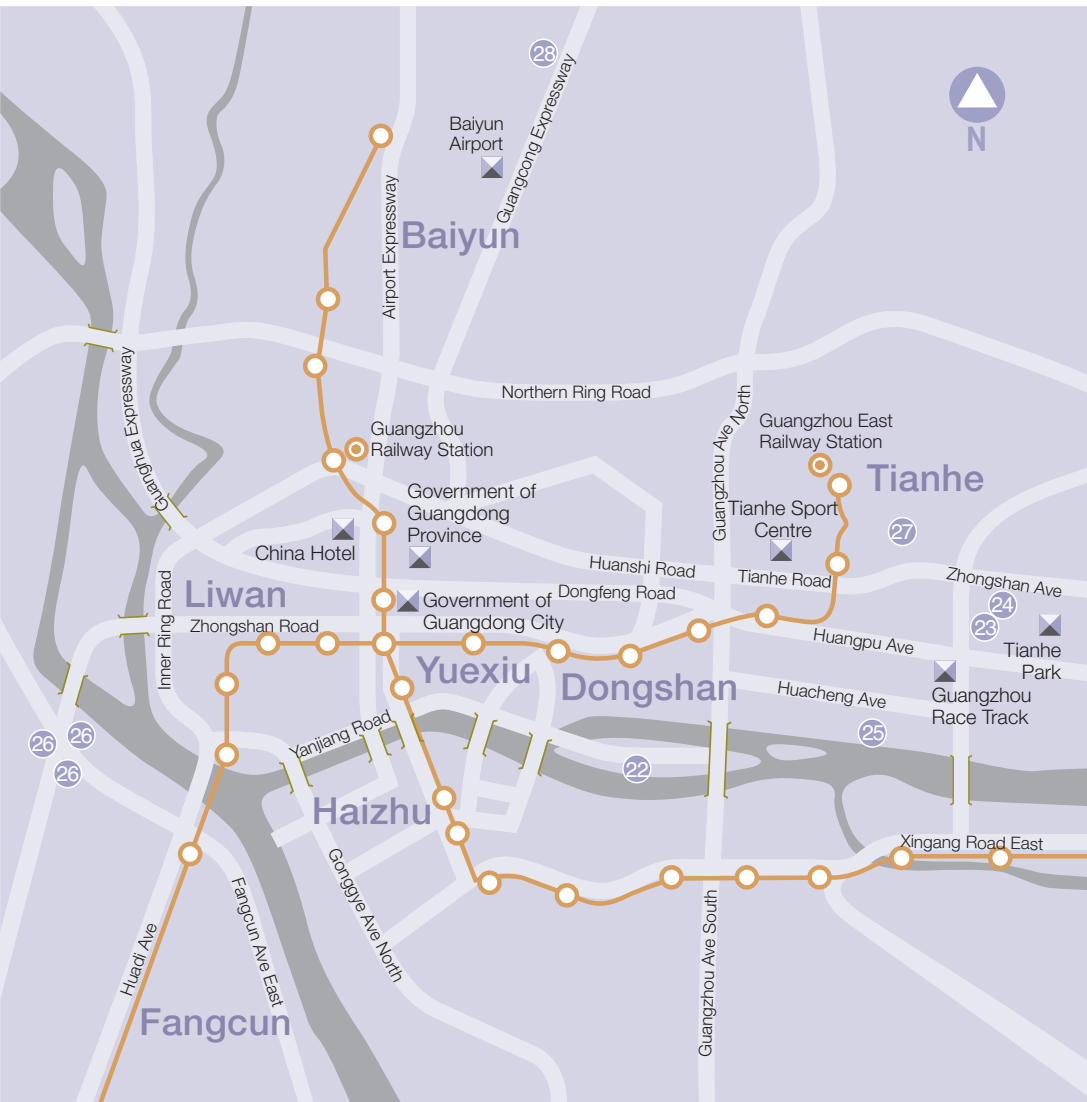
GUANGZHOU

Guangzhou New World Oriental Garden exemplifies the Group's experience in bringing together world class design aesthetics to create an attractive living space for the city's rapidly expanding middle class



HIGHLIGHTS

In Guangzhou, where the New World Group began its first investment in China, the Group's villa, urban apartment and residential community projects all targeting and catering to a wide range of market segments.



-  Railway station
-  Metro Line
-  Bridge
-  22 Guangzhou New World Casa California
-  23 Guangzhou Dong Yi Garden
-  24 Guangzhou New World Oriental Garden
-  25 Guangzhou Central Park-view
-  26 Guangzhou Covent Garden
-  27 Guangzhou Fangcao Garden
-  28 Guangzhou Park Paradise

Guangzhou — completion schedule

			sq.m.
FY2003	Guangzhou Covent Garden Phase IB	Residential	10,000
	Guangzhou Covent Garden Phase II	Residential	12,484
	Guangzhou Fangcao Garden Phase I	Residential	45,504
	Guangzhou Fangcao Garden Phase I	Commercial	2,698
	Guangzhou Dong Yi Garden Phase III	Residential	52,683
	Guangzhou Park Paradise Phase IIA & IIB portion	Residential	87,851
	Guangzhou Park Paradise Phase IIA & IIB portion	Commercial	4,860
	Guangzhou New World Oriental Garden Phase I	Commercial	18,889
	Guangzhou Xintang New World Garden Phase II	Residential	13,918
Total			248,887
FY2004	Guangzhou Covent Garden Phase II	Residential	94,835
	Guangzhou Covent Garden Phase II	Commercial	7,254
	Guangzhou Xintang New World Garden Phase II	Residential	49,721
	Guangzhou Central Park-view Phase I, II portion	Residential	174,047
	Guangzhou Central Park-view Phase I	Commercial	13,118
	Guangzhou Central Park-view Phase I	Office	3,714
Total			342,689
FY2005	Guangzhou Park Paradise Phase IIB	Residential	55,429
	Guangzhou Park Paradise Phase III	Residential	120,000
	Guangzhou Park Paradise Phase III	Commercial	2,100
	Guangzhou Xintang New World Garden Phase III	Residential	54,390
	Guangzhou Xintang New World Garden Phase III	Commercial	6,084
Total			238,003

Both Fangcao Garden Phase I (Left) and Dong Yi Garden Phase III (Right) are top choice for the middle class and office workers in Tianhe Central Business District





Covent Garden's lush landscaping and abundant recreational facilities are unrivaled in Guangzhou's Fangcun district, a luxury for many first time homebuyers in the surrounding regions

The Group's large-scale residential communities in the city include Guangzhou Park Paradise with a total GFA of 1,957,478 sq.m. in the Baiyun District near the airport, Guangzhou Covent Garden with a total GFA of 1,206,999 sq.m. in Fangcun District, Guangzhou Xintang New World Garden with a total GFA of 392,715 sq.m. in Xintang Township. These projects' superior master planning and open outdoor space and comprehensive facilities have proved to be a draw for young homebuyers.

The Group's three residential projects in Tianhe District target the increasingly affluent middle-class by offering comprehensive facilities and easy accessibility. Guangzhou Fangcao Garden Phase I with a total GFA of 55,236 sq.m. and Guangzhou Dong Yi Garden Phase II and Phase III with a total GFA of 106,568 sq.m. recorded satisfactory sales. Launched in mid 2003, Guangzhou New World Oriental Phase I with a total GFA of 159,531 sq.m. received overwhelming market response.

Guangzhou New World Casa California in Ersha Island and Guangzhou Central Park-view in Tianhe district Pearl-River New City, are the Group's flagship luxury properties in Guangzhou. The former is almost sold out while the latter, with a total GFA of 233,944 sq.m. in Phase I, was recently launched.

The sales activities of the Group's projects in Guangzhou were able to ride on the highly respected brand name the Group has established over the years by offering a wide range of top quality properties and services to the market.

From New World Central Park-view (Left) to New World Casa California (Right), the Group continuously pursue its mission to bring luxurious living style to the affluent class



At Xintang New World Garden, tropical flavour blends harmoniously with Thai inspired pavillion and apartments



PROPERTY PORTFOLIO

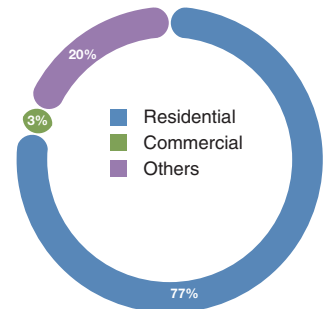
There are eight major property development projects with a GFA of 4,093,276 sq.m.. A total of 248,887 sq.m. of saleable GFA were completed during the year, including 222,440 sq.m. of residential space and 26,447 sq.m. of commercial space. We expect to build 318,603 sq.m. of residential space and 20,372 sq.m. of commercial space in the next financial year and a further 229,819 sq.m. in residential space in subsequent financial year.

INVESTMENT PROPERTY

The newly completed Guangzhou New World Oriental Garden Phase I consists of 18,889 sq.m. of commercial space. Guangzhou New World Oriental Garden Phase I recorded full tenancy.

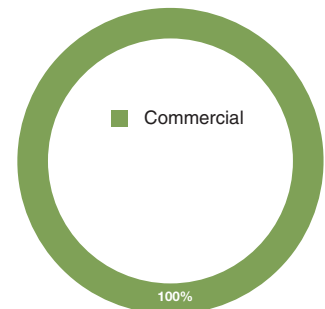
Guangzhou — development properties for sale

Total GFA 4,093,276 sq.m.



Guangzhou — completed investment property

Total GFA 18,889 sq.m.



Left: Facilities like this secondary school is an integral part of the New World Park Paradise
Right: New World Park Paradise boasts open space, greenery and water feature

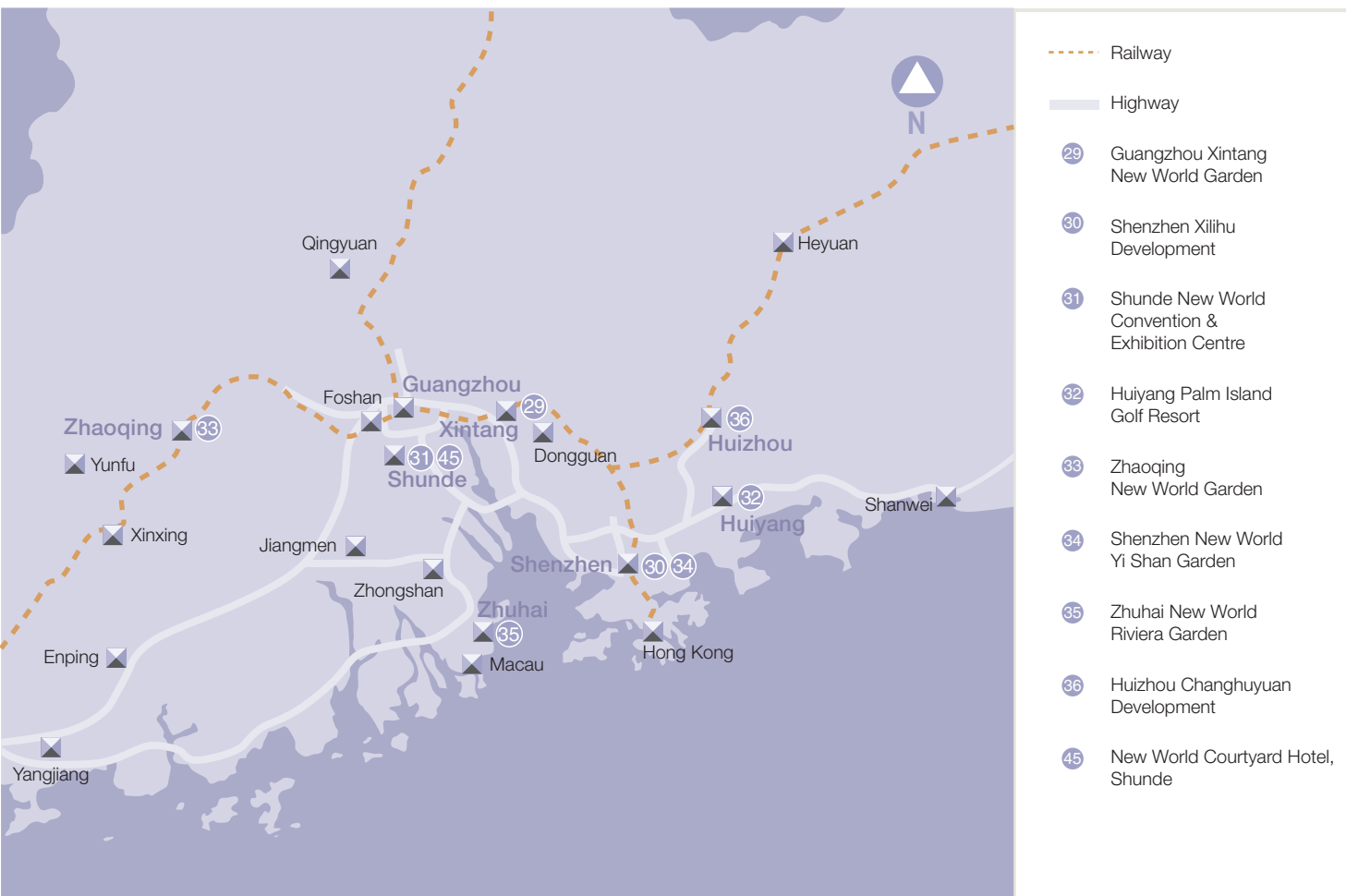
PEARL RIVER DELTA

The exotic tropical architecture of Shenzhen New World Yi Shan Garden Phase I scenery to create a world class luxury residential resort



HIGHLIGHTS

As southern China's industrial powerhouse, Pearl River Delta has recorded phenomenal economic growth for the past decades. The growing affluence of its people has led to the demand for better quality of living. Encouraging sales were recorded across the Group's medium to high-end properties in the region. Major projects include Huiyang Palm Island Golf Resort, Shenzhen New World Yi Shan Garden, Shunde New World Convention & Exhibition Centre, Zhaoqing New World Garden and Zhuhai New World Riviera Garden.

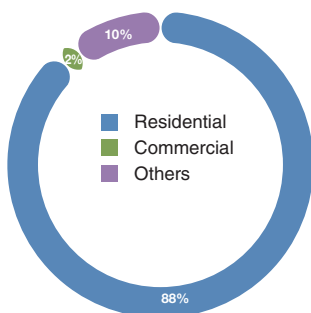


Pearl River Delta — completion schedule

			sq.m.
FY2003	Huiyang Palm Island Golf Resort Phase II	Residential	4,484
	Huiyang Palm Island Golf Resort Phase III	Residential	18,734
	Zhuhai New World Riviera Garden Phase I	Residential	8,992
	Zhaoqing New World Garden Phase I	Residential	40,542
Total			72,752
FY2004	Shunde New World Convention & Exhibition Centre Phase II	Residential	20,173
	Huiyang Palm Island Golf Resort Phase IV	Residential	33,504
Total			53,677
FY2005	Shenzhen New World Yi Shan Garden Phase II	Residential	45,302
	Shenzhen New World Yi Shan Garden Phase II	Commercial	10,392
Total			55,694

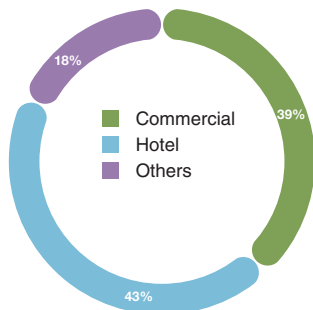
Pearl River Delta — development properties for sale

Total GFA 1,086,382 sq.m.



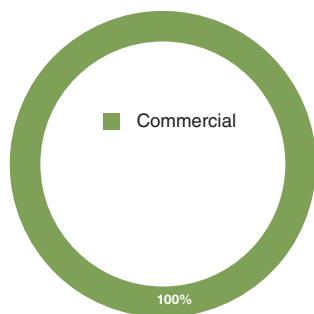
Pearl River Delta — completed investment properties

Total GFA 85,727 sq.m.



Pearl River Delta — investment property under development

Total GFA 10,645 sq.m.



The exclusive villas of Huiyang Palm Island Golf Resort given new definition to exquisite living and recreational lifestyle

PROPERTY PORTFOLIO

There are seven major property development projects with total GFA of 1,086,382 sq.m.. A saleable residential GFA of 75,396 sq.m. was completed during the year. We expect to build 53,677 sq.m. of residential space in the next financial year.

INVESTMENT PROPERTIES

There are three completed investment property projects and one investment property project under development, with GFA of 85,727sq.m. and 10,645 sq.m. respectively.

HAIKOU



The resort-styled landscaping and architecture of Haikou New World Garden blend seamlessly with Haikou's unique tropical atmosphere

HIGHLIGHTS

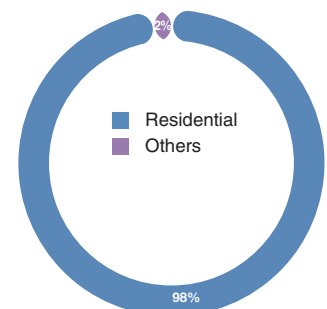
Haikou New World Garden, the Group's low-density high-end residential resort in Haikou, Hainan Province, features tropical landscaped gardens and comprehensive recreation facilities. With a total GFA of 258,331sq.m., the project's phase I was well-received by local residents as well as holidaymakers and retirees from other provinces.

PROPERTY PORTFOLIO

Haikou New World Garden, a project under development, has a remaining undeveloped GFA of 204,385 sq.m.. We expect to build 23,557 sq.m. of residential space in FY2005.

Haikou — development property for sale

Total GFA 241,215 sq.m.



Haikou — completion schedule

			sq.m.
FY2005	Haikou New World Garden Phase II	Residential	23,557
Total			23,557

Review of 2003 Results

During the financial year under review, the Group posted a loss of HK\$1,711.0 million as compared to profit of HK\$137.1 million during 2002. The substantial setback in operating performance was the consequence of increased provisions required, revaluation deficits suffered and decline in operating results from the Group's operating segments.

Analysis of Attributable operating profit ("AOP")/(loss)		
	FY2003 HK\$'000	FY2002 HK\$'000
Property sales		
Commodity housing	(181,586)	(10,657)
Fixed-return properties	—	124,476
Rental operation	66,510	71,236
Hotel operation	4,225	21,658
Land sales	2,565	65,811
Property management services	(12,843)	(10,609)
Attributable operating (loss) ("AOL")/AOP before provisions, revaluation deficits and finance costs	(121,129)	261,915
Less: Provisions and revaluation deficits	(1,327,966)	(45,251)
Finance costs — project loans	(103,468)	(16,872)
AOL/AOP	(1,552,563)	199,792
Finance costs — corporate loans	(41,982)	(13,644)
Corporate administrative expenses	(124,307)	(116,170)
Bank and other interest income	7,824	67,149
(Loss)/profit attributable to shareholders	(1,711,028)	137,127

Property Sales

Commodity housing

During the year, the Group completed 717,600 sq.m. of commodity housing, an increase of 50% from that of FY2002. The overall sales volume of commodity housing also increased by 49% to 560,900 sq.m., 71% of which was from sales of projects completed during the current year. Despite the increase in both completion and sales volume, the Group was not able to achieve improvement in AOP. The AOL recorded was primarily attributable to unsatisfactory sale margin of both inventory and newly completed projects as compared with that of FY2002's. Over 59% of prior years' inventory sold and 32% of current year's completed projects sold during the year had negative sale margin. Faced with the pressure of increasing supply, the real estate market in China has continued to operate under a challenging and competitive environment. This stringent market condition has prevailed especially in Guangzhou and Beijing, and the competitive pricing effect further undermined the slim sale margin of our property units.

Development of commodity projects completed during FY2003

Projects	Usage	Total GFA (Sq.m.)	Attributable Interest (%)
Beijing New World Garden Phase I	O	13,000	70
Tianjin Xin Chun Hua Yuan Development Phase II	R, C	34,585	60
Shenyang New World Garden Phase IB	R	19,102	90
Wuhan Changqing Garden Phase IV	R, C, O	294,874	60
Jinan Sunshine Garden Phase I	R	37,014	65
Hefei New World Garden Phase II	R, C	16,257	60
Guangzhou Covent Garden Phase IB	R	10,000	60
Guangzhou Covent Garden Phase II	R	12,484	60
Guangzhou Fangcao Garden Phase I	R, C	48,202	40
Guangzhou Dong Yi Garden Phase III	R	52,683	100
Guangzhou Park Paradise Phase IIA & IIB portion	R, C	92,711	60
Guangzhou Xintang New World Garden Phase II	R	13,918	60
Huiyang Palm Island Golf Resort Phase II	R	4,484	34
Huiyang Palm Island Golf Resort Phase III	R	18,734	34
Zhuhai New World Riviera Garden Phase I	R	8,992	60
Zhaoqing New World Garden Phase I	R	40,542	40
Total		717,582	

R : Residential
C : Commercial
O : Office

During the year under review, the Group had successfully sold out inventory units of over 162,000 sq.m., with an increase of 63% as compared to that of previous year. The remaining inventory as at 30th June 2003 reached 563,000 sq.m. It is imperative that the Group should endeavour to clear up the inventory in the immediate short run. The

Group has adopted the strategy to sell the inventory units below market price and sacrifice trading losses to achieve the benefit of quicker return of cash flows, immense inventory sales generated inevitable higher AOL.

For the preparation of launching the first phase of a number of sizable projects in Guangzhou and Beijing in May 2003, a series of marketing campaign were launched after Chinese New Year in anticipation of the usual seasonal bloom around May. We had incurred comparatively higher marketing expenses during the period but the effect of these marketing campaigns could not be materialised as the launching of these projects were ultimately deferred after the outbreak of SARS since March. The SARS epidemic caused temporary delay and disruption to our sales plan, the launching activities were nevertheless resumed after July and the marketing sentiment was then gradually picked up.

In FY2004, the Group will complete 14 projects in 10 cities with a total GFA of 1,109,600 sq. m.. Of the projects to be completed in FY2004, almost 40% of the launched area was pre-sold as of September 2003. Completion of the Group's projects in the Pearl River Delta is expected to reach a peak in coming years with five projects in Guangzhou and four projects in Zhuhai, Shunde, Huiyang and Zhaoqing. These projects are just on time to cater the increasing demand from the fast-growing Pearl River Delta Region.

Commodity housing (continued)

Development of commodity projects to be completed in FY2004

Projects	Usage	Total GFA (Sq. m.)	Attributable Interest (%)
Chateau Regalia Beijing	R	121,505	100
Beijing Xin Kang Garden Phase III	R, C	105,270	70
Beijing Liang Guang Road Blocks 3 & 4	R, C, O	82,625	70
Tianjin New World Garden Phase I	R, C	70,300	60
Tianjin New World Garden Phase II	R, C	82,000	60
Shenyang New World Garden Phase IC	R	118,336	90
Dalian Manhattan Tower II	R, O	52,327	88
Wuhan Menghu Garden Phase I	R	12,186	100
Nanjing New World Centre Phase I	R	68,680	92
Guangzhou Covent Garden Phase II	R, C	102,089	60
Guangzhou Xintang New World Garden Phase II	R	49,721	60
Guangzhou Central Park-view Phase I, II portion	R, C, O	190,879	91
Huiyang Palm Island Golf Resort Phase IV	R	33,504	34
Shunde New World Convention & Exhibition Centre Phase II	R	20,173	35
Total		1,109,595	

Fixed-return properties

In September 2002, the State Council had announced that all the guaranteed return arrangement between PRC enterprises and their foreign partners had to be cancelled by the end of 2002. The cessation of contribution from fixed-return properties during the year has further crippled the Group's AOP from property sales. The Group had taken steps to re-negotiate with the relevant Chinese partner the new profit sharing arrangement of undeveloped site of fixed-return projects. Consequently, no contribution was posted in FY2003 against the HK\$124.5 million AOP in property sales of fixed-return projects in FY2002.

Rental Operation

The Group continued to place emphasis in building up strong rental base and achieved the completion of over 116,000 sq.m. of investment properties during the year comprising a well-mix of shopping arcades located in Dalian and Guangzhou and a phase-completed office premise located in a prime location of Shanghai city centre. The Group immediately secured full tenancy of the shopping arcades and had posted positive contributions to AOP from the successful leasing of Guangzhou New World Oriental Garden shopping mall and Dalian New World Plaza Phase II. However, the above increase in AOP was not sufficient to mitigate the AOL from the leasing of Apartment Belvedere in Shanghai, which has remained low occupancy albeit slowly picking up since its launching in March 2002.

Investment properties completed during FY2003

Projects	Usage	Total GFA (Sq. m.)	Attributable Interest (%)
Dalian New World Plaza Phase II	C	69,196	88
Shanghai Hong Kong New World Tower	C, O	28,343	44
Guangzhou New World Oriental Garden Phase I	C	18,889	100
Total		116,428	

Currently, the Group has 6 investment property projects under construction, with a total GFA of 504,200 sq.m..

In FY2004, two investment projects located in Nanjing and Shanghai, with a total GFA of 218,100 sq. m. are scheduled to be completed. After the completion, it will enhance the Group's AOP from rental operation.

Investment properties to be completed in FY2004

Projects	Usage	Total GFA (Sq.m.)	Attributable Interest (%)
Nanjing New World Centre	C .O	108,092	92
Shanghai Hong Kong New World Tower remaining portion	C .O	110,049	44
Total		218,141	

Hotel Operation

The Group's hotel operating result was disappointing in FY2003 with an 80% decrease in AOP to HK\$4.2 million. The SARS outbreak during the last quarter caused material adverse impact on our hotel operations. The hotel occupancy rate in our hotels in Beijing, Shenyang and Shunde had sharply dropped to single digits and our immediate cost saving measures taken could not mitigate the overall decrease in AOP owing to the sustained level of fixed costs. Apart from downward adjustments in AOP of our existing hotels, the Group had run into this unexpected bad timing to soft-open a nearly-completed hotel, Shanghai Mayfair Hotel, in March 2003. Owing to the SARS epidemic, the soft operation was consequently suspended after few weeks' operation but its start-up costs were inevitably absorbed in the current year. The hotel was subsequently grand-opened in September, satisfactory occupancy is sustained.

Apart from SARS effect, it was a challenging year for both the New World Hotel Shenyang and New World Courtyard Shunde Hotel with the keen competition from the newly opened hotels in close proximity. The over supply of guest rooms resulted in the reduction of room rates achieved, which directly affected the revenue stream.

Land Sales

The Group entered into an agreement with a local consortium in January 2003 to sell a 12,900 sq.m. land lot in Tianjin.

Property Management

The increase in AOL from property management to HK\$12.8 million during the period under review arose from continued increase in scope of services provision for newly completed projects. We have established our own property management teams in Beijing, Shenyang, Shanghai and Guangzhou to ensure provision of quality property management services to our residents of our completed projects.

Provisions and Revaluation Deficits

The emergence of a number of challenging but unavoidable factors in the real estate market and hotel industry in China during the year under review led to the necessity to take up provisions and revaluation deficits which dampened our current year's results.

Provisions and Revaluation Deficits (continued)

Breakdown of provisions and revaluation deficits		
	FY2003 HK\$'000	FY2002 HK\$'000
Provision for completed properties	(70,894)	(17,228)
Provision for properties under development	(495,917)	3,200
Revaluation deficits of hotel properties	(584,109)	(2,430)
Revaluation deficits of investment properties	(41,412)	(14,700)
Provision for fixed-return receivables	(45,643)	(14,093)
Provision for fixed-return properties	(89,991)	—
	(1,327,966)	(45,251)

Provision for completed properties

As a result of the Group's strategy to expedite the turn-around of inventory even at negative margin to improve cash return from the projects, provisions of HK\$70.9 million was required for completed properties as at 30th June 2003. Guangzhou, which tops the Group's property completion schedule by region in the next two years, has a very competitive and matured property market. In 2002, the property transactions reached a record high of over 10 million sq.m., up 32.4% against 2001. The competitive market condition coupled with the over supply of commodity properties in Guangzhou inevitably resulted in fierce price-cut among developers to achieve faster turn-around of stock. Thus, provisions on unsold inventory from Guangzhou Dong Yi Garden, Guangzhou Park Paradise Phase II, accounting for 59% of current year's provision for completed properties, are required.

Provision for properties under development

Provision for properties under development of HK\$495.9 million had been made for the potential losses arising from the launched pre-sale projects and for those properties under development with intended pre-sale price or open market prices below their carrying costs. As at 30th June 2003, the Group's assessment reflected that such provisions were required for Tianjin New World Garden, Nanjing New World Centre, and Guangzhou Park Paradise Phase II portion, Beijing New World Garden Phase II and Shenzhen New World Yi Shan Garden. The Group's pricing strategy had been adopted with a view to maximising the market penetration and to sustain high sales momentum. In an effort to achieve marketable atmosphere and which must be assisted by gradual establishment of community synergy in our projects, the Group has determined to launch the properties to market with intended selling price setting below the expected market price in order to assure successful kick-off with penetrating tendency. As reaction to take the edge off the imminent pressure of increasing imbalance of supply, the Group has been resolute to maintain this pricing strategy to avoid piling-up of new inventory and to forgo the opportunity to attain higher return.

Revaluation deficits of hotel properties

The Group had suffered from down-turn of hotel industry in Mainland China, an aggregate amount of HK\$584.1 million revaluation deficits on valuation of our portfolio was taken up during the current year.

The hotel industry in China has been competitive. The continuing increase in establishment of hotel operations in China by both foreign and local hoteliers has posed great imbalance in supply and demand in hospitality sector of China. The outbreak of SARS in March further caused disastrous impact to the industry. The devaluation of our hotel portfolio has indicated the tough operation environment and the SARS-induced prolonged adverse impact. The carrying costs of our hotel portfolio could no longer be sustainable and comparable to the existing unfavourable open market value of the hotels, a downward adjustment on the hotel's costs were required to reflect the existing down-falling situations.

Revaluation deficits of investment properties

As at 30th June 2003, the Group had recorded HK\$41.4 million revaluation deficits on valuation of our investment property portfolio with reference to open market value at year end.

Provision for fixed-return properties

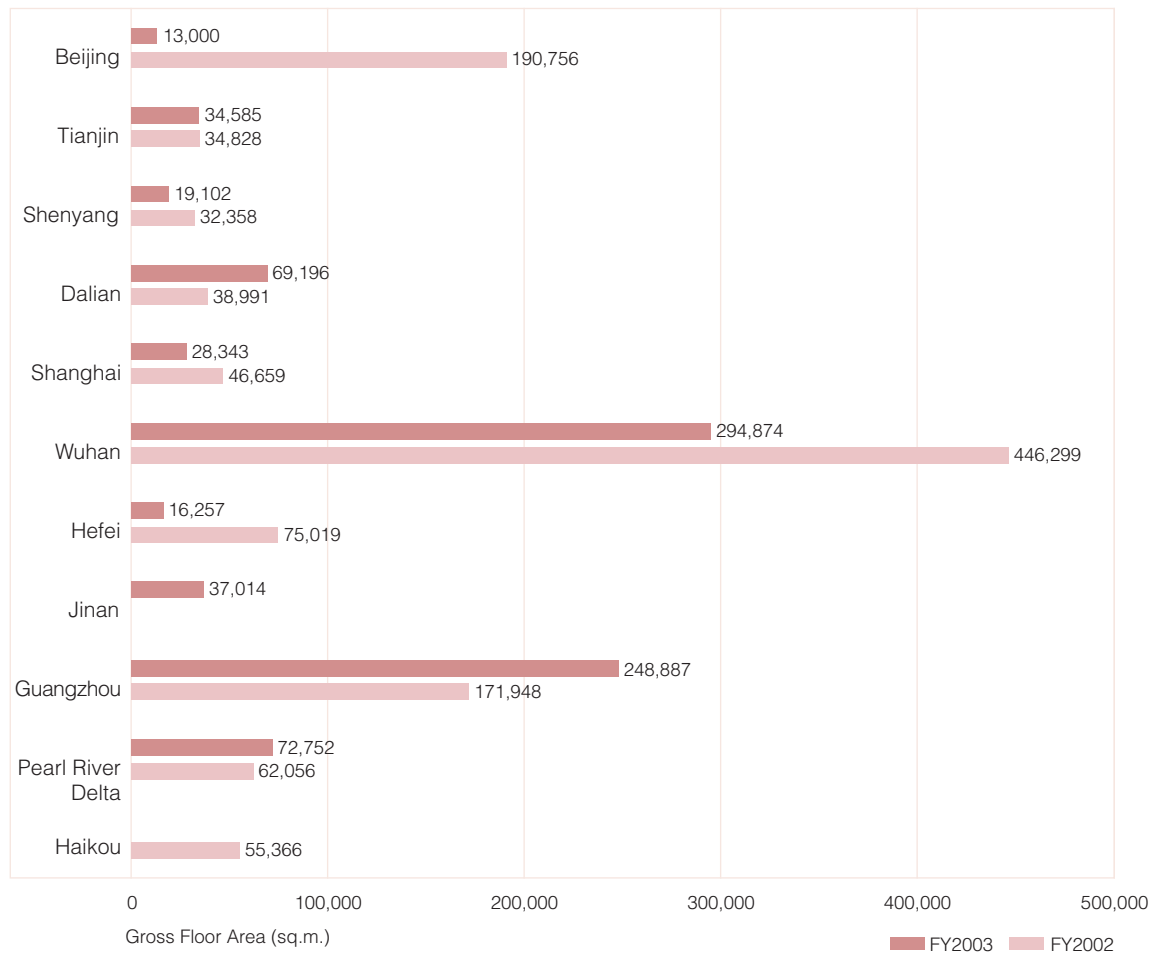
Upon the official enforcement to abolish fixed-return arrangement between PRC enterprises and their foreign partners, the Group had actively initiated discussion with the joint venture partners of projects with fixed-return covenant agreed in the original joint venture contracts. As part of the negotiation to deal with this change, the Group had to nullify the fixed-return covenants and it had been agreed that the remaining undeveloped phases of these projects would be developed as commodity

housing and the profit sharing ratio would follow that of commodity housing as previously defined in the original contracts. Such change in profit sharing ratio were applied retrospectively from the date of establishment of the respective joint ventures and hence applied to previous completed phases. Driven by this change in legal status, we had carefully reviewed all carrying values of inventories of completed phases of previous fixed-return projects. The results of our assessment revealed that a provision of HK\$89.9 million on the carrying value of Tianjin Xin Chun Hua Yuan was required and an outstanding fixed-return receivable of HK\$45.6 million from Guangzhou Park Paradise Phase I was considered not recoverable, full provision had been made.

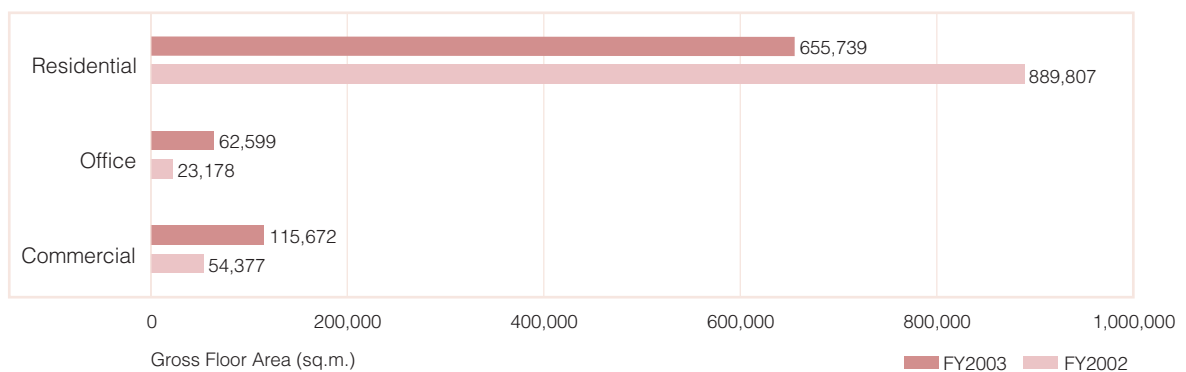
Finance Costs

In FY2003, finance costs increased to HK\$103.5 million and HK\$42.0 million for project loans and for corporate loans respectively. The effort put to speed up completion and development pace increased unavoidably the higher absorption of finance costs. Upon the Group's decision to cease further capitalisation of interest expenses into future phases of some sizable projects, especially for projects in Beijing, Guangzhou and Shenyang, higher proportion of interest expenses were charged off directly in the current year. This cessation of capitalisation of interest costs revealed the Group's determination to eliminate the interest cost burden for our future phases of projects.

Completion of Gross Floor Area by Location — Commodity housing and investment properties



Completion of Gross Floor Area by Usage



Liquidity and Capital Resources

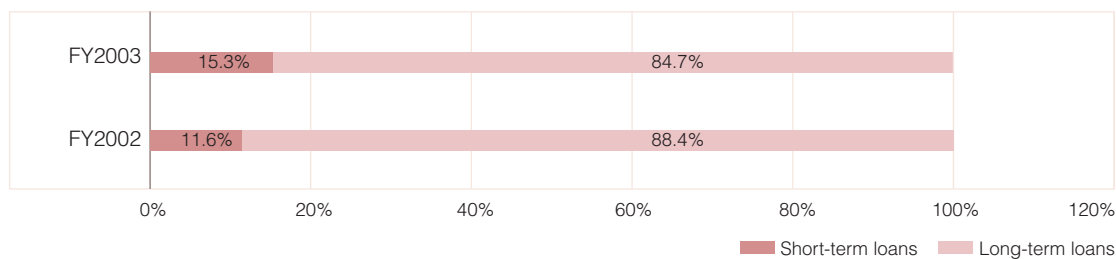
As at 30th June 2003, the Group's cash and bank deposits amounted to HK\$1,330 million. (30th June 2002: HK\$1,451 million). Its consolidated net debt amounted to HK\$5,122 million (30th June 2002: HK\$4,017 million), translating into a gearing ratio of 32% (30th June 2002: 22%). The increase in net debt reflected the Group's financing requirement to match the accelerated development pace. The borrowing requirements thus bear no direct connection to any seasonality factors.

The Group maintained a balanced debt profile with adequate risk diversification through specifying the preferred mix of fixed and floating rate debt, the permitted currency exposure and a well-balanced

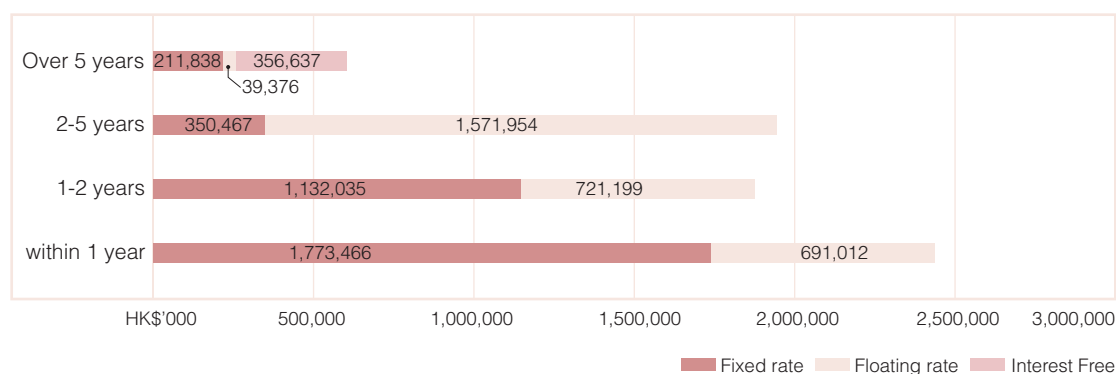
spread of maturity. The Group's capital structure strikes a balance between equity, bank loans, loans from fellow subsidiaries and loans from minority shareholders of certain subsidiaries of the Group. The Group policy is to leverage funding by straight debts rather than quasi-debt financial instruments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

The amount of debt due within the FY2004 amounts to HK\$2,464 million, which should be served by our cash on hand of HK\$1,330 million and by improved property sales proceeds and rental income.

Source of Borrowings



Interest Rate and Maturity Profile



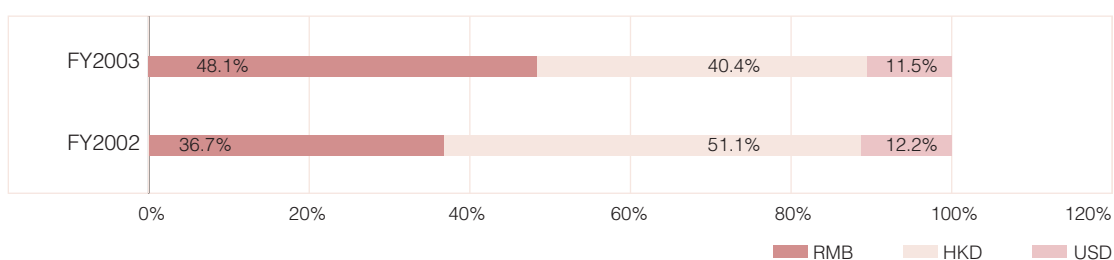
Liquidity and Capital Resources (continued)

As at 30th June 2003, 28% (30th June 2002: 25%) of the total outstanding loans was secured by the Group's assets.

Over 44% (30th June 2002: 57%) of the Group's total debts are on a floating rate basis, whilst fixed rate borrowings are

mainly related to the Renminbi loan facilities. As at 30th June 2003, the Group's committed unutilized bank loan facilities amounted to HK\$734 million (30th June 2002: HK\$514 million). In October 2003, the Group obtained an unsecured revolving credit facility of HK\$1.5 billion from a fellow subsidiary for a period of 18 months.

Currency Profile of Borrowings



Foreign Currency Exposure

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

Contingent Liabilities

As at 30th June 2003, the Group has contingent liabilities of approximately HK\$2,068,623,000 (30th June 2002: HK\$1,381,447,000) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities. The rise in contingent liabilities indicates the continuing financing requirements of the Group's property projects.

Major Acquisitions and Disposals

On 24th February 2003, the Group disposed of its entire interest in Beijing Lai Loi Garden to Chow Tai Fook Enterprises Limited for a consideration of approximately HK\$347.8 million resulting in a net gain on disposal of HK\$47.0 million.

Details of the Charges on Group's Assets

As at 30th June 2003, the Group's investment properties, assets under construction, completed properties held for sale, properties held for development, properties under development and bank deposits of HK\$297,862,000 (30th June 2002: HK\$220,484,000), HK\$910,412,000 (30th June 2002: HK\$340,779,000), HK\$116,642,000 (30th June 2002: HK\$116,808,000) and HK\$91,215,000 (30th June 2002: Nil), HK\$ 808,478,000 (30th June 2002: Nil) and HK\$427,635,000 (30th June 2002: HK\$603,114,000) respectively have been pledged as securities for short term and long term loans.

Employees

As at 30th June 2003, the Group had 1,505 full-time employees. Remuneration of the employees are reviewed annually based on the assessment of individual performance. Share options, as part of basic remuneration package, have also been offered to key employees to strengthen loyalty to the Group.



Top: Tianjin medical staff receive greeting cards from their children via local television station

Middle: Tianjin region chief Mr. Allan Cheong makes a small gesture of support to a family devastated by SARS

Bottom: The Shenzhen Ferrari charity car parade event starts off with a donation to the Welfare Fund presented by Mr. Peter Cheng, the Group's Executive Director

Care for Our Community

New World China Land has always been dedicated to improve the environment and the quality of life for our community and, more importantly, we hold a high regard for our responsibilities as a good corporate citizen. While actively undertaking construction projects in various cities, the Company has been vigorously participating in a wide range of social activities pursuing educational, environmental protectional, and charity causes. We hope to show our concern for the society and its people, doing our share to make the community a better place to live in for all.

Charity

New World China Land has been actively involved in social affairs such as sporting and cultural events, and has also provided relief donations in response to natural disasters. In support of Beijing's bid to host the 2008 Olympic Games, Beijing Project Management Centre donated RMB1 million on behalf of Hong Kong New World Group to fund the publication of Beijing Encyclopedia (The Complete Volume) and Olympic Games Encyclopedia. Earlier in the year our Tianjin Project Management Centre hosted an activity known as "Finding Tianjin Youths Engaged in Border" where Tianjin young intellectuals who had left Tianjin decades ago to help develop Yunnan border areas, were brought home to enjoy a memorable stay with their families in Tianjin.

The first half of the year witnessed the outbreak of SARS. Echoing the SARS caring campaign pioneered in Hong Kong by NWS Holdings Ltd, Beijing Project Management Centre organized residents, tenants and staff to write greeting cards to Beijing's frontline hospital staff combating SARS to express their gratitude and support. Meanwhile, Tianjin Project Management Centre launched "Operation Sunshine" on the eve of the Children's Day on 1 June. Staff from the management centre visited medical staff at four hospitals. On the same day, medical staff who were on duty in quarantine zones in Tianjin hospitals received greeting cards from their children through Tianjin Television Station, a special arrangement set up by the management centre.

Education

The education of Chinese younger generation, especially those living in undeveloped rural areas, has always been one of the Group's priority concerns. We aim at providing more education opportunities for the youth so that with better knowledge they can improve their living standards. Since 1998, our Shenyang Project Management Centre has been a patron to Donglouzi New World Hope Primary School in, Magang Village, Xinchengzi District. Over Rmb100,000 and a great deal of school resources have been donated in the past 5 years. Moreover, individual employees of the management centre also sponsored some 40 students to further their studies. Tianjin Project Management Centre contributed

HK\$200,000 to fund schooling expenses and eye surgical expenses for local children sponsor books, learning aids and daily items for the Tianjin School for the Blind during the past five years.

Shenzhen New World Yi Shan Garden and Huiyang Palm Island Golf Resort organized a car parade in 2001 to raise funds for the Welfare Fund, a Hong Kong based charity helping the youth in rural mountain areas to receive education again. A total of HK\$108,500 was raised as a convoy comprising 30 Ferrari sports cars parading from Hong Kong to Huiyang via Shenzhen. Guangzhou New World Casa California organized a fund raising campaign in 2002 for children in Qingyuan living in poverty. The campaign featured the parade of a convoy of SUVs, starting off from New World Centre in Tsimshatsui, Hong Kong, driving through Guangzhou to reach Qingyuan in Guangdong. The campaign raised HK\$250,000 for the centre of gynaecology and paediatrics in Qingyuan Liannan Yaozu Autonomous County, and also for Qingyuan Lianzhou City Kindergarten, with a view to improve medical and education services for children.

Environmental Protection

Chinese young people nowadays are very concerned about the “green” environment. In 2002, during the construction of Wuhan Menghu Garden, Wuhan Project Management Centre invested RMB30 million in the adjacent 478-acre Tazi Lake to improve its water quality. A large-scale silt clearance exercise was conducted in phases to enhance the lake’s organic purification function without causing disturbance to its tranquil surface, thereby bringing fundamental improvements to its environment.

United Nations Children’s Fund

With a view to promote long term charity work, New World Group joined hands with United Nations Children’s Fund (UNICEF) to launch the “Create a New World for Children Corporate Alliance Campaign”. With a special emphasis on education for girls in the remote villages of mostly western provinces, this two-year alliance aimed at raising HK\$10 million for UNICEF while providing a chance for the Group’s Hong Kong employees to work with their counterparts in Mainland China to contribute to UNICEF’s fund-raising activities in support of children in need.

The first fund raising campaign of the alliance was a cross-border walkathon organized at Shenzhen New World Yi Shan Garden in September 2003, which raised HK1 million dollars. Over 1,000 citizens from Hong Kong crossed the border to climb up Shenzhen’s Wutongshan. Miss Kelly Chan and Mr Daniel Chan, Ambassadors of Hong Kong Committee for UNICEF, also took part in the event in a show of support.

Top: Dr. Cheng Yu Tung (Chairman of New World Group) and Dr. Robert Fung (Chairman of Hong Kong Committee for Unicef) at the corporate alliance signing ceremony

Middle: The Group’s staff celebrate at the Shenzhen walkathon finish line, the first New World-UNICEF fundraising event

Bottom: Mr. Peter Cheng, the Group’s Executive Director (right) thanks Miss Kelly Chan, Ambassador of Hong Kong Committee for UNICEF, for her support of the charity walkathon





CHAIRMAN AND MANAGING DIRECTOR

Dr. Cheng Kar-shun, Henry BA, MBA, DBA (Hon), LLD (Hon), GBS (aged 56). Dr. Cheng became the Chairman and Managing Director of New World China Land Limited in 1999. He is also the Managing Director of New World Development Company Limited, the Chairman of New World Infrastructure Limited, NWS Holdings Limited and Tai Fook Securities Group Limited. He is the Managing Director of NWD (Hotels Investments) Limited and a Director of Chow Tai Fook Enterprises Limited and HKR International Limited. Dr. Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation, a Committee Member of the Tenth Chinese People's Political Consultative Conference of The People's Republic of China. In 2001, Dr. Cheng was awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region. Dr. Cheng is the brother of Mr. Cheng Kar-shing, Peter and the brother-in-law of Mr. Doo Wai-hoi, William.

VICE-CHAIRMAN

Mr. Doo Wai-hoi, William (aged 59). Mr. Doo was appointed the Vice-Chairman of New World China Land Limited in June 1999. He is currently the Deputy Chairman of NWS Holdings Limited and Tai Fook Securities Group Limited. He also acts as a Director of NWD (Hotels Investments) Limited and Fung Seng Diamond Company Limited. Mr. Doo has served as a Governor of the Canadian Chamber of Commerce in Hong Kong. In addition, he is appointed as a Member of the Executive Committee of the Chinese People's Political and Consultative Conference in Shanghai. Mr. Doo is the brother-in-law of Dr. Cheng Kar-shun, Henry and Mr. Cheng Kar-shing, Peter.



EXECUTIVE DIRECTORS

Mr. Cheng Kar-shing, Peter (aged 51). Mr. Cheng was appointed an Executive Director of New World China Land Limited in June 1999. He is a Director of New World Development Company Limited, NWS Service Management Limited, NWD (Hotels Investments) Limited, Macao Water Supply Company Limited and Polytown Company Limited. Mr. Cheng is the brother of Dr. Cheng Kar-shun, Henry and the brother-in-law of Mr. Doo Wai-hoi, William.



Mr. Leung Chi-kin, Stewart (aged 64). Mr. Leung was appointed an Executive Director of New World China Land Limited in June 1999. He is a Director and the Group General Manager of New World Development Company Limited. He also acts as a Director of New World Hotel Company Limited, New World First Bus Services Limited and Hip Hing Construction Company Limited.



Mr. Chan Kam-ling (aged 63). Mr. Chan was appointed an Executive Director of New World China Land Limited in June 1999. He is also a Director of New World Development Company Limited and New World First Bus Services Limited and a Non-executive Director of Tai Fook Securities Group Limited. In 2003, Mr. Chan was appointed an Executive Director and the Chief Executive Officer of NWS Holdings Limited. He is currently the Managing Director of Hip Hing Construction Company Limited, Sino-French Holdings (Hong Kong) Limited and Macao Water Supply Company Limited as well as the Director of Companhia de Electricidade de Macau — CEM, S.A.





Mr. Chow Kwai-cheung (aged 61). Mr. Chow was appointed an Executive Director of New World China Land Limited in June 1999. He is currently a Director of New World Development Company Limited and Hip Hing Construction Company Limited. He has over 30 years experience in property development and investment businesses. Mr. Chow joined the New World Group in 1974 and is responsible for the construction and engineering operations of the Company and the New World Group.



Mr. Chow Yu-chun, Alexander (aged 56). Mr. Chow was appointed an Executive Director of New World China Land Limited in June 1999. He is a fellow of the Chartered Association of Certified Accountants (UK) and an associate of the Hong Kong Society of Accountants and has over 28 years of experience in property development and investment in Hong Kong. Mr. Chow joined the New World Group in 1973 and is responsible for the financial operations of the Company and the New World Group. Mr. Chow is the Company Secretary of New World China Land Limited.



Mr. Chan Wing-tak, Douglas (aged 54). Mr. Chan was appointed an Executive Director of New World China Land Limited in 1996. He is the Managing Director of New World Infrastructure Limited. Mr. Chan is a Member of the Third Hainan Province Committee of Chinese People's Political Consultative Conference.



Mr. Fong Shing-kwong, Michael (aged 55). Mr. Fong was appointed an Executive Director of New World China Land Limited in January 2003. He is currently a Director of NWS Service Management Limited, NWD (Hotels Investments) Limited, Kiu Lok Service Management Co. Ltd., Kiu Lok Property Services (China) Ltd. and Urban Property Management Limited and the Owner's Representative of CTF Hotel Holdings, Inc. Mr. Fong joined the New World Group in 1978 and was appointed an Executive Director of New World Hotels International Limited from 1983 to 1997. He is responsible for hotel corporate management and project development of the Company and the New World Group. Besides his over 30 years experience in the hospitality industry, Mr. Fong has extensive experience in property development, asset & facility management and investment business in the PRC.

NON-EXECUTIVE DIRECTORS

Mr. Cheng Wai-chee, Christopher (aged 55). Mr. Cheng is the Chairman of USI Holdings Limited and Winsor Properties Holdings Limited and a director of NWS Holdings Limited and DBS Bank (HK) Ltd. Mr. Cheng plays an active role in the public services. He is a member of The Exchange Fund Advisory Committee of the HKSAR Government and a steward of the Hong Kong Jockey Club. He presently serves on the following public organisations: Council of the Hong Kong Trade Development Council, The Town Planning Board, Court of the Hong Kong University of Science and Technology and Council of the University of Hong Kong. He was former Chairman of the Hong Kong General Chamber of Commerce.

Mr. Tien Pei-chun, James (aged 56). Mr. Tien is the Chairman of Manhattan Holdings Ltd., Manhattan Garments (International) Ltd., Manhattan Realty Ltd. and a Director of a number of private companies. A Legislative Councillor since 1988, Mr. Tien is very active in the community and serves on government committees as well as non-government boards in Hong Kong. He is the Chairman of the LegCo Panel on Economic Services, Chairman of the Liberal Party, a Member of The Chinese People's Political Consultative Conference, General Committee Member of the Hong Kong General Chamber of Commerce and the Federation of Hong Kong Industries, a Court Member of the Hong Kong Polytechnic University and a Council Member of The Chinese University of Hong Kong.

Mr. Lo Hong-sui GBS JP (aged 55). Mr. Lo is the Chairman and Chief Executive of Shui On Group, Director of Great Eagle Holdings Limited, a non-executive Director of Hang Seng Bank Limited and an independent non-executive Director of China Telecom Corporation Ltd., Member of The Tenth National Committee of Chinese People's Political Consultative Conference, Vice Chairman of All-China Federation of Industry & Commerce, President of the Business and Professionals Federation of Hong Kong, President of Shanghai-Hong Kong Council for the Promotion and Development of Yangtze, Adviser to Chinese Society of Macroeconomics, Member of HK US Business Council — HK Section, Council Member of the China Overseas Friendship Association, Court Member of the Hong Kong University of Science and Technology, Advisory Board of the Thailand Business Council, Director of The Real Estate Developers Association of Hong Kong, Adviser to the Peking University China Center for Economic Research. Mr. Lo was awarded the Gold Bauhinia Star by the Hong Kong Special Administrative Region Government in July 1998. He was the Recipient of the Businessman of the Year Award in the Hong Kong Business Awards 2001, sponsored by DHL and the *South China Morning Post* and was awarded Director of the Year in the category of Listed Company Executive Directors by The Hong Kong Institute of Directors in 2002.

Mr. Fu Sze-shing (aged 54). Mr. Fu is a Non-Executive Director of New World Infrastructure Limited and a Director of New World Development (China) Limited and a number of companies with investments in the PRC. He has over 20 years experience in PRC property development and investment businesses.



NOTICE IS HEREBY GIVEN that an Annual General Meeting of the shareholders of the Company will be held at Meeting Room 201A (New Wing), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Tuesday, 2nd December 2003 at 2:30 p.m. for the following purposes:

1. To receive and consider the audited financial statements and the Reports of the Directors and Auditors for the year ended 30th June 2003.
2. To elect Directors and to fix their remuneration.
3. To appoint Auditors and to fix their remuneration.
4. As special business, to consider and if thought fit, pass the following resolutions as ordinary resolutions and special resolutions respectively:

ORDINARY RESOLUTIONS

(1) "THAT:

- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot and issue additional shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company; shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by applicable law or the articles of association of the Company to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to

fractional entitlements or legal or practical problems or restrictions under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).

(2) "THAT:

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and which is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with Cayman Islands law and all applicable laws and/or the Rules Governing the Listing of Securities on the Stock Exchange or the rules of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares to be repurchased by the Directors of the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by applicable law or the articles of association of the Company to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

(3) "THAT:

conditional upon the passing of Ordinary Resolutions Nos. (1) and (2) as set out in the notice convening this meeting, the general unconditional mandate granted to the Directors of the Company pursuant to Ordinary Resolution No. (1) as set out in the notice convening this meeting be extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the shares repurchased by the Company pursuant to the authority to repurchase shares granted pursuant to Ordinary Resolution No. (2) as set out in the notice convening this meeting, provided that such extended amount shall not exceed 10 per cent of the aggregate nominal value of the share capital of the Company in issue as at the date of this resolution."

SPECIAL RESOLUTIONS

- (4) "THAT "新世界中國地產有限公司" be adopted as the Chinese name of the Company for identification purposes only, and any one Director of the Company be and is hereby authorised to take all necessary action to implement such adoption of Chinese name."

- (5) "THAT the existing articles of association of the Company be and are hereby amended as follows:
- (a) By deleting the definition of "recognised clearing house" in Article 2 of the Articles of Association of the Company and substituting therefor the following:
- "recognised clearing house" shall mean a recognised clearing house within the meaning of Part 1 of Schedule 1 of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as from time to time supplemented, amended or substituted, or a clearing house recognised by the laws of any other jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction; and
- (b) By inserting the following new article as Article 167(c):
- 167(c) Except as otherwise provided in these Articles, any notice or document may be served by the Company and any notices may be served by the Board on any member either in the English language only or the Chinese language only provided that the Company has obtained the member's prior express positive confirmation in writing to receive or otherwise have made available to him notices and documents to be given or issued to him by the Company either in the English language only or the Chinese language only subject to due compliance with these Articles, the law and all applicable rules and regulations. Where no express positive confirmation in writing has been received from the member before the date set by the Company for receiving such confirmation, the Board and the Company may adopt the following procedures:
- (i) Serve notices and documents in the English language only to (aa) all overseas members and (bb) all Hong Kong members other than natural persons with a Chinese name; and
- (ii) Serve notices and documents in the Chinese language only to all Hong Kong members who are natural persons with a Chinese name.

Whether a member is a Hong Kong or an overseas member will be determined by his or its address as appearing in the register."

By Order of the Board
Chow Yu-chun, Alexander
Company Secretary

Hong Kong, 16th October 2003

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies (who must be individuals) to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be effective, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the principal place of business of the Company in Hong Kong at 9th Floor, New World Tower 1, 18 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Group

HK\$100

Hong Kong products

2,150

Overseas construction

1,000

Overseas products

2,425

Overseas products

1,000

Technology, Engineering

1,000

Cargo Handling

1,000

Roads

1,000

Energy

1,000

Bridges

1,000

Water Treatment

1,000

Telecommunications

1,000

Media and Technology

1,000



Financial section

FINANCIAL SECTION

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Report of the directors

The directors have pleasure in presenting their annual report and statement of accounts for the year ended 30th June 2003.

Group activities

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries, associated companies, jointly controlled entities and other joint ventures are shown in note 36 to the accounts on pages 142 to 152.

Accounts

The results of the Group for the year ended 30th June 2003 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 103 to 152.

Dividends

The directors have resolved that no dividend be proposed for the year ended 30th June 2003 (2002: 2 HK cents per share).

Share capital

Details of the movements in share capital during the year are set out in note 26 to the accounts.

Reserves

Details of the movements in reserves are set out in note 27 to the accounts.

Purchase, sale or redemption of 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.

Fixed assets

Details of the movements in fixed assets are set out in note 12 to the accounts.

Donations

Donation made by the Group during the year amounted to HK\$1,661,000 (2002: HK\$15,000).

Directors

The directors of the Company during the year and up to the date of this report were:

Dr. Cheng Kar-shun, Henry
Mr. Doo Wai-hoi, William
Mr. Cheng Kar-shing, Peter
Mr. Leung Chi-kin, Stewart
Mr. Chan Kam-ling
Mr. Chow Kwai-cheung
Mr. Chow Yu-chun, Alexander
Mr. Chan Wing-tak, Douglas
Mr. Fong Shing-kwong, Michael (appointed on 29th January 2003)
Mr. Fu Sze-shing
Mr. Lo Hong-sui*
Mr. Cheng Wai-chee, Christopher*
Mr. Tien Pei-chun, James*
Mr. So Ngok (resigned on 17th January 2003)

* *Independent non-executive directors*

Messrs. Fong Shing-kwong, Michael, Chan Wing-tak, Douglas, Chan Kam-ling and Cheng Wai-chee, Christopher will retire at the forthcoming annual general meeting in accordance with Articles 99 and 116 of the Company's Articles of Association and, being eligible, offer themselves for re-election. All remaining current directors continue in office.

No director has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Pre-emptive rights

No pre-emptive rights exist in the Cayman Islands in respect of the Company's share capital.

Directors' interest in contracts

Save for contracts amongst group companies, no other contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its holding company or fellow subsidiaries is a party, and in which any director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected transactions

A. Construction services

- (1) Hip Hing Construction (China) Company Limited, a fellow subsidiary, had been appointed by Dalian New World Plaza International Co., Ltd. ("Dalian Plaza"), Beijing Lingal Real Estates Development Co., Ltd., Shenzhen Topping Real Estate Development Co., Ltd, and New World (Shenyang) Property Development Limited, all being subsidiaries of the Group, as main contractor for the construction of the property projects (the "Properties") undertaken by these subsidiaries. The aggregate accumulated contract fee paid at 30th June 2003 and included as part of the development costs of the Properties was HK\$960,738,000 (2002: HK\$572,555,000) of which HK\$388,183,000 (2002: HK\$313,061,000) was paid during the year.
- (2) Tridant Engineering Company Limited and Young's Engineering Company Limited, fellow subsidiaries, had been appointed by Dalian Plaza as main contractor of electrical and air-conditioning engineering work for the property project undertaken by Dalian Plaza. The accumulated fee paid at 30th June 2003 and included as part of the development cost of the property project was HK\$61,503,000 (2002: HK\$47,757,000) of which HK\$13,746,000 (2002: HK\$47,757,000) was paid during the year.

B. Tenancy agreements

- (1) On 15th August 1995, a tenancy agreement ("1995 Tenancy Agreement") was entered into between Shenyang New World Hotel Co., Ltd. ("Shenyang Hotel"), a previously 70% owned jointly controlled entity of the Company, as landlord and Shenyang New World Department Store Ltd. ("Shenyang Department Store"), an indirect wholly-owned subsidiary of New World Development Company Limited ("NWD"), the Company's ultimate holding company, as tenant for lease of the shopping arcade in the first and second floors of the annex building of New World Hotel, Shenyang for ten years.

The annual rental is the higher of (A) RMB8,000,000, RMB9,000,000 and RMB10,000,000 for the years ended 14th August 1996, 14th August 1997 and 14th August 1998 respectively, increasing at a rate of 6% per annum in each of the seven years ending 14th August 2005; and (B) 4% of the gross sale revenue earned by Shenyang Department Store, after value-added tax, for each of the three years ended 14th August 1998; and 5% of the gross sale revenue for each of seven years ending 14th August 2005.

- (2) On 8th November 2000, a tenancy agreement ("2000 Tenancy Agreement") was entered into between Shenyang Hotel as landlord and Shenyang Department Store as tenant for lease of the shopping arcade in the third floor of the annex building of New World Hotel, Shenyang with an area of 690 square metres for five years commencing from 1st December, 2000 to 30th November 2005.

The annual rental was RMB987,000 for the first year ended 30th November 2001, increasing at a rate of 6% per annum in each of the four years ending 30th November 2005 with rent-free period from 1st December 2000 to 31st January 2001.

On 30th May 2003, the Company completed the procedures for acquiring additional 30% interest in Shenyang Hotel which then became an indirect wholly-owned subsidiary of the Company. Accordingly, the 1995 Tenancy Agreement and the 2000 Tenancy Agreement constituted connected transactions of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The rental received in aggregate was HK\$1,018,000 from 30th May 2003 to 30th June 2003, under the 1995 Tenancy Agreement and the 2000 Tenancy Agreement.

Connected transactions (continued)

B. Tenancy agreements (continued)

- (3) On 12th March 2003, a tenancy agreement was entered into between New World Anderson (Tianjin) Development Co. Ltd., an indirect wholly-owned subsidiary, as landlord and Tianjin Xin An New World Shopping Plaza Co. Ltd., an indirect wholly-owned subsidiary of NWD, as tenant for lease of the first to fourth floors of New World Xin An Shopping Centre located in Nankai District, Tianjin, PRC with an area of 31,800 square metres for three years commencing from 1st July 2002 to 30th June 2005 at a monthly rental of RMB1,929,000 with rent-free period from 1st July 2002 to 28th February 2003 together with a monthly management fee of RMB600,000. The rental and management fee received in aggregate was HK\$13,940,000 for the year ended 30th June 2003.

C. Corporate guarantees

- (1) On 27th July 2001, the Company executed a corporate guarantee in respect of the full obligation and liabilities of a HK\$455,000,000 Standby Letter of Credit Facility ("L/C Facility") extended by a bank for a period of 49 months to New World Development (China) Limited ("NWDC"), a wholly-owned subsidiary. The L/C Facility was granted to support a 48-month credit facility of RMB500,000,000 extended by a bank in PRC to Nanjing Huawei Real Estate Development Company Limited ("Nanjing Huawei"), a 92% owned subsidiary of NWDC. NWDC had also provided a completion and funding guarantee to procure the construction and completion of the property project undertaken by Nanjing Huawei. The provision of the aforesaid guarantees by the Company and NWDC constituted connected transactions of the Company pursuant to rule 14.25(2)(a) of the Listing Rules.
- (2) On 28th November 2001 and 10th June 2002, Shenzhen Topping Real Estate Development Co., Ltd. ("Shenzhen Topping"), a 90% owned subsidiary, obtained loan facilities of RMB250,000,000 and RMB100,000,000 respectively from a bank for a term of 2 years and 3 years respectively to finance a property development project and as general working capital.

The Company had provided corporate guarantees in respect of the full repayment of the principal and interest payable under the above loan facilities. The provision of the aforesaid guarantees constituted connected transactions of the Company pursuant to rule 14.25(2)(a) of the Listing Rules.

- (3) On 16th July 2002, Guangzhou Xin Yi Development Limited ("Guangzhou Xin Yi") was granted a 4-year term loan facility of up to HK\$171,600,000 and a revolving loan facility of up to RMB228,250,000 by a bank to finance the construction and development of its property project. The loan facilities were severally guaranteed by the Company and Chow Tai Fook Enterprises Limited ("CTF") as to 90.5% and 9.5% respectively, in proportion to their indirect shareholdings in Guangzhou Xin Yi.

Since CTF and its subsidiaries have interests in more than one-third of the issued shares of NWD, CTF is deemed to be a connected person of the Company. The provision of the aforesaid guarantee by the Company constituted a connected transaction of the Company pursuant to rule 14.25(2)(b) of the Listing Rules.

- (4) On 19th July 2002 and 31st December, 2002, the Company executed corporate guarantees in respect of the full obligation and liabilities of Shanghai Ju Yi Real Estate Development Co., Ltd. ("Ju Yi") under two loan facilities as granted by a bank of up to aggregate principal amounts of RMB100,000,000 ("RMB facility") and US\$20,000,000 ("US\$ facility") respectively. The RMB facility, with a term of 7 years, was used to finance the development cost of the property project undertaken by Ju Yi whilst the US\$ facility, with a term of 1 year, was used to re-finance its existing loan of US\$20,000,000.

At the date of the transactions, Ju Yi was beneficially owned as to 80% and 20% by NWDC and Stanley Enterprises Limited ("Stanley") respectively. Stanley has agreed to indemnify the Company in respect of its liability under the guarantee in proportion to its shareholding in Ju Yi and pay to the Company a guarantee fee of 0.25% per annum on the amount of the loan facilities being utilised by Ju Yi. The shareholdings in Ju Yi was subsequently changed to 70% and 30% as being held by NWDC and Stanley respectively since 14th March 2003 (paragraph D(2) below).

By virtue of the fact that Stanley is a substantial shareholder of certain subsidiaries of the Group, and is wholly-owned by a director of the Company, Mr. Doo Wai Hoi, William, since 3rd December 2002, the provision of the aforesaid guarantees and payment of the guarantee fee by Stanley constituted connected transactions of the Company and announcements were published on 22nd July 2002, 4th December 2002, and 2nd January 2003.

- (5) On 25th July 2002, Shanghai Ramada Plaza Ltd. ("Shanghai Ramada"), then 57% owned subsidiary, was granted a loan facility of US\$10,000,000 and RMB300,000,000 by two banks for a term of 5 years to finance the construction of its property project and as general working capital. Upon granting of the loan facility, the Company provided guarantee in respect of the full obligation and liabilities of Shanghai Ramada under the loan facility as well as the completion of Shanghai Ramada Plaza and undertook that the funding requirement relating to the completion of its construction would be fulfilled.

On 24th June 2003, Shanghai Ramada, then 61.75% owned subsidiary, obtained another loan facility of RMB100,000,000 from a bank for a term of 5 years to finance the construction cost of its property project. The obligation and liabilities of Shanghai Ramada under the aforesaid loan facility are also guaranteed by the Company.

Shanghai Ramada is 95% held by Ramada Property Ltd. ("Ramada Property"). The other shareholders of Ramada Property, had agreed to indemnify the Company in respect of its liability under the guarantees and pay to the Company a guarantee fee of 0.25% per annum on the amount of the loan facilities being utilised by Shanghai Ramada in proportion to their shareholdings in Ramada Property.

Stanley, having 20% interest in Ramada Property, is a connected person of the Company by reason stated in paragraph C(4) above. The provision of the guarantees by the Company in respect of the loan facilities and payment of the guarantee fee by Stanley constituted connected transactions of the Company and press announcements relating to the provision of the guarantees were published on 26th July 2002, 4th December 2002 and 25th June 2003.

- (6) On 29th July 2002, Shunde Shunxing Real Estate Co. Ltd. ("Shunde Shunxing") was granted a 3-year term loan facility of RMB50,000,000 from a bank to finance a property development project. Shunde Shunxing was owned by Global Perfect Development Limited ("Global Perfect") and an independent third party as to 70% and 30% respectively. Global Perfect is indirectly owned as to 50% and 50% by the Company and CTF respectively.

Connected transactions (continued)

C. Corporate guarantees (continued)

The loan facility was severally guaranteed by the Company and CTF in proportion to their indirect shareholdings in Global Perfect. Since CTF is deemed to be a connected person of the Company by reason stated in paragraph C(3) above, the provision of the aforesaid guarantee by the Company constituted a connected transaction of the Company pursuant to rule 14.25(2)(b) of the Listing Rules.

- (7) Fortune Leader Overseas Chinese (Daiyawan) Real Estate Development Co., Ltd. ("Fortune Leader Real Estate") was granted a 4-year banking facility with principal amount of up to HK\$30,000,000 ("HK\$30 million facility") on 6th September 2002 and additional facility of HK\$40,000,000 on 17th July 2003 to finance the development of its property projects. Fortune Leader Real Estate was 80% owned by Dragon Fortune Limited ("Dragon Fortune") and 20% by an independent third party. Dragon Fortune is in turn owned by the Company, Potassium Corp. ("Potassium"), Sun City Holdings Limited ("Sun City"), a 30.625% owned associated company, and independent third parties as to 36.39%, 7.09%, 20.33% and 36.19% respectively. Effectively, the Group owns Dragon Fortune as to 42.62%.

The obligation and liabilities of Fortune Leader Real Estate under the banking facilities were guaranteed by the Company, a director of the Company ("Personal Guarantor") and certain independent shareholders of Dragon Fortune in the proportion of 39.2%, 30.64% and 30.16% respectively on several basis.

Potassium is wholly-owned by the Personal Guarantor. Sun City is a 30.625% owned associated company of the Company and is also a connected person of the Company by virtue of the deemed interest of the Personal Guarantor in more than one-third of its issued share capital. Accordingly, the provision of the guarantee by the Company in respect of the banking facilities to Fortune Leader Real Estate constituted connected transactions of the Company under rule 14.25(2)(b) of the Listing Rules.

- (8) On 18th October 2002 and 2nd December 2002, the Company executed corporate guarantees to secure the full obligation and liabilities of Nanjing Huawei under two banking facilities in the principal amounts of RMB35,000,000 and RMB17,000,000 respectively as granted by a bank for a term of 1 year, subject to renewal. The banking facilities would be utilised to finance the development of the property projects of Nanjing Huawei.

The provision of the corporate guarantees by the Company constituted connected transactions of the Company pursuant to rule 14.25(2)(a) of the Listing Rules.

- (9) On 11th December 2002, the Company executed corporate guarantee to secure the full obligation and liabilities of Dalian New World Plaza International Co., Ltd., a 88% owned subsidiary, of banking facilities with principal amount of RMB100,000,000 as granted by a bank for a term of 2 years. The banking facilities would be utilised to finance the development of its property projects.

The provision of the corporate guarantee by the Company constituted a connected transaction of the Company pursuant to rule 14.25(2)(a) of the Listing Rules.

- (10) On 19th December 2002, Shanghai Mayfair Hotel Co., Ltd. ("Shanghai Mayfair") was granted a banking facility of up to an aggregate principal amount of HK\$10,000,000 and RMB74,000,000 respectively ("Loan Facility") by a bank for a term of 2 years to re-finance its existing loans of HK\$10,000,000 and RMB74,000,000. The Company had provided guarantee in respect of the full obligation and liabilities of Shanghai Mayfair under the Loan Facility.

Shanghai Mayfair is indirectly owned as to 99% by Ramada Property. The other shareholders of Ramada Property have agreed to indemnify the Company in respect of its liability under the guarantee and pay to the Company a guarantee fee of 0.25% per annum on the amount of the banking facilities being utilised by Shanghai Mayfair in proportion to their shareholding in Ramada Property.

Stanley, having 20% interest in Ramada Property, is a connected person of the Company by reason stated in paragraph C(4) above. The provision of the guarantee by the Company in respect of the facility and the payment of guarantee fee by Stanley constituted connected transactions of the Company and an announcement relating to the provision of the guarantee was published on 20th December 2002.

- (11) On 8th January 2003, Fortune Leader Overseas Chinese (Daiyawan) Investment Co., Ltd. ("Fortune Leader Investment") was granted a 4-year banking facility with principal amount of up to HK\$50,000,000 to finance the development of its property projects. Fortune Leader Investment was 80% owned by Dragon Fortune.

The obligation and liabilities of Fortune Leader Investment under the banking facilities were guaranteed by the Company, a director of the Company ("Personal Guarantor") and certain independent shareholders of Dragon Fortune in the proportion of 39.84%, 29.5% and 30.66% respectively on several basis.

By reason stated in paragraph C(7) above, the guarantee by the Company in respect of the banking facilities to Fortune Leader Investment constituted connected transaction under rule 14.25(2)(b) of the Listing Rules.

- (12) On 7th April 2003, the Company executed a corporate guarantee to secure 50% of the indebtedness of Global Perfect under a loan facility of up to HK\$300,000,000 as provided by a bank under a loan agreement dated 27th March 1997 for a term of 7 years to finance its property development project. Global Perfect is indirectly owned as to 50% and 50% by the Company and CTF respectively. CTF had provided full guarantee in respect of the loan facility since 27th March 1997.

As CTF is regarded as a connected person of the Company by reason stated in paragraph C(3) above, the provision of the aforesaid guarantee by the Company constituted a connected transaction of the Company pursuant to rule 14.25(2)(b) of the Listing Rules.

Connected transactions (continued)

D. Disposal of interests

- (1) On 20th February 2003, NWDC entered into an agreement with Sino Asset Property Limited (“Sino Asset”) whereby NWDC agreed to sell and assign and Sino Asset agreed to purchase 1 ordinary share, being the entire issued share capital, in Steady Profits Limited (“Steady Profits”) together with the shareholder’s loan in the sum of HK\$270,598,359 due and owing by Steady Profits to NWDC for a cash consideration of HK\$347,800,260. The transaction was completed on 24th February 2003.

Steady Profits was an investment holding company having 35% interests in Niceline Company Limited (“Niceline”), which in turn indirectly engaged in the development of a property project in Tienchu Township, Shunyi County, Chaoyang District, Beijing, PRC.

By virtue of the fact that Sino Asset is wholly owned by CTF which in turn is a connected person of the Company by reason of its interest in more than one-third of the issued share capital of NWD, the Company’s holding company, the disposal constituted a connected transaction of the Company. An announcement relating to the disposal was published on 21st February 2003.

- (2) On 14th March 2003, NWDC entered into an agreement with Stanley whereby NWDC agreed to transfer and Stanley agreed to acquire a participating interest representing 10% equity interest in Ju Yi for a cash consideration of HK\$72,053,800. Ju Yi is principally engaged in the development of Shanghai Hong Kong New World Garden. After the transaction, Ju Yi was beneficially owned by NWDC and Stanley as to 70% and 30% respectively.

On the same date, NWDC and Stanley entered into another agreement for the transfer of a participating interest representing 10% equity interest in Fung Seng Estate Development (Shanghai) Co., Ltd. (“Fung Seng”) from NWDC to Stanley for a cash consideration of HK\$13,225,610. The principal business of Fung Seng is the ownership of an office building located in Huaihaizhong Road, Xuhui District, Shanghai, PRC and two parcels of vacant sites in Mengzi Road, Luwan District, Shanghai, PRC. After the transaction, Fung Seng was beneficially owned by NWDC and Stanley as to 70% and 30% respectively.

Stanley is a connected person of the Company by virtue of the reason stated in paragraph C(4) above. The aforesaid agreements constituted connected transactions of the Company and an announcement was published on 17th March 2003.

E. Other connected transactions

In July 1999, a deed of tax indemnity was entered into between NWD and the Group whereby NWD undertakes to indemnify the Group in respect of, inter alia, certain PRC income tax (“IT”) and land appreciation tax (“LAT”) payable in consequence of the disposal of certain properties held by the Group as at 31st March 1999. During the year, no such tax indemnity was effected (2002: Nil).

F. Conditional waivers**(1) Construction services**

As stated in the Company's press announcement published on 2nd July 2002, the Company was granted conditional waiver by The Stock Exchange of Hong Kong Limited ("Stock Exchange") up to the year ending 30th June 2005 from strict compliance with the requirements of Chapter 14 of the Listing Rules in respect of the construction services being provided or to be provided by the group of NWD, to the construction projects undertaken by the Group in the PRC, including transactions A(1) and A(2) above, which constituted connected transactions as defined in the Listing Rules.

These transactions have been reviewed by the independent non-executive directors of the Company who have confirmed that the transactions were:

- (a) entered into in the ordinary and usual course of business of the Group;
- (b) conducted on normal commercial terms and on arm's length basis;
- (c) entered into either in accordance with the terms of the agreements governing the transactions, or where there are no such agreements, on terms no more favourable than terms available to (or from, as appropriate) independent third parties;
- (d) entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (e) within the maximum amounts as agreed with the Stock Exchange, being HK\$450 million and did not exceed 3% of the net tangible asset value of the Group for the year ended 30th June 2003.

(2) Tenancy agreements

As stated in the Company's announcements published on 11th June 2003 and 13th March 2003, the Company was granted conditional waiver by the Stock Exchange from strict compliance with the disclosure requirement of Listing Rules for the period up to 30th November 2005 in respect of transactions arising from 1995 Tenancy Agreement and the 2000 Tenancy Agreement as described in paragraphs B(1) and B(2) above (collectively, the "Shenyang Tenancy Agreements"), and for the period up to 30th June 2005 in respect of transactions arising from the tenancy agreement described in paragraph B(3) above (the "Tianjin Tenancy Agreement") which constituted connected transactions as defined in the Listing Rules.

The independent non-executive directors of the Company had reviewed the transactions arising from the Shenyang Tenancy Agreements and the Tianjin Tenancy Agreement (collectively, the "Tenancy Agreements") for the year ended 30th June 2003 and confirmed that the transactions were :

- (a) entered into by the Group in the ordinary and usual course of business;
- (b) conducted on normal commercial terms or (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
- (c) entered into in accordance with the terms of the Tenancy Agreements; and

Connected transactions (continued)

F. Conditional waivers (continued)

(2) Tenancy agreements (continued)

- (d) within the annual amounts receivable pursuant to each of the Tenancy Agreements and did not exceed 3% of the book value of the consolidated net tangible assets of the Group for the year ended 30th June 2003.

The auditors of the Company had reviewed the transactions arising from each of the Tenancy Agreements and had provided a letter to the directors of the Company confirming that:

- (a) the transactions had received the approval of the board of directors of the Company;
- (b) the transactions were entered into in accordance with terms of the Tenancy Agreements;
- (c) the aggregate values of the transactions were within the annual amounts receivable pursuant to each of the Tenancy Agreements and did not exceed 3% of the book value of the consolidated net tangible assets of the Group for the year ended 30th June 2003.

Save as disclosed above, a summary of significant related party transactions that do not constitute connected transactions made during the year was disclosed in note 33 to the accounts.

Directors' right to acquire shares or debentures

Save as disclosed under the section headed "Directors' interests in securities" below, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company, a party to any arrangements to enable the directors of the Company or chief executive or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in securities

As at 30th June 2003, the interests of the directors and their associates in shares, registered capital, underlying shares and debentures of the Company and its associated corporations as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

(A) Long position in shares

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital as at 30th June 2003
	Personal interests	Family interests	Corporate interests		
New World China Land Limited					
(Ordinary shares of HK\$0.1 each)					
Mr. Doo Wai-hoi, William	700,000	—	—	700,000	0.05
Mr. Chan Kam-ling	100,000	—	—	100,000	0.01
Mr. Chow Kwai-cheung	126	—	—	126	—
Mr. Fong Shing-kwong, Michael	200,000	—	—	200,000	0.01
Mr. Tien Pei-chun, James	—	—	770,000 (note 1)	770,000	0.05
New World Development Company Limited					
(Ordinary shares of HK\$1 each)					
Mr. Leung Chi-kin, Stewart	23,253	—	—	23,253	0.001
Mr. Chan Kam-ling	96,669	—	—	96,669	0.004
Mr. Chow Kwai-cheung	20,818	—	—	20,818	0.001

Directors' interests in securities (continued)

(A) Long position in shares (continued)

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital as at 30th June 2003
	Personal interests	Family interests	Corporate interests		
New World Infrastructure Limited					
(Ordinary shares of HK\$1 each)					
Dr. Cheng Kar-shun, Henry	—	1,000,000	—	1,000,000	0.11
Mr. Doo Wai Hoi, William	—	—	12,000,000 (note 2)	12,000,000	0.67
Mr. Chan Kam-ling	6,800	—	—	6,800	0.0007
Mr. Chan Wing-tak, Douglas	1,300,000	400,000	—	1,700,000	0.18
NWS Holdings Limited					
(Ordinary shares of HK\$1 each)					
Dr. Cheng Kar-shun, Henry	—	587,000	—	587,000	0.03
Mr. Doo Wai-hoi, William	—	—	447,000 (note 2)	447,000	0.03
Mr. Cheng Kar-shing, Peter	2,989,700	—	—	2,989,700	0.17
Mr. Leung Chi-kin, Stewart	3,946,238	—	—	3,946,238	0.22
Mr. Chan Kam-ling	3,991	—	10,254,321 (note 3)	10,258,312	0.58
Mr. Chow Kwai-cheung	2,264,652	—	—	2,264,652	0.13
Mr. Chow Yu-chun, Alexander	2,957,652	—	—	2,957,652	0.17
Mr. Chan Wing-tak, Douglas	410,900	—	—	410,900	0.02
Dragon Fortune Limited					
(Ordinary shares of US\$1 each)					
Mr. Cheng Kar-shing, Peter	—	—	15,869 (note 4)	15,869	27.41
Faith Yard Property Limited					
(Ordinary share of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	1 (note 2)	1	50.00
Fortune Star Worldwide Limited					
(Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	60 (note 2)	60	60.00
Fung Seng Estate Development (Shanghai) Co., Ltd.					
(Registered capital in US\$)					
Mr. Doo Wai-hoi, William	—	—	3,000,000 (note 5)	3,000,000	30.00

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital as at 30th June 2003
	Personal interests	Family interests	Corporate interests		
Grand Make International Limited (Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	10 (note 2)	10	10.00
HH Holdings Limited (Ordinary shares of HK\$1 each)					
Mr. Chan Kam-ling	15,000	—	—	15,000	2.50
Master Services Limited (Ordinary shares of US\$0.01 each)					
Mr. Leung Chi-kin, Stewart	16,335	—	—	16,335	1.63
Mr. Chan Kam-ling	16,335	—	—	16,335	1.63
Mr. Chow Kwai-cheung	16,335	—	—	16,335	1.63
Mr. Chow Yu-chun, Alexander	16,335	—	—	16,335	1.63
Nanjing New World Chang Jiang Equipment Co. Ltd. (Registered capital in RMB)					
Mr. Doo Wai-hoi, William	—	—	5,357,275 (note 2)	5,357,275	21.18
Nanjing Xinlidao Property Development Limited (Registered capital in HK\$)					
Mr. Doo Wai-hoi, William	—	—	21,000,000 (note 2)	21,000,000	35.00
New World Sun City Limited (Ordinary shares of HK\$1 each)					
Mr. Cheng Kar-shing, Peter	—	—	300 (note 6)	300	30.00
Ramada Property Ltd. (Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	200 (note 2)	200	20.00
Shanghai Juyi Real Estate Development Co., Ltd. (Registered capital in US\$)					
Mr. Doo Wai-hoi, William	—	—	105,000,000 (note 5)	105,000,000	30.00

Directors' interests in securities (continued)

(A) Long position in shares (continued)

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital as at 30th June 2003
	Personal interests	Family interests	Corporate interests		
Shanghai Trio Property Development Co. Ltd. (Registered capital in US\$)					
Mr. Doo Wai-hoi, William	—	—	1,350,000 (note 5)	1,350,000	1.80
Sun City Holdings Limited (Ordinary shares of HK\$1 each)					
Mr. Cheng Kar-shing, Peter	—	80,000	3,570,000 (note 7)	3,650,000	45.63
YE Holdings Corporation (Ordinary shares of HK\$1 each)					
Mr. Leung Chi-kin, Stewart	37,500	—	—	37,500	1.50
Zhaoqing New World Property Development Limited (Registered capital in US\$)					
Mr. Doo Wai-hoi, William	—	—	3,600,000 (note 8)	3,600,000	60.00
Zhaoqing New World Property Management Limited (Registered capital in HK\$)					
Mr. Doo Wai-hoi, William	—	—	300,000 (note 8)	300,000	60.00

Notes:

- (1) These shares are beneficially owned by a company of which Mr. Tien Pei-chun, James has an indirect interest of 59.15%.
- (2) These shares are beneficially owned by companies wholly-owned by Mr. Doo Wai-hoi, William.
- (3) These shares are beneficially owned by a company of which Mr. Chan Kam-ling owns an interest of 50%.
- (4) Out of 15,869 shares of Dragon Fortune Limited, 4,102 shares are held by a company wholly-owned by Mr. Cheng Kar-shing, Peter and 11,767 shares are held by Sun City Holdings Limited ("Sun City"), of which Mr. Cheng is deemed to be interested in 45.625% of its issued share capital.
- (5) These represent the participating interests held by a company wholly-owned by Mr. Doo Wai-hoi, William.
- (6) Mr. Cheng Kar-shing, Peter is deemed to be interested in the shares of New World Sun City Limited by virtue of his interests in Sun City.
- (7) These shares are held by a company of which Mr. Cheng Kar-shing, Peter owns an indirect interest of 48.18%.
- (8) Mr. Doo Wai-hoi, William is deemed to be interested in the registered capital of these companies by virtue of his interest in Fortune Star Worldwide Limited, of which Mr. Doo Wai-hoi, William owns an indirect interest of 60%.

(B) Long position in underlying shares — share options(1) *The Company*

Under the share option scheme of the Company adopted on 18th December 2000, share options were granted to the undermentioned directors of the Company to subscribe for shares of the Company and accordingly they are regarded as interested in the underlying shares of the Company. Details of the share options granted to them are as follows:

Name of director	Date of grant	Exercisable period (note 1)	Number of share options with subscription price per share of HK\$1.955	
			Balance as at 1st July 2002	Balance as at 30th June 2003
Dr. Cheng Kar-shun, Henry	7th February 2001	8th March 2001 to 7th March 2006	5,000,000	5,000,000
Mr. Doo Wai-hoi, William	8th February 2001	9th March 2002 to 8th March 2006 (note 2)	2,800,000	2,800,000
Mr. Cheng Kar-shing, Peter	9th February 2001	10th March 2001 to 9th March 2006	2,500,000	2,500,000
Mr. Chow Yu-chun, Alexander	8th February 2001	9th March 2001 to 8th March 2006	2,500,000	2,500,000
Mr. Leung Chi-kin, Stewart	7th February 2001	8th March 2001 to 7th March 2006	500,000	500,000
Mr. Chan Kam-ling	9th February 2001	10th March 2002 to 9th March 2006 (note 2)	400,000	400,000
Mr. Chow Kwai-cheung	9th February 2001	10th March 2001 to 9th March 2006	500,000	500,000
Mr. Chan Wing-tak, Douglas	12th February 2001	13th March 2001 to 12th March 2006	500,000	500,000
Mr. Fong Shing-kwong, Michael	17th February 2001	18th March 2002 to 17th March 2006 (note 2)	800,000	800,000
Mr. So Ngok*	9th February 2001	10th March 2001 to 9th March 2006	500,000	500,000
Total			16,000,000	16,000,000

* Resigned as director of the Company with effect from 17th January 2003.

Directors' interests in securities (continued)

(B) Long position in underlying shares — share options (continued)

(1) *The Company (continued)*

Notes:

- The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of each grant when the offers of share options were accepted, provided that the maximum number of share options that can be exercised during a year is 20% of the total number of the share options granted together with any unexercised share options carried forward from the previous years, unless otherwise specified in note (2).
- The share options were exercisable during the remaining exercisable period of four years, provided that the maximum number of share options that can be exercised during a year is 25% of the outstanding balance of the share options held on the respective commencement dates of the exercisable period.
- The cash consideration paid by each director for each grant of the share options is HK\$10.

No share option of the Company was exercised by the above directors during the year ended 30th June 2003.

(2) *New World Infrastructure Limited*

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

Name of director	Date of grant	Share options with exercise price per share of HK\$10.20 (note 1)		Share options with exercise price per share of HK\$12.00 (note 2)	
		Balance as at 1st July 2002	Balance as at 30th June 2003	Balance as at 1st July 2002	Balance as at 30th June 2003
Dr. Cheng Kar-shun, Henry	2nd December 1998	600,000	600,000	2,400,000	2,400,000
Mr. Cheng Kar-shing, Peter [#]	1st December 1998	120,000	—	480,000	—
Mr. Doo Wai-hoi, William ^{##}	16th December 1998	200,000	—	800,000	—
Mr. Leung Chi-kin, Stewart [#]	8th December 1998	120,000	—	480,000	—
Mr. Chan Kam-ling [#]	9th December 1998	200,000	—	800,000	—
Mr. Chan Wing-tak, Douglas	26th November 1998	320,000	320,000	1,280,000	1,280,000
Mr. Cheng Wai-chee, Christopher [#]	11th December 1998	120,000	—	480,000	—
Mr. Fu Sze-shing	23rd September 1999	240,000 (note 3)	240,000 (note 3)	960,000 (note 4)	960,000 (note 4)
Mr. So Ngok ^{**}	26th November 1998	200,000	—	800,000	—

[#] Share options lapsed on 18th February 2003

^{##} Share options lapsed on 12th February 2003

^{*} Resigned as director of the Company with effect from 17th January 2003.

Notes:

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

The cash consideration paid by each director for each grant of the share options is HK\$10.

No share option was exercised by the directors under the share option scheme of NWL during the year ended 30th June 2003.

(3) *NWS Holdings Limited*

Under another share option scheme of a fellow subsidiary, NWS Holdings Limited ("NWS"), the following director of the Company has personal interests in share options to subscribe for shares in NWS and is accordingly regarded as interested in the underlying shares of NWS. Details of the share options of NWS granted to him are as follows:

Name of director	Date of grant	Number of share options outstanding at 30th June 2003 with exercise price per share of HK\$6.93
Mr. Chan Wing-tak, Douglas	11th May 1999	1,000,000 (note)

Note: Divided into 4 tranches exercisable from 5th November 1999, 5th May 2001, 5th May 2002, and 5th May 2003 to 4th November 2004 respectively.

No share option was exercised by the director under the share option scheme of NWS during the year ended 30th June 2003.

Directors' interests in securities (continued)

(C) Long position in debentures

The following director of the Company has interests in the debentures issued by New World Capital Finance Limited ("NWCF"), a fellow subsidiary of the Company, detailed as follows:

Name of director	Amount of debentures in US\$ issued by NWCF			Percentage to the total debentures in issue as at 30th June 2003
	Interest as founder of discretionary trust	Family interests	Total	
Mr. Cheng Wai-chee, Christopher	9,200,000 (note 1)	100,000 (note 2)	9,300,000	2.66

Notes:

- (1) These debentures are convertible into 2,898,522 shares of HK\$1 each of New World Development Company Limited, representing 0.13% of its issued share capital as at 30th June 2003, for the period from 10th June 1999 to 9th August 2004.
- (2) These debentures are convertible into 31,505 shares of HK\$1 each of New World Development Company Limited, representing 0.001% of its issued share capital as at 30th June 2003, for the period from 10th June 1999 to 9th August 2004.

Save as disclosed above, as at 30th June 2003, none of the directors, chief executive or any of their associates had or deemed to have any interests or short positions in the shares, registered capital, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Mode Code for Securities Transactions by Directors of Listed Companies.

Directors' interests in competing business

During the year, the following directors are considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

Name of director	Name of entities with competing businesses	Business activities of the entities	Nature of interest of directors in the entities
Dr. Cheng Kar-shun, Henry	Tianjin Tianzheng Property & Merchants Co., Ltd.	Land improvement in Tianjin	Director
	Wuxi Ramada Hotel Company Limited	Hotel operation in Wuxi	Director
	Hong Kong Jiang Guang Development Limited	Hotel operation in Beijing	Director
	Beijing Chang Le Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Beijing Niceline Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Beijing Fu Wah Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Beijing Po Garden Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Mr. Doo Wai-hoi, William	Tianjin Tianzheng Property & Merchants Co., Ltd.	Land improvement in Tianjin
New Bei Fang Hotel Ltd.		Hotel operation in Harbin	Director
Mr. Chan Kam-ling	Grand New World Hotel Company Limited	Hotel operation in Xian	Director
Mr. Chow Kwai-cheung	Tianjin Tianzheng Property & Merchants Co., Ltd.	Land improvement in Tianjin	Director
	廣州金湖住宅發展有限公司	Property development in Guangzhou	Director
	廣州紅丰房地產有限公司	Property development in Guangzhou	Director
	增城永裕房地產有限公司	Property development in Guangzhou	Director
	北京市天竺花園別墅發展有限公司	Property development in Beijing	Director
	Beijing Chang Le Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Beijing Niceline Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Beijing Fu Wah Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Beijing Po Garden Real Estates Development Co., Ltd.	Property development in Beijing	Director

Directors' interests in competing business (continued)

Name of director	Name of entities with competing businesses	Business activities of the entities	Nature of interest of directors in the entities
Mr. Chow Yu-chun, Alexander	Guangzhou Metropolitan Properties Co., Ltd.	Property development in Guangzhou	Director
	Guangzhou New World Properties Development Co., Ltd.	Property development in Guangzhou	Director
	Grand New World Hotel Company Limited	Hotel operation in Xian	Director
	New Bei Fang Hotel Ltd.	Hotel operation in Harbin	Director
Mr. Fong Shing-kwong, Michael	Grand New World Hotel Company Limited	Hotel operation in Xian	Director
	Beijing Jiang Guang Centre Co. Ltd.	Hotel operation in Beijing	Director
	Wuxi New City Development Co. Ltd.	Hotel operation in Wuxi	Director
	Beijing Niceline Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Beijing Fu Wah Real Estates Development Co., Ltd.	Property development in Beijing	Director

As the board of directors of the Company is independent from the boards of the aforesaid companies and none of the directors can control the board of the Company, the Group is capable of carrying out its businesses independently of, and at arm's length from the businesses of such companies.

Substantial shareholders' interests in shares

As at 30th June 2003, the register of substantial shareholders maintained under Section 336 of the SFO showed that the following parties had interests in 5% or more of the issued share capital of the Company:

Name	Number of shares			Percentage to the issued share capital as at 30th June 2003
	Beneficial interest	Corporate interest	Total	
Chow Tai Fook Enterprises Limited (<i>note 1</i>)	—	1,050,768,800	1,050,768,800	70.90
New World Development Company Limited ("NWD") (<i>note 2</i>)	1,011,714,293	39,054,507	1,050,768,800	70.90
Oaktree Capital Management, LLC ("OCM") (<i>note 3</i>)	—	103,034,600	103,034,600	6.95
OCM Emerging Markets Fund, LP ("EMF")	103,034,600	—	103,034,600	6.95

Notes:

- (1) Chow Tai Fook Enterprises Limited and its subsidiaries have interests in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares deemed to be interested by NWD.
- (2) NWD directly held 1,011,714,293 shares and is deemed to be interested in 22,508,064 shares held by Great Worth Holdings Limited, its 59% owned subsidiary, together with 16,546,443 shares held by High Earnings Holdings Limited, its 54% owned subsidiary.
- (3) OCM is the general partner of EMF and holds 1% interest in EMF. OCM is deemed to be interested in the shares held by EMF.

All the interests stated above represent long position. Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 336 of the SFO as at 30th June 2003.

Share option schemes

On 18th December 2000, the Company adopted a share option scheme ("2000 Share Option Scheme") pursuant to which employees, including executive directors of the Group, were given opportunity to obtain equity holdings in the Company. The 2000 Share Option Scheme was subsequently terminated at the annual general meeting of the Company held on 26th November 2002 ("2002 AGM") whereby a new share option scheme ("2002 Share Option Scheme") was adopted in compliance with the new requirements of the Listing Rules. Any share options which were granted under the 2000 Share Option Scheme prior to such termination shall continue to be valid and exercisable in accordance with the terms of the 2000 Share Option Scheme.

A summary of the 2000 Share Option Scheme and the 2002 Share Option Scheme was set out as follows:

	2000 Share Option Scheme	2002 Share Option Scheme
Purpose of the schemes	As incentive to employees, including executive directors, of the Company or its subsidiaries	To provide an opportunity for the full-time or part-time employees, including directors, of the Group to participate in the equity of the Company as well as to motivate them to optimize their performance
Participants of the schemes	Full-time employees, including any directors, of the Company or its subsidiaries	Full-time or part-time employees, including directors, of the Company or its subsidiaries

Share option schemes (continued)

	2000 Share Option Scheme	2002 Share Option Scheme
Total number of securities available for issue under the schemes and percentage of issued share capital as at the date of this annual report	The Company had granted share options representing the rights to subscribe for 65,745,200 shares of the Company under the 2000 Share Option Scheme, representing approximately 4.43% of the shares in issue as at the date of this report. No further options will be granted under the 2000 Share Option Scheme	The Company had granted share options representing the rights to subscribe for 3,558,400 shares of the Company under the 2002 Share Option Scheme. The Company may further grant share options to subscribe for 144,636,029 shares of the Company, representing approximately 9.75% of the total issued share capital of the Company
Maximum entitlement of each participant under the schemes	25% of the aggregate number of shares for the time being issued and issuable under the scheme	The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless the same is approved by shareholders in general meeting
The period within which the shares must be taken up under an option	At any time during a period to be notified by the Directors, which period not to exceed 5 years commencing on the expiry of 1 month after the date on which the option is accepted and expiring on the last day of the 5-year period	At any time during a period to be notified by the Directors, which period not to exceed 5 years commencing on the expiry of 1 month after the date on which the option is accepted and expiring on a date not later than the last day of the 5-year period
The minimum period for which an option must be held before it can be exercised	1 month	1 month
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK\$10 is to be paid as consideration for the grant of option within 28 days from the date of offer	HK\$10 is to be paid as consideration for the grant of option within 28 days from the date of offer

	2000 Share Option Scheme	2002 Share Option Scheme
The basis of determining the exercise price	<p>The exercise price shall be determined by the Directors, being the higher of:</p> <p>(a) not less than 80% of the average closing price of shares on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of offer; or</p> <p>(b) the nominal value of a share</p>	<p>The exercise price shall be determined by the Directors, being at least the higher of:</p> <p>(a) the closing price of shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of offer, which must be a business day; and</p> <p>(b) the average closing price of shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of offer</p>
The remaining life of the schemes	<p>The 2000 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 18th December 2000</p>	<p>The 2002 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 26th November 2002</p>

Share option schemes (continued)

During the year ended 30th June 2003, movements of share options granted to the directors and employees of the Group under the 2000 Share Option Scheme and the 2002 Share Option Scheme were as follows:

(A) Movement of share options to directors was disclosed under the heading "Directors' interests in securities" above.

(B) Movement of share options to employees was as follows:

Under the 2000 Share Option Scheme

Date of grant	Number of share options					Outstanding as at 30th June 2003	Subscription price per share HK\$
	Balance as at 1st July 2002	Granted during the year	Exercised during the year (note 2)	Reclassified as director's interest	Lapsed during the year		
5th February 2001 to 2nd March 2001	32,627,600	—	42,400	800,000	2,911,600	28,873,600	1.955
2nd May 2001 to 29th May 2001	458,400	—	—	—	—	458,400	2.605
29th June 2001 to 26th July 2001	2,328,000	—	—	—	—	2,328,000	3.192
31st August 2001 to 27th September 2001	2,130,000	—	—	—	—	2,130,000	2.380
26th March 2002 to 22nd April 2002	2,067,600	—	—	—	524,400	1,543,200	2.265
Total	39,611,600	—	42,400	800,000	3,436,000	35,333,200	

Under the 2002 Share Option Scheme

Date of grant	Number of share options				Outstanding as at 30th June 2003	Subscription price per share HK\$
	Balance as at 1st July 2002	Granted during the year (note 3)	Exercised during the year	Lapsed during the year		
3rd January 2003 to 30th January 2003	—	1,344,000	—	—	1,344,000	1.33
12th May 2003 to 6th June 2003	—	2,214,400	—	—	2,214,400	1.00
Total	—	3,558,400	—	—	3,558,400	

Notes:

- (1) The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of each grant when the offers of share options were accepted, provided that the maximum number of share options that can be exercised during a year is 20% of the total number of the share options granted together with any unexercised share options carried forward from the previous years.
- (2) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$2.05.
- (3) The closing prices per share immediately before 3rd January 2003 and 12th May 2003, the dates of grant, were HK\$1.33 and HK\$1 respectively.

The fair values of the share options granted during the year with subscription prices per share of HK\$1.33 and HK\$1 are estimated at HK\$0.49 and HK\$0.59, respectively, using the Black-Scholes option pricing model. Values are estimated based on the risk-free rate of 0.975% per annum with reference to the rate prevailing on the Exchange Fund Notes, a one-year period historical volatility of 0.5, assuming no dividends and an expected option life of 5 years.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. As the characteristics of the options granted during the year are significantly different from those of publicly traded options and changes in the subjective inputs may materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major customers and suppliers

During the year, less than 30% of the Group's turnover was attributable to the Group's five largest customers.

The percentage of purchases for the year attributable to the Group's major suppliers are as follows:

- | | |
|-----------------------------------|-----|
| • the largest supplier | 26% |
| • five largest suppliers combined | 32% |

None of the directors, their associates or any shareholder had any interest in the major suppliers noted above except that the largest supplier is a fellow subsidiary of the Company.

Code of best practice

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

Practice Note 19 of the Listing Rules — Supplementary Information

(A) Financial assistance and guarantees to affiliated companies

In accordance with the requirements under paragraph 3.3 of Practice Note 19 (“PN 19”) of the Listing Rules, the directors of the Company reported below the details of advances to, and guarantees given for the benefit of, their affiliated companies (as defined by PN 19) as at 30th June 2003.

The Company and its subsidiaries had advanced an aggregate amount of HK\$7,847,201,000 (2002: HK\$8,456,687,000) to affiliated companies (included in amounts disclosed in notes 15 and 16 to the accounts), guaranteed bank loans and other borrowing facilities for the benefit of the affiliated companies in the amount of HK\$2,068,623,000 (2002: HK\$1,322,568,000) (included in the amounts disclosed in note 30 to the accounts) and contracted to further provide an aggregate amount of HK\$1,337,372,000 (2002: HK\$1,117,119,000) in capital and loans to affiliated companies. The advances are unsecured and are interest free except for an aggregate amount of HK\$6,236,782,000 (2002: HK\$6,535,232,000) which carry interest ranging from 1.5% above HIBOR to 12% per annum (2002: 4% to 12% per annum). Other than amounts of HK\$19,626,000 (2002: Nil) and HK\$336,449,000 (2002: HK\$361,371,000) which are repayable within one year and repayable by instalments up to December 2016 respectively, the advances have no fixed repayment terms. Contracted capital and loan contributions to affiliated companies would be funded by proceeds from internal resources and bank and other borrowings of the Group.

In addition, in accordance with the requirements under paragraph 3.10 of PN 19, the Company is required to include in its annual report a proforma combined balance sheet of its affiliated companies which should include significant balance sheet classifications and state the attributable interest of the Company in the affiliated companies. The Company has numerous affiliated companies and is of the opinion that it is not practical nor meaningful to prepare a proforma combined balance sheet and such information may be misleading. Pursuant to PN 19 the Company made an application to, and has received a waiver from, the Stock Exchange as an alternative to provide the following statement.

As at 30th June 2003, the Group’s total exposure on the combined indebtedness reported by such affiliated companies (including amounts owing to the Group) amounted to approximately HK\$13,356,749,000 (2002: HK\$16,232,310,000). Such affiliated companies reported no capital commitments and contingent liabilities as at 30th June 2003 (2002: Nil).

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

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

On 9th May 2002, the Company was granted a 4-year term loan facility of up to HK\$500,000,000 and on 16th July 2002, Guangzhou Xin Yi Development Limited, a 90.5% owned subsidiary, was granted a 4-year term loan facility of up to HK\$171,600,000 and a revolving loan facility of up to RMB228,250,000. Upon the granting of each of these loan facilities, the Company undertook to the respective lender that NWD would retain a holding of at least 51% beneficial interest in the issued share capital of the Company throughout the term of the facility. Failure to perform the undertaking which continues for a period of 14 days following the date of notice given by the lender will constitute an event of default.

Auditors

The accounts have been audited by Messrs PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Dr. Cheng Kar-shun, Henry

Chairman and Managing Director

Hong Kong, 16th October 2003



羅兵咸永道會計師事務所

**REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
NEW WORLD CHINA LAND LIMITED**

(incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 103 to 152 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 30th June 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 16th October 2003

Consolidated profit and loss account

For the year ended 30th June 2003

	Note	2003 HK\$'000	2002 HK\$'000
Turnover	2	545,584	939,376
Cost of sales		(434,104)	(559,111)
Gross profit		111,480	380,265
Other revenue	3	7,824	67,149
Other charges	4	(1,035,658)	(45,334)
Selling expenses		(64,781)	(5,185)
Administrative expenses		(41,753)	(37,863)
Other operating expenses		(221,975)	(199,518)
Operating (loss)/profit before financing	5	(1,244,863)	159,514
Finance costs	6	(90,058)	(24,276)
Share of results of			
Associated companies		(99,443)	(3,557)
Jointly controlled entities		(410,194)	1,327
(Loss)/profit before taxation		(1,844,558)	133,008
Taxation	9	(2,793)	(20,501)
(Loss)/profit after taxation		(1,847,351)	112,507
Minority interests		136,323	24,620
(Loss)/profit attributable to shareholders	27	(1,711,028)	137,127
Final dividend	10	—	29,639
(Loss)/earnings per share	11		
Basic		(115.5) cents	9.26 cents
Diluted		N/A	9.20 cents

Consolidated balance sheet

As at 30th June 2003

	Note	2003 HK\$'000	2002 HK\$'000
Fixed assets	12	4,442,443	3,703,088
Properties held for development	14	3,743,306	3,268,128
Associated companies	15	1,203,325	1,422,852
Jointly controlled entities	16	8,777,727	10,099,496
Other investments	17	1,777,835	1,973,041
Other non-current assets	18	50,293	50,311
Total non-current assets		19,994,929	20,516,916
Current assets			
Debtors, deposits and other receivables	19	454,400	486,737
Properties under development	20	2,556,235	2,244,030
Completed properties held for sale	21	454,329	458,790
Cash and bank balances	22	1,283,427	1,405,094
		4,748,391	4,594,651
Current liabilities			
Creditors and accruals	23	531,936	319,924
Deposits received on sale of properties		405,059	190,713
Amounts due to fellow subsidiaries	24	306,597	272,790
Short term bank loans			
Secured		481,308	518,691
Unsecured		564,691	160,748
Current portion of bank and other borrowings	28	1,418,479	834,045
Taxes payable	25	106,299	105,786
		3,814,369	2,402,697
Net current assets		934,022	2,191,954
Employment of funds		20,928,951	22,708,870
Financed by:			
Share capital	26	148,194	148,190
Reserves	27	16,042,969	17,733,310
Shareholders' funds		16,191,163	17,881,500
Bank and other borrowings	28	3,987,493	3,954,485
Deferred income		355,658	407,788
Minority interests and loans from minority shareholders	29	394,637	465,097
Funds employed		20,928,951	22,708,870

Dr. Cheng Kar-shun, Henry
Director

Mr. Doo Wai-hoi, William
Director

Balance sheet

As at 30th June 2003

	Note	2003 HK\$'000	2002 HK\$'000
Subsidiaries	13	15,350,701	16,262,801
Other non-current assets	18	2,588	3,408
Total non-current assets		15,353,289	16,266,209
Current assets			
Debtors, deposits and other receivables		8,948	7,017
Cash and bank balances	22	159,411	239,669
		168,359	246,686
Current liabilities			
Creditors and accruals		11,336	5,330
Amounts due to fellow subsidiaries	24	12,970	22,424
Current portion of bank and other borrowings	28	500,000	—
		524,306	27,754
Net current (liabilities)/assets		(355,947)	218,932
Employment of funds		14,997,342	16,485,141
Financed by:			
Share capital	26	148,194	148,190
Reserves	27	14,849,148	15,836,951
Shareholders' funds		14,997,342	15,985,141
Bank and other borrowings	28	—	500,000
Funds employed		14,997,342	16,485,141

Dr. Cheng Kar-shun, Henry
Director

Mr. Doo Wai-hoi, William
Director

Consolidated cash flow statement

For the year ended 30th June 2003

	Note	2003 HK\$'000	2002 HK\$'000
Operating activities			
Net cash used in operations	32(a)	(636,188)	(671,662)
Tax paid		(12,235)	(11,665)
Net cash used in operating activities		(648,423)	(683,327)
Investing activities			
Interest received		129,120	22,804
Dividend received from a jointly controlled entity		2,585	42,998
Additions to fixed assets		(399,669)	(470,702)
Deferred expenditure incurred		(8,702)	(8,901)
Increase in investments in associated companies		(195,902)	(583,744)
Increase in investments in joint ventures		(229,889)	(627,450)
Repayment of investments in joint ventures		196,485	406,459
Repayment of investments in associated companies		20,378	36,810
Acquisition of additional interest in subsidiaries		(2,524)	(2,669)
Acquisition of interests in subsidiaries	32(c)	(146,229)	726
Disposal of interests in subsidiaries	32(e)	350,162	399,015
Disposal of fixed assets		1,203	827
Disposal of jointly controlled entities		2,293	—
Disposal of partial interests in subsidiaries		85,279	—
Net cash used in investing activities		(195,410)	(783,827)
Net cash used before financing activities		(843,833)	(1,467,154)
Financing activities	32(f)		
Dividend paid		(29,639)	—
Interest paid		(140,231)	(54,903)
Increase in long term bank loans		1,208,152	1,690,655
Repayment of long term bank loans		(267,913)	(21,807)
Net increase/(decrease) in short term bank loans		366,560	(106,570)
Contributions from minority shareholders		17,829	1,095
Increase in loans from minority shareholders		11,923	45,065
Repayment of loans from fellow subsidiaries		(489,299)	(818,276)
Increase in loans from fellow subsidiaries		45,616	890,434
Issue of shares		82	40,044
Decrease in restricted bank balances		175,479	146,019
Net cash from financing activities		898,559	1,811,756
Increase in cash and bank balances		54,726	344,602
Cash and bank balances at beginning of year		847,844	503,242
Cash and bank balances at end of year		902,570	847,844

Consolidated statement of changes in equity

For the year ended 30th June 2003

	Note	2003 HK\$'000	2002 HK\$'000
Total equity as at 1st July		17,881,500	17,469,752
Revaluation surplus on investment properties	27	41,626	80,436
Share of revaluation surplus of associated companies	27	10,972	106,507
Share of revaluation surplus of jointly controlled entities	27	4,653	47,378
Exchange differences arising on translation of subsidiaries, associated companies and joint ventures	27	(228)	(11,364)
Net gains not recognised in the profit and loss account (Loss)/profit for the year		57,023 (1,711,028)	222,957 137,127
Total recognised (loss)/gains		(1,654,005)	360,084
Release of (reserves)/goodwill upon disposal of a subsidiary	27	(6,438)	9,520
Release of reserves upon disposal of a jointly controlled entity		(337)	—
Dividend paid		(29,639)	—
Issue of shares		82	40,044
Impairment of goodwill previously written off against reserves	27	—	2,100
Total equity as at 30th June		16,191,163	17,881,500

Notes to the accounts

1 Principal accounting policies

(a) Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of hotel and investment properties and other investments and in accordance with accounting principles generally accepted in Hong Kong.

During the year, the Group adopted the following revised or new Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	Presentation of financial statements
SSAP 11 (revised)	Foreign currency translation
SSAP 15 (revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of the above new/revised SSAPs has no material effect on the financial statements of the Group for the year ended 30th June 2003. Certain presentational changes have been made upon implementation of SSAP 1(revised) and SSAP 15(revised).

In addition, certain comparative figures for the consolidated profit and loss account have been reclassified for the purpose of presenting an extended analysis of expenses. The directors consider that this extended analysis provides a more meaningful presentation of the Group's results.

A summary of the accounting policies and the effect of adopting these new/revised standards is set out below:

(b) Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and all of its subsidiaries made up to 30th June, and include the Group's share of the results for the year and undistributed post-acquisition reserves of its associated companies and jointly controlled entities. The results of subsidiaries, associated companies and jointly controlled entities acquired or disposed of during the year are dealt with in the consolidated profit and loss account from the effective dates of acquisition and up to the effective dates of disposal respectively.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(c) Goodwill

Goodwill represents the excess of purchase consideration over the fair values ascribed to net assets of subsidiaries, associated companies or jointly controlled entities acquired.

Goodwill on acquisition of subsidiaries, associated companies or jointly controlled entities occurring before 1st July 2001 was written off directly to reserves in the year of acquisition.

Goodwill on acquisitions occurring on or after 1st July 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life of not more than twenty years. Any impairment of the goodwill will be recognised as an expense in the profit and loss account immediately.

(d) Negative goodwill

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

Negative goodwill on acquisitions of subsidiaries, associated companies or jointly controlled entities occurring before 1st July 2001 was taken directly to reserves in the year of acquisition.

For acquisitions on or after 1st July 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average life of those non-monetary assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

(e) Subsidiaries

Subsidiaries are companies, including equity and co-operative joint ventures in the People's Republic of China ("PRC"), in which the Group has the power to exercise control governing the financial and operating policies of the companies. Investments in subsidiaries are carried at cost. Provision is made when the directors consider that there is long term impairment in value.

(f) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised through representatives on the board of directors and there is no contractual arrangement to establish joint control over the economic activities of the company. The Group's investments in associated companies also include joint ventures in the PRC in which the composition of the board of directors is controlled by the Group's associated companies.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year. The consolidated balance sheet includes the Group's share of the net assets of the associated companies and any unamortised goodwill/negative goodwill on acquisition.

(g) Jointly controlled entities

A jointly controlled entity is a joint venture established as a corporation, partnership or other entity in which the venturers have their respective interests and establish a contractual arrangement among them to define their joint control over the economic activity of the entity.

1 Principal accounting policies (continued)

(g) Jointly controlled entities (continued)

The Group's interests in jointly controlled entities are stated at cost plus the Group's share of their post-acquisition results and reserves and any unamortised goodwill/negative goodwill on acquisition, less provision for diminution in value other than temporary in nature. The share of post-acquisition results and reserves is based on the relevant profit sharing ratios which vary according to the nature of the jointly controlled entities explained as follows:

(i) *Equity joint ventures*

Equity joint ventures are joint ventures in respect of which the venturers' capital contribution ratios are defined in the joint venture contracts and the venturers' profit sharing ratios are in proportion to the capital contribution ratios.

(ii) *Co-operative joint ventures*

Co-operative joint ventures are joint ventures in respect of which the venturers' profit sharing ratios and share of net assets upon expiration of the joint venture periods are not in proportion to their capital contribution ratios but are as defined in the joint venture contracts.

(iii) *Companies limited by shares*

Companies limited by shares are limited liability companies in respect of which each shareholder's beneficial interest therein is in accordance with the amount of the voting share capital held thereby.

(h) Joint ventures in the People's Republic of China

(i) *Equity joint ventures*

The Group's investments in these Sino-foreign joint ventures are accounted for as subsidiaries (where the Group has the power to exercise control governing the financial and operating policies) or as jointly controlled entities (where the Group and the other venturers of the equity joint venture established joint control over the economic activity thereof).

(ii) *Co-operative joint ventures*

The Group's investments in these Sino-foreign joint ventures are accounted for as subsidiaries (where the Group has the power to exercise control governing the financial and operating policies) or as jointly controlled entities (where the Group and the other venturers of the co-operative joint venture established joint control over the economic activity thereof).

(i) Other investments

Other investments are long term investments other than subsidiaries, associated companies and jointly controlled entities.

(i) *Investment securities*

Investment securities are held for non-trading purpose and are stated at fair value at the balance sheet date. Fair value is estimated by the directors by reference to the market price or, in case of unlisted investments, net asset value of the respective investment. Changes in the fair value of individual investments are credited or debited to the investment revaluation reserve until the investment is sold or determined to be impaired. Where the directors determine that there is impairment loss, the accumulated changes in fair value are removed from the investment revaluation reserve and recognised in the profit and loss account. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant investment, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

(ii) *Other joint ventures*

Other joint ventures are held for the long term and they give fixed rate returns which are predetermined in accordance with the provisions of the joint venture contracts. Other joint ventures are carried at cost less provision for diminution in value other than temporary in nature.

Income from other joint ventures is recognised as set out in note (t) (ii) below.

(j) Fixed assets and depreciation

(i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential. The investment properties are stated at open market value based on an annual professional valuation at the balance sheet date. Increases in valuation are credited to the investment property revaluation reserve; decreases in value are first set off against earlier revaluation surpluses on a portfolio basis and thereafter charged to the profit and loss account. Any subsequent increases are credited to operating profit up to the amount previously debited. Upon sale of an investment property, the relevant portion of the revaluation surplus in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account. No depreciation is provided on investment properties held on leases of more than twenty years.

(ii) *Hotel properties*

Hotel properties are interests in land and buildings and their integral fixed plant which are collectively used in the operation of hotel. They are stated in the balance sheet at their open market value on the basis of an annual professional valuation. Increases in valuation are credited to the hotel properties revaluation reserve; decreases in value are first set off against earlier revaluation surpluses and thereafter charged to the profit and loss account. No depreciation is provided on hotel properties held on leases of more than twenty years. It is the Group's practice to maintain the buildings in a continual state of sound repairs and to make improvements thereto from time to time and accordingly, the directors consider that given the estimated lives of the hotel properties, any depreciation would be insignificant due to their high residual value. Such expenditures on repairs and improvements are charged to the profit and loss account in the year in which they are incurred.

(iii) *Assets under construction*

No depreciation is provided on assets under construction. All direct and indirect costs relating to the construction of fixed assets including interest and financing costs and foreign exchange differences on the related borrowed funds during the construction period are capitalised as the cost of the fixed assets.

(iv) *Other fixed assets*

Other fixed assets, including other properties which are interests in land and buildings other than investment properties and hotel properties, are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of fixed assets is calculated to write off the cost of assets over their estimated useful lives, using the straight line method. Estimated useful lives are summarised as follows:

Land held on long or medium term lease	Unexpired period of the lease
Buildings	20 years
Leasehold improvements	5–10 years or over the relevant lease period
Furniture, fixtures and equipment	5 years
Motor vehicles	3 years

1 Principal accounting policies (continued)

(j) Fixed assets and depreciation (continued)

(iv) *Other fixed assets (continued)*

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives. The carrying amounts of fixed assets are reviewed regularly. When the recoverable amounts have declined permanently below their carrying amounts, the carrying amounts are written down to their estimated recoverable amount. Expected future cash flows have been discounted in determining the recoverable amount.

Profits or losses on disposal of fixed assets are determined as the difference between the net disposal proceeds and the carrying amounts of the assets and are dealt with in the profit and loss account.

(k) Deferred expenditure

Loan procurement expenses are amortised on a straight line basis over the relevant loan periods.

(l) Properties held for/under development

Properties held for/under development are stated at cost less provision for any foreseeable loss. Cost comprises land cost, development expenditure, professional fees and interest capitalised. On completion, the properties are transferred to investment properties or to completed properties held for sale.

(m) Completed properties held for sale

Completed properties held for sale is stated at the lower of cost and net realisable value. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

(n) Employee benefits

(i) *Employee leave entitlements*

Employee entitlement to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

(ii) *Pension obligations*

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(o) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(p) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Rentals payable to such operating leases, net of incentives received from the lessors, are charged to the profit and loss account on a straight line basis over the periods of the leases.

(q) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(r) Capitalisation of interest and finance charges

Interest and finance charges on borrowings relating to properties under development are included in the cost of the development during the period of development. Interest and finance charges on borrowings that are directly attributable to the financing of the Group's investments in joint ventures investing in property development projects are capitalised as the cost of investments in these joint ventures up to the respective date of completion of construction of the related properties. All other borrowing costs are expensed in the profit and loss account in the year in which they are incurred, other than those dealt with in note (j) (iii) above.

(s) Foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at rates of exchange ruling at that date. Exchange differences arising in these cases are dealt with in the profit and loss account, other than those dealt with in note (j) (iii) above.

The balance sheet of overseas subsidiaries, associated companies and jointly controlled entities expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences arising therefrom are dealt with as a movement in reserves.

In prior years, the profit and loss of overseas enterprises was translated at closing rate. This is a change in accounting policy, however, the translation of the profit and loss of overseas enterprises in prior years has not been restated as the effect of this change is not material to the current and prior years.

(t) Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the Group and these benefits can be measured reliably on the following bases:

(i) Property sales

Revenue from sale of properties is recognised either when the sale agreement is completed or when the development is completed which is determined by the issuance of the completion certificate by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.

(ii) Income from other joint ventures

Income from other joint ventures is in respect of the Group's interest in low-cost community housing and is calculated by reference to a predetermined rate on the aggregate qualifying construction and development costs as provided by the respective joint venture agreements.

Income from other joint ventures is recognised only upon completion of a distinct phase of low-cost community housing when the relevant buildings are examined and approved for occupation by the relevant authority, or when the obligations undertaken by the PRC joint venture partners of the respective joint ventures to pay the investment income become due, whichever is the earlier.

1 Principal accounting policies (continued)

(t) Revenue recognition (continued)

(iii) *Interest income*

- (a) Interest income in respect of loan financing provided to associated companies and jointly controlled entities financing the development of property projects during the development periods is deferred and recognised on the same basis as property sales (note (t) (i)) above.
- (b) Interest income in respect of loan financing provided to associated companies and jointly controlled entities other than those engaged in property development during their pre-operational period is deferred and amortised over the repayment period of the loan.
- (c) Interest income in respect of loan financing provided to other joint ventures financing the development of low-cost community housing is recognised on a time proportion basis.
- (d) Other than those described in (a) to (c) above, interest income is recognised on a time proportion basis.

(iv) *Rental income*

Rental income is recognised on a straight line accrual basis over the terms of lease agreements or on a specified basis according to the terms of lease agreements in respect of contingent rental income.

(v) *Project management fee income*

Project management fee income in respect of management services provided to associated companies and jointly controlled entities engaged in property development during the development periods is deferred and recognised on the same basis as property sales (note (t) (i)) above.

(vi) *Property management services fee income*

Property management services fee income is recognised when services are rendered.

(vii) *Dividend income*

Dividend income is recognised when the shareholder's right to receive payment is established.

2 Turnover and segment information

- (a) The Group is principally engaged in investment and development of property projects in the PRC. Turnover comprises gross proceeds from sales of properties, revenue from rental operation, income from hotel operation, income from other joint ventures, property management services fee income, project management fee income and interest income in respect of loan financing provided to associated companies and joint ventures, net of withholding tax.

	2003	2002
	HK\$'000	HK\$'000
Sales of properties	373,814	561,521
Rental income	127,107	102,467
Income from other joint ventures	—	67,251
Property management services fee income	20,253	23,843
Project management fee income	5,129	23
Income from hotel operation	2,188	—
	528,491	755,105
Interest income less withholding tax	17,093	184,271
	545,584	939,376

- (b) The Group is organised into four main business segments, comprising property sales, rental operation, hotel operation and property management operation. There is no other significant identifiable separate business segment. Segment assets consist of primarily fixed assets, properties held for/under development, other non-current assets, debtors, deposits and other receivables, and completed properties held for sales. Segment liabilities comprise mainly creditors and accruals, bank and other loans and deferred income.

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

2 Turnover and segment information (continued)

	Property					Other	Total
	Property sales	Rental operation	Hotel operation	management operation	operations		
Year ended 30th June 2003	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenues	390,817	143,331	7,317	3,759	360		545,584
Segment results	(661,015)	12,599	(481,320)	(6,547)	7,903		(1,128,380)
Bank and other interest income							7,824
Corporate administrative expenses							(124,307)
Operating loss before financing							(1,244,863)
Finance costs							(90,058)
Share of results of							
Associated companies	(26,450)	6,358	(78,495)	(856)	—		(99,443)
Jointly controlled entities	(280,950)	(20,906)	(101,675)	(5,505)	(1,158)		(410,194)
Loss before taxation							(1,844,558)
Taxation							(2,793)
Loss after taxation							(1,847,351)
Minority interests							136,323
Loss attributable to shareholders							(1,711,028)

	Property					Other	Total
	Property sales	Rental operation	Hotel operation	management operation	operations		
Year ended 30th June 2002	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenues	813,066	101,387	—	23,843	1,080		939,376
Segment results	168,238	57,364	(148)	(8,728)	(8,191)		208,535
Bank and other interest income							67,149
Corporate administrative expenses							(116,170)
Operating profit before financing							159,514
Finance costs							(24,276)
Share of results of							
Associated companies	(5,835)	2,392	(114)	—	—		(3,557)
Jointly controlled entities	(27,547)	11,264	19,490	(1,612)	(268)		1,327
Profit before taxation							133,008
Taxation							(20,501)
Profit after taxation							112,507
Minority interests							24,620
Profit attributable to shareholders							137,127

	Property					Total
	Property sales	Rental operation	Hotel operation	management operation	Other operations	
As at 30th June 2003	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	9,965,914	3,801,866	776,705	260	—	14,544,745
Associated companies and joint ventures	4,894,128	4,763,497	287,598	(1,189)	37,018	9,981,052
Unallocated assets						217,523
Total assets						24,743,320
Segment liabilities	5,592,024	2,053,395	568,371	3,628	—	8,217,418
Minority interests						(1,376)
Unallocated liabilities						336,115
Total liabilities and minority interests						8,552,157
Capital expenditure	168,615	133,679	155,997	958	1,080	460,329
Depreciation	10,490	38,039	—	371	2,092	50,992
Provision for joint ventures, associated companies and other investments	335,378	4,936	85,074	7,134	—	432,522
Provision for/impairment of/ revaluation deficit of properties	281,247	23,508	386,242	—	—	690,997

	Property					Total
	Property sales	Rental operation	Hotel operation	management operation	Other operations	
As at 30th June 2002	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	8,882,904	3,878,358	500,291	19,964	41,666	13,323,183
Associated companies and joint ventures	5,883,531	4,653,599	984,213	(677)	1,682	11,522,348
Unallocated assets						266,036
Total assets						25,111,567
Segment liabilities	3,490,682	2,393,316	900,197	9,358	—	6,793,553
Minority interests						85,485
Unallocated liabilities						351,029
Total liabilities and minority interests						7,230,067
Capital expenditure	4,169	490,370	8,886	968	—	504,393
Depreciation	3,765	16,515	117	207	—	20,604
Provision for amounts due by joint ventures	27,644	14,700	—	—	—	42,344

3 Other revenue

	2003 HK\$'000	2002 HK\$'000
Bank and other interest income	7,824	67,149

4 Other (charges)/income

	2003 HK\$'000	2002 HK\$'000
Impairment of fixed assets	(295,044)	—
Provision against other investments	(281,021)	—
(Provision for)/write back of diminution in value of properties under development and completed properties held for sale	(217,638)	4,287
Revaluation deficit of a hotel property	(178,315)	—
Provision for investments in/amounts due by joint ventures	(134,695)	(42,344)
Net loss on disposal of jointly controlled entities	(21,266)	—
Provision for amount due by an associated company	(16,806)	—
Impairment of goodwill previously written off to reserves	—	(2,100)
Net gain/(loss) on disposal and partial disposal of subsidiaries	109,127	(5,177)
	(1,035,658)	(45,334)

5 Operating (loss)/profit before financing

	2003 HK\$'000	2002 HK\$'000
Operating (loss)/profit before financing is arrived at after crediting:		
Gross rental income from investment properties	102,849	99,064
and after charging:		
Cost of properties sold	363,534	553,772
Staff costs including directors' emoluments	117,901	107,449
Depreciation	50,992	23,056
Rental for leased premises	37,167	23,085
Outgoings in respect of investment properties	13,653	3,483
Amortisation of deferred expenditure	9,634	5,301
Retirement benefits costs	4,138	4,135
Auditors' remuneration	3,682	4,052

Total contingent rents included in rental income amounted to HK\$18,930,000 for 2002. There is no contingent rent included in rental income in 2003.

	2003 HK\$'000	2002 HK\$'000
The future minimum rental payments receivable under non-cancellable leases are as follows:		
Within one year	86,966	90,881
Between two and five years	166,837	47,617
Beyond five years	360,128	82,143
	613,931	220,641

Generally the Group's operating leases are for terms of two to five years except for four long term leases which are beyond five years.

6 Finance costs

	2003 HK\$'000	2002 HK\$'000
Interest on bank loans	144,589	36,737
Interest on loans from fellow subsidiaries wholly repayable within five years	39,831	74,077
Interest on loans from minority shareholders	4,495	4,831
Interest on short term loans	6,063	16,793
	194,978	132,438
Amount capitalised in properties held for/under development and assets under construction	(83,019)	(88,044)
Amount capitalised in investments in jointly controlled entities and an associated company	—	(9,339)
Reimbursement from an associated company	(21,901)	(10,779)
	90,058	24,276

7 Retirement benefit costs

The Group has established a defined contribution retirement scheme under the Occupational Retirement Scheme Ordinance for all employees in Hong Kong since September 1999. The contributions to the scheme are based on a percentage of the employees' salaries ranging from 5% to 10%, depending upon the length of service of the employees. The Group's contributions to the scheme are expensed as incurred and are not forfeited in respect of those employees who leave the scheme prior to vesting fully in the contributions.

With the implementation of the Mandatory Provident Fund ("MPF") Scheme Ordinance on 1st December 2000, the Group established a new MPF Scheme. Except for employees who commenced employment after 1st October 2000, all the existing employees were given an option to select between the existing defined contribution scheme and the MPF Scheme. The employees who commenced employment after 1st October 2000 are required to join the MPF Scheme. The Group's contributions to the MPF scheme are based on fixed percentages of members' salary, ranging from 5% of the MPF relevant income to 10% of the basic salary. Members' mandatory contributions are fixed at 5% of the MPF relevant income.

The Group also contributes to retirement plans for its employees in the PRC at a percentage in compliance with the requirements of the respective municipal governments in the PRC.

The assets of all retirement schemes are held separately from those of the Group in independently administered funds. The total cost charged to the profit and loss account amounts to HK\$4,138,000 (2002: HK\$4,135,000).

8 Directors' and senior management remuneration

(i) Details of the directors' emoluments are as follows:

	2003 HK\$'000	2002 HK\$'000
Fees	800	800
Salaries, discretionary bonus, other allowances and other benefits in kind	1,027	3,333
Contribution to retirement benefit scheme	103	226
	1,930	4,359

The emoluments of the directors fall within the following bands:

	Number of directors	
	2003	2002
Nil – HK\$500,000	13	12
HK\$1,000,001 – HK\$1,500,000	1	—
HK\$2,500,001 – HK\$3,000,000	—	1
	14	13

Fees include HK\$300,000 paid to independent non-executive directors during the year (2002: HK\$300,000). There were no other emoluments paid to independent non-executive directors during the year (2002: Nil).

None of the directors has waived his right to receive his emoluments (2002: Nil).

- (ii) The five individuals whose emoluments were the highest in the Group for the year do not include any emoluments of the directors (2002: one director whose emoluments are reflected in the analysis presented above). Details of the emoluments paid to the remaining individuals in the Group are as follows:

	2003	2002
	HK\$'000	HK\$'000
Salaries, discretionary bonus, other allowances and other benefits in kind	7,291	6,847
Contribution to retirement benefit scheme	540	509
	7,831	7,356

The emoluments fall within the following bands:

	Number of individuals	
	2003	2002
HK\$1,000,001 – HK\$1,500,000	3	1
HK\$1,500,001 – HK\$2,000,000	1	2
HK\$2,000,001 – HK\$2,500,000	1	—
HK\$2,500,001 – HK\$3,000,000	—	1
	5	4

9 Taxation

	2003	2002
	HK\$'000	HK\$'000
PRC income tax		
Company and subsidiaries	711	2,049
An associated company	(44)	1,148
Jointly controlled entities	2,126	17,304
	2,793	20,501

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 year (2002: Nil). PRC income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at the applicable rate of taxation.

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

In July 1999, a deed of tax indemnity was entered into between the ultimate holding company and the Group whereby the ultimate holding company undertakes to indemnify the Group in respect of, inter alia, certain PRC income tax ("IT") and Land Appreciation Tax ("LAT") payable in consequence of the disposal of certain properties held by the Group as at 31st March 1999. During the year, no such tax indemnity was effected (2002: Nil).

Realisation of the surplus on revaluation of the Group's investment and hotel properties would give rise to a taxation liability in the PRC. No provision has been made in the accounts for this liability as these properties are held for the long term and management has no intention to dispose of these properties in the foreseeable future. Tax indemnity has also been given by the ultimate holding company in respect of these properties.

10 Dividend

	2003 HK\$'000	2002 HK\$'000
Final, paid, of 2 HK cents per share	—	29,639

The directors do not propose the payment of a dividend for the year ended 30th June 2003.

11 (Loss)/earnings per share

The calculation of (loss)/earnings per share is based on the (loss)/profit attributable to shareholders of HK\$1,711,028,000 (2002: HK\$137,127,000) and the weighted average of 1,481,944,294 shares (2002: 1,480,792,307 shares) in issue during the year.

Diluted earnings per share for 2002 was based on profit attributable to shareholders of HK\$137,127,000 divided by 1,480,792,307 shares which was the weighted average number of shares in issue during the year plus the weighted average of 9,739,304 shares deemed to be issued at no consideration as if all outstanding share options had been exercised. The share options have no dilutive effect on the loss per share for the year ended 30th June 2003.

12 Fixed assets

Group

	Investment properties HK\$'000	Hotel properties HK\$'000	Other properties HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Assets under construction HK\$'000	Total HK\$'000
Cost or valuation								
At 30th June 2002	1,538,390	—	53,537	197,826	51,253	17,331	1,900,263	3,758,600
Additions	2,676	—	1,291	833	26,833	6,708	421,987	460,328
Acquisition of subsidiaries	—	380,606	77,136	—	57,811	7,273	190,140	712,966
Disposals	—	—	(2,289)	(20)	(871)	(1,046)	—	(4,226)
Impairment	—	—	—	—	—	—	(295,044)	(295,044)
Transfer from properties under development	113,212	—	—	—	—	—	—	113,212
Reclassifications	468,626	—	(35,307)	—	—	—	(433,319)	—
Revaluation surplus/(deficit)	41,313	(178,315)	—	—	—	—	—	(137,002)
At 30th June 2003	2,164,217	202,291	94,368	198,639	135,026	30,266	1,784,027	4,608,834
Accumulated depreciation								
At 30th June 2002	—	—	4,573	16,063	24,772	10,104	—	55,512
Charge for the year	—	—	5,813	34,454	7,916	2,809	—	50,992
Acquisition of subsidiaries	—	—	23,369	—	32,290	6,107	—	61,766
Disposals	—	—	(701)	(4)	(465)	(709)	—	(1,879)
At 30th June 2003	—	—	33,054	50,513	64,513	18,311	—	166,391
Net book value								
At 30th June 2003	2,164,217	202,291	61,314	148,126	70,513	11,955	1,784,027	4,442,443
At 30th June 2002	1,538,390	—	48,964	181,763	26,481	7,227	1,900,263	3,703,088

Notes:

- (i) Investment properties were revalued on 30th June 2003 on an open market value basis by Chesterton Petty Limited, independent professional valuers, and are held in the PRC under the following leases:

	2003 HK\$'000	2002 HK\$'000
Long leases	86,916	84,112
Medium term leases	2,077,301	1,454,278
	2,164,217	1,538,390

- (ii) Other properties are stated at cost and held in the PRC under the following leases:

	2003 HK\$'000	2002 HK\$'000
Long leases	76,855	2,973
Medium term leases	17,513	50,564
	94,368	53,537

- (iii) Certain interests in investment properties and assets under construction pledged as securities for short term loans and long term loans amount to HK\$297,862,000 (2002: HK\$220,484,000) and HK\$910,412,000 (2002: 340,779,000) respectively.

- (iv) Included in assets under construction is interest capitalised of HK\$145,250,000 (2002: HK\$103,479,000).

13 Subsidiaries

	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost (2003 and 2002: HK\$10)	—	—
Amounts due from subsidiaries, net of provision	15,350,701	16,262,801
	15,350,701	16,262,801

Details of principal subsidiaries are given in note 36.

14 Properties held for development

	Group	
	2003 HK\$'000	2002 HK\$'000
Leasehold land, at cost		
Long term	1,847,602	1,365,589
Medium term	1,131,857	1,212,338
Development and incidental costs	614,394	557,290
Interest capitalised	149,453	132,911
	3,743,306	3,268,128

The aggregate carrying value of properties held for development pledged as securities for long term loan amount to HK\$91,215,000 (2002: Nil).

15 Associated companies

	Group	
	2003 HK\$'000	2002 HK\$'000
Group's shares of net assets	46,905	137,633
Amounts due by associated companies, net of provision (note (i))	1,196,042	1,424,036
Amounts due to associated companies (note (i))	(39,622)	(138,817)
	1,203,325	1,422,852

(i) The amounts receivable and payable are unsecured, interest free and have no specific repayment terms except for amounts receivable of HK\$336,449,000 (2002: HK\$361,371,000) and HK\$19,626,000 (2002: Nil) with respective interest at 5.76% (2002: 6.21%) and 6.01% (2002: Nil) per annum. The amount receivable of HK\$336,449,000 is repayable by instalments up to 2016 and the balance of HK\$19,626,000 is repayable within one year.

(ii) Details of principal associated companies are given in note 36.

16 Jointly controlled entities

	Group	
	2003 HK\$'000	2002 HK\$'000
Equity joint ventures		
Group's share of net assets/(liabilities)	45,223	(74,752)
Amounts due by joint ventures		
Interest bearing (note (i))	57,221	452,989
Non-interest bearing (note (ii))	62,487	154,479
	164,931	532,716
Co-operative joint ventures		
Cost of investments	3,413,615	3,524,114
Goodwill	14,946	14,946
Less: accumulated amortisation	(1,494)	(747)
Share of undistributed post-acquisition results and reserves	(616,847)	(211,625)
	2,810,220	3,326,688
Amounts due by joint ventures, net of provision		
Interest bearing (note (iii))	5,314,883	5,537,017
Non-interest bearing (note (ii))	200,130	287,595
Amounts due to joint ventures (note (ii))	(136,454)	(44,950)
	8,188,779	9,106,350
Companies limited by shares		
Group's share of net liabilities	(163,134)	(143,506)
Amounts due by joint ventures		
Interest bearing (note (iv))	173,289	183,855
Non-interest bearing (note (ii))	410,627	416,716
Amounts due to joint ventures (note (ii))	(130)	—
	420,652	457,065
Deposits for proposed joint ventures (note (v))	3,365	3,365
	8,777,727	10,099,496

Notes:

- (i) The amount receivable is unsecured, carries interest ranging from 5.85% to 5.94% per annum (2002: 5.85% to 12% per annum) and has repayment terms as specified in the relevant loan agreements.
- (ii) The amounts receivable and payable are unsecured, interest free and have repayment terms as specified in the joint venture contracts.
- (iii) The amounts receivable are unsecured, carry interest ranging from 5.31% to 12% per annum (2002: 8.5% to 12% per annum) and have repayment terms as specified in the joint venture contracts.
- (iv) The amounts receivable are unsecured, carry interest ranging from 1.5% above HIBOR to 4% per annum (2002: 4% to 1.5% above prime rate per annum) and have repayment terms as specified in the joint venture contracts.

16 Jointly controlled entities (continued)

Notes: (continued)

- (v) The balances represent payments on account of proposed joint ventures for which only preliminary agreements have been signed and the joint venture companies have not been established as at the balance sheet date. Upon the establishment of the relevant joint venture companies, the relevant amounts will be reclassified to respective joint venture balances.
- (vi) Details of principal jointly controlled entities are given in note 36.
- (vii) A summary of the financial information of the significant jointly controlled entities is set out in note 34.

17 Other investments

	Group	
	2003 HK\$'000	2002 HK\$'000
Investment security		
Unlisted shares, at cost	350	350
Amount due from an investee company, net of provision	143,575	207,826
	143,925	208,176
Other joint ventures		
Cost of investments, net of provision	106,535	212,449
Amounts due by joint ventures		
Interest bearing, net of provision (note (i))	1,281,828	1,526,356
Non-interest bearing (note (ii))	336,055	108,044
Amounts due to joint ventures (note (ii))	(90,508)	(81,984)
	1,633,910	1,764,865
	1,777,835	1,973,041

Notes:

- (i) The amounts receivable are unsecured, carry interest at 5.31% to 10% per annum (2002: 10% per annum) and have repayment terms as specified in the joint venture contracts.
- (ii) The amounts receivable and payable are unsecured, interest free and have repayment terms as specified in the joint venture contracts.
- (iii) Details of principal other joint ventures are given in note 36.

18 Other non-current assets

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Deferred expenditure				
Loan procurement expenses	19,029	10,327	11,522	6,004
Accumulated amortisation	(15,514)	(5,880)	(8,934)	(2,596)
	3,515	4,447	2,588	3,408
Cash and bank balances, restricted (note 22)	46,778	45,864	—	—
	50,293	50,311	2,588	3,408

19 Debtors, deposits and other receivables

Debtors, deposits and other receivables include trade debtors, utility and other deposits, interest and other receivables and prepayment for land cost.

The ageing analysis of trade debtors is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
0 to 30 days	40,519	36,628
31 to 60 days	6,491	29,909
61 to 90 days	8,656	9,733
Over 90 days	11,353	24,673
	67,019	100,943

Sales proceed receivables in respect of sale of properties are settled in accordance with the instalment schedules as stipulated in the sale and purchase agreements. Monthly rental in respect of rental properties are payable in advance by tenants in accordance with the lease agreements.

20 Properties under development

	Group	
	2003 HK\$'000	2002 HK\$'000
Leasehold land, at cost		
Long term	1,069,047	1,389,244
Medium term	110,232	58,830
Development and incidental costs	1,536,587	757,226
Interest capitalised	44,869	38,730
	2,760,735	2,244,030
Less: provision	(204,500)	—
	2,556,235	2,244,030

The aggregate carrying value of properties under development pledged as securities for long term loans amounts to HK\$808,478,000 (2002: Nil).

21 Completed properties held for sale

The aggregate carrying value of completed properties held for sale that were carried at net realisable values amounts to HK\$62,677,000 (2002: HK\$36,285,000).

The aggregate carrying value of completed properties held for sale pledged as securities for short term loans amounts to HK\$116,642,000 (2002: HK\$116,808,000).

22 Cash and bank balances

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Restricted balances	427,635	603,114	—	—
Unrestricted balances	902,570	847,844	159,411	239,669
Cash and bank balances	1,330,205	1,450,958	159,411	239,669
Restricted balances included under other non-current assets (note 18)	(46,778)	(45,864)	—	—
	1,283,427	1,405,094	159,411	239,669

The restricted balances have been pledged as securities for certain short term loans and long term loans.

23 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:

	Group	
	2003 HK\$'000	2002 HK\$'000
0 to 30 days	81,367	39,988
31 to 60 days	1,413	283
61 to 90 days	6	6,126
Over 90 days	305,254	71,324
	388,040	117,721

24 Amounts due to fellow subsidiaries

The balances are unsecured, interest free and have no specific repayment terms.

25 Taxes payable

	Group	
	2003 HK\$'000	2002 HK\$'000
Income tax payable	9,639	10,895
Withholding tax payable	88,271	84,686
Other PRC taxes payable	8,389	10,205
	106,299	105,786

26 Share capital

	Group	
	2003 HK\$'000	2002 HK\$'000
Authorised: 8,000,000,000 shares of HK\$0.1 each	800,000	800,000
Issued and fully paid: 1,481,944,294 shares of HK\$0.1 each (2002: 1,481,901,894 shares of HK\$0.1 each)	148,194	148,190

26 Share capital (continued)

Details of the movement in the issued share capital of the Company are summarised as follows:

	Number of shares of HK\$0.1 Each	HK\$'000
At 30th June 2001	1,468,511,738	146,851
Issue of shares for the acquisition of additional interests in subsidiaries	10,911,756	1,091
Exercise of shares options	2,478,400	248
At 30th June 2002	1,481,901,894	148,190
Exercise of share options (note)	42,400	4
At 30th June 2003	1,481,944,294	148,194

Note: Pursuant to the share option schemes adopted on 18th December 2000 and 26th November 2002, the Company may grant options to executive directors and employees of the Company to subscribe for shares in the Company. The movements in the number of share options granted during the year and the balance outstanding at 30th June 2003 are as follows:

Date of offer to grant	Exercise price per share HK\$	Number of shares				At 30th June 2003
		At 1st July 2002	Granted during the year (note)	Exercised during the year	Lapsed during the year	
5th February 2001	1.955	47,827,600	—	(42,400)	(2,911,600)	44,873,600
2nd May 2001	2.605	458,400	—	—	—	458,400
29th June 2001	3.192	2,328,000	—	—	—	2,328,000
31st August 2001	2.380	2,130,000	—	—	—	2,130,000
26th March 2002	2.265	2,067,600	—	—	(524,400)	1,543,200
3rd January 2003	1.330	—	1,344,000	—	—	1,344,000
12th May 2003	1.000	—	2,214,400	—	—	2,214,400
		54,811,600	3,558,400	(42,400)	(3,436,000)	54,891,600

Note: Divided into 5 tranches and exercisable within a period of 5 years commencing on the expiry of one month after the dates on which the options were accepted.

27 Reserves

Group

	Contributed surplus	Share premium	Capital reserve	Investment properties revaluation reserve	Hotel properties revaluation reserve	Exchange reserve	Retained profit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 30th June 2001	14,751,973	1,243,603	—	288,107	1,480	30,801	1,006,937	17,322,901
Profit retained for the year	—	—	—	—	—	—	137,127	137,127
Premium on issue of shares	—	38,705	—	—	—	—	—	38,705
Impairment of goodwill previously written off to reserves	—	—	2,100	—	—	—	—	2,100
Release of goodwill upon disposal of subsidiaries	—	—	9,520	—	—	—	—	9,520
Revaluation surplus								
Company and subsidiaries	—	—	—	80,436	—	—	—	80,436
Associated companies	—	—	—	106,507	—	—	—	106,507
Jointly controlled entities	—	—	—	41,946	5,432	—	—	47,378
Transfer to capital reserve	—	—	(11,620)	—	—	—	11,620	—
Translation difference	—	—	—	—	—	(11,364)	—	(11,364)
As at 30th June 2002	14,751,973	1,282,308	—	516,996	6,912	19,437	1,155,684	17,733,310
Retained by:								
Company and subsidiaries	14,751,973	1,282,308	—	112,889	—	4,993	1,853,499	18,005,662
Associated companies	—	—	—	164,325	—	11,246	(66,126)	109,445
Jointly controlled entities	—	—	—	239,782	6,912	3,198	(631,689)	(381,797)
	14,751,973	1,282,308	—	516,996	6,912	19,437	1,155,684	17,733,310

	Contributed surplus	Share premium	Capital reserve	Investment properties revaluation reserve	Hotel properties revaluation reserve	Exchange reserve	Retained profit/(accumulated loss)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 30th June 2002	14,751,973	1,282,308	—	516,996	6,912	19,437	1,155,684	17,733,310
Loss retained for the year	—	—	—	—	—	—	(1,711,028)	(1,711,028)
2002 final dividend paid	(29,639)	—	—	—	—	—	—	(29,639)
Premium on issue of shares	—	78	—	—	—	—	—	78
Release of reserve upon disposal of								
A subsidiary	—	—	—	—	—	(6,438)	—	(6,438)
A jointly controlled entity	—	—	—	—	—	(337)	—	(337)
Revaluation surplus/(deficit)								
Company and subsidiaries	—	—	—	41,626	—	—	—	41,626
Associated companies	—	—	—	10,972	—	—	—	10,972
Jointly controlled entities	—	—	—	11,565	(6,912)	—	—	4,653
Translation difference	—	—	—	—	—	(228)	—	(228)
As at 30th June 2003	14,722,334	1,282,386	—	581,159	—	12,434	(555,344)	16,042,969
Retained by:								
Company and subsidiaries	14,722,334	1,282,386	—	154,515	—	1,859	437,419	16,598,513
Associated companies	—	—	—	175,297	—	4,395	(160,433)	19,259
Jointly controlled entities	—	—	—	251,347	—	6,180	(832,330)	(574,803)
	14,722,334	1,282,386	—	581,159	—	12,434	(555,344)	16,042,969

27 Reserves (continued)

Company

	Contributed surplus HK\$'000 (Note (i))	Share premium HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
As at 30th June 2001	14,772,134	1,243,603	(132,630)	15,883,107
Premium on issue of new shares	—	38,705	—	38,705
Loss retained for the year	—	—	(84,861)	(84,861)
As at 30th June 2002	14,772,134	1,282,308	(217,491)	15,836,951
Final dividend paid	(29,639)	—	—	(29,639)
Premium on issue of new shares	—	78	—	78
Loss retained for the year	—	—	(958,242)	(958,242)
As at 30th June 2003	14,742,495	1,282,386	(1,175,733)	14,849,148

Notes:

- (i) The contributed surplus of the Company represents the excess of the consolidated net asset value of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange thereof as a result of a reorganisation took place in 1999.
- (ii) Under the Companies Law in the Cayman Islands, the contributed surplus and share premium are both distributable. Accordingly, distributable reserves of the Company amount to HK\$14,849,148,000 (2002: HK\$15,836,951,000) as at 30th June 2003.

28 Bank and other borrowings

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bank loans (note (i))				
Secured	1,450,254	940,810	—	—
Unsecured	1,471,553	961,683	500,000	500,000
Loans from fellow subsidiaries (note (ii))	2,484,165	2,886,037	—	—
	5,405,972	4,788,530	500,000	500,000
Current portion included in current liabilities	(1,418,479)	(834,045)	(500,000)	—
	3,987,493	3,954,485	—	500,000

Notes:

(i) The bank loans are repayable as follows:

	Secured		Group Unsecured		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	410,691	155,763	816,776	140,187	1,227,467	295,950
Between one and two years	710,903	24,922	421,132	190,654	1,132,035	215,576
Between two and five years	116,822	523,365	233,645	630,842	350,467	1,154,207
After five years	211,838	236,760	—	—	211,838	236,760
	1,450,254	940,810	1,471,553	961,683	2,921,807	1,902,493

Included in the total bank loan balance is an amount of HK\$336,449,000 (2002:HK\$361,371,000) which is wholly repayable by instalments up to December 2016 and has been on-lent to an associated company (note 15(i)).

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	191,012	538,095
Between one and two years	768,858	892,188
Between two and five years	1,524,295	1,455,754
	2,484,165	2,886,037

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

29 Minority interests and loans from minority shareholders

	Group	
	2003 HK\$'000	2002 HK\$'000
Minority interests	(1,376)	85,485
Loans from minority shareholders (note)	396,013	379,612
	394,637	465,097

Note:

Except for loans of HK\$39,376,000 (2002: HK\$25,744,000) which are unsecured, bear interest at 7.48% (2002: 10%) per annum and have repayment terms as specified in the joint venture contracts, the remaining balance is unsecured, interest free and has no specific repayment terms.

30 Contingent liabilities

Group

The Group has contingent liabilities of approximately HK\$2,068,623,000 (2002: HK\$1,381,447,000) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities. As at 30th June 2003, the Group's attributable portion of the outstanding amount under these bank loan facilities granted to the associated companies and jointly controlled entities was approximately HK\$1,464,162,000 (2002: HK\$965,049,000).

Company

The Company has contingent liabilities relating to corporate guarantees given in respect of bank loan facilities extended to certain subsidiaries, associated companies and jointly controlled entities of approximately HK\$2,003,693,000 (2002: HK\$1,066,682,000), HK\$196,452,000 (2002: HK\$139,115,000), HK\$1,872,171,000 (2002: HK\$1,183,453,000) respectively. As at 30th June 2002, the Company also had contingent liabilities relating to corporate guarantees given in respect of bank loan facilities extended to other joint ventures of HK\$46,729,000, which were released during the year.

31 Commitments

(i) Capital expenditure commitments

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Contracted but not provided for		
Fixed assets	388,557	330,326
Investments in associated companies	—	49,544
Investments in jointly controlled entities	—	47,001
	388,557	426,871
Authorised but not contracted for	—	—
	388,557	426,871

(b) The Group did not have any share of capital commitments of the jointly controlled entities themselves not included in (a) above (2002: Nil).

(ii) Lease commitments

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
As at 30th June 2003, future aggregate minimum lease payments under non-cancellable operating lease in respect of land and building are as follows:				
The first year	37,722	38,170	4,916	4,916
The second to fifth years	134,636	139,165	4,916	9,833
After five years	440,909	473,492	—	—
	613,267	650,827	9,832	14,749

(iii) Other commitments

As at 30th June 2003, the Group had issued performance guarantees amounting to HK\$382,347,000 (2002: HK\$316,199,000) in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of property projects developed by a subsidiary and certain jointly controlled entities of the Group. Pursuant to the terms of the performance guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties.

32 Notes to consolidated cash flow statement

(a) Reconciliation of operating (loss)/profit before financing to net cash used in operations

	2003 HK\$'000	2002 HK\$'000
Operating (loss)/profit before financing	(1,244,863)	159,514
Finance costs	(90,058)	(24,276)
Interest income	(24,917)	(251,420)
Interest expense	90,058	24,276
Depreciation	50,992	23,056
Amortisation of deferred expenditure	9,634	5,301
Loss on disposal of fixed assets	1,144	33
Impairment of goodwill	—	2,100
Provision for investments in/amounts due by joint ventures	134,695	42,344
Net (gain)/loss on disposal and partial disposal of subsidiaries	(109,127)	5,177
Provision for/(write back of) diminution in value of properties under development and completed properties	217,638	(4,287)
Impairment of fixed assets	295,044	—
Revaluation deficit of a hotel property	178,315	—
Provision against other investments	281,021	—
Net loss on disposal of jointly controlled entities	21,266	—
Provision for an amount due by an associated company	16,806	—
Exchange differences	(91)	(10,232)
Operating loss before working capital changes	(172,443)	(28,414)
Increase in properties held for/under development	(939,180)	(338,443)
Decrease/(increase) in debtors, deposits and other receivables	91,839	(162,551)
(Decrease)/increase in amounts due to fellow subsidiaries	(2,996)	30,013
Increase/(decrease) in deposits received on sale of properties	214,346	(40,669)
Increase/(decrease) in creditors and accruals	172,246	(131,598)
Net cash used in operations	(636,188)	(671,662)

(b) Acquisition of interest in subsidiaries

	2003	2002
	HK\$'000	HK\$'000
Net assets acquired		
Fixed assets	651,200	—
Debtors, deposits and other receivables	72,407	4,505
Properties under development	107,706	261,511
Cash and bank balances	15,608	726
Bank loans	(79,076)	—
Creditors and accruals	(20,406)	(296)
Amounts due to fellow subsidiaries	(43,934)	—
Minority interests	(619)	—
Taxation	(450)	—
	702,436	266,446
Interest originally held by the Group as jointly controlled entities	(540,599)	(266,446)
Consideration satisfied by cash	161,837	—

(c) Analysis of net (outflow)/inflow of cash and cash equivalents in respect of acquisition of subsidiaries

	2003	2002
	HK\$'000	HK\$'000
Cash consideration	(161,837)	—
Cash and bank balances acquired	15,608	726
Net (outflow)/inflow of cash and cash equivalents in respect of acquisition of subsidiaries	(146,229)	726

(d) Disposal of interests in subsidiaries

	2003	2002
	HK\$'000	HK\$'000
Net assets disposed		
Fixed assets	—	2,127
Investment in associated companies	289,405	409,157
Investment in jointly controlled entities	—	7,026
Debtors, deposits and other receivables	7,986	5,536
Cash and bank balances	—	12,662
Creditors and accruals	—	(23,096)
Taxation	—	(602)
Amount due from a fellow subsidiary	—	10,412
Bank loans	—	(15,888)
	297,391	407,334
Capital reserve	—	9,520
Net gain/(loss) on disposal of interests in subsidiaries	52,771	(5,177)
Consideration satisfied by cash	350,162	411,677

32 Notes to consolidated cash flow statement (continued)

(e) Analysis of net inflow of cash and cash equivalents in respect of disposal of subsidiaries

	2003 HK\$'000	2002 HK\$'000
Cash consideration	350,162	411,677
Cash and bank balances disposed	—	(12,662)
Net inflow of cash and cash equivalents in respect of disposal of subsidiaries	350,162	399,015

(f) Analysis of changes in financing during the year

	Share capital, share premium and contributed surplus HK\$'000	Short term bank loans HK\$'000	Bank and other borrowings HK\$'000	Restricted cash and bank balances HK\$'000	Minority interests and loans from minority shareholders HK\$'000
As at 30th June 2001	16,142,427	801,897	2,974,820	(749,133)	395,281
Net cash inflow/(outflow) from financing	40,044	(106,570)	1,741,006	146,019	46,160
Minority interests' share of profit and reserves	—	—	—	—	21,494
Acquisition of additional interests in subsidiaries	—	—	(2,687)	—	18
Disposal of subsidiaries	—	(15,888)	—	—	—
Accrual of interest payable	—	—	75,391	—	2,144
As at 30th June 2002	16,182,471	679,439	4,788,530	(603,114)	465,097
Net cash inflow/(outflow) from financing	(29,557)	366,560	496,556	175,479	29,752
Minority interests' share of loss and reserves	—	—	—	—	(136,626)
Acquisition of subsidiaries	—	—	79,076	—	—
Acquisition of additional interests in subsidiaries	—	—	—	—	3,013
Disposal of partial interests in subsidiaries	—	—	—	—	28,923
Accrual of interest payable	—	—	41,810	—	4,478
As at 30th June 2003	16,152,914	1,045,999	5,405,972	(427,635)	394,637

33 Related party transactions

The following is a summary of significant related party transactions during the year carried out by the Group in the normal course of its business:

(i)

	Note	2003 HK\$'000	2002 HK\$'000
Interest on loans from fellow subsidiaries	(a)	39,831	74,077
Rental for leased premises to a fellow subsidiary	(b)	5,025	4,546
Rental for leased premises to an associated company	(b)	28,972	16,900
Interest income from jointly controlled entities	(c)	(21,579)	(118,380)
Estate management fee income from a fellow subsidiary and jointly controlled entities	(d)	(9,587)	(9,501)
Rental income from fellow subsidiaries	(e)	(24,569)	(4,435)
Rental income from an associated company	(e)	(5,607)	(3,271)

Notes:

- (a) Interest is charged at rates as specified in note 28(ii) on the outstanding balances due to certain fellow subsidiaries.
- (b) The rental is charged at fixed monthly/annual fees in accordance with the terms of the tenancy agreements.
- (c) This represents interest income in respect of loan financing provided to jointly controlled entities. These loans are unsecured and carry interest at rates as specified in note 16.
- (d) The estate management fees are charged at fixed amounts to a fellow subsidiary, an associated company and certain jointly controlled entities as specified in the management contracts.
- (e) The rental income is charged at fixed monthly fees in accordance with the terms of the tenancy agreements.
- (ii) Total fees for the provision of project management, construction and engineering consultancy services in respect of certain of the Group's property projects and payable to certain fellow subsidiaries amount to HK\$401,929,000 (2002: HK\$360,818,000). Such fees are charged at fixed amounts in accordance with the terms of the respective contracts.
- (iii) A deed of tax indemnity was entered into between New World Development Company Limited ("NWD") and the Group whereby NWD undertakes to indemnify the Group in respect of IT and LAT payable in consequence of the disposal of certain properties (note 9).
- (iv) On 24th February 2003, the Group disposed of its entire interest in Beijing Lai Loi Garden to Chow Tai Fook Enterprises Limited, shareholder of NWD, for a consideration of approximately HK\$347.8 million resulting in a net gain on disposal of HK\$47.0 million.
- (v) On 14th March 2003, the Group disposed of 10% equity interest in each of Shanghai Ju Yi Real Estate Development Co., Ltd. and Fung Seng Estate Development (Shanghai) Co., Ltd. to Stanley Enterprises Limited, a company wholly owned by a director of the Company, Mr. Doo Wai-hoi, William at consideration of approximately HK\$72.1 million and HK\$13.2 million, respectively, resulting in an aggregate gain of HK\$56.4 million.
- (vi) In October 2003, the Group obtained an unsecured revolving credit facility of HK\$1.5 billion from a fellow subsidiary for a period of 18 months.

34 Significant jointly controlled entities

Set out below is a summary of the financial information of three significant jointly controlled entities whose principal activities are the investment in property investment and development project in Beijing.

(1) Beijing Chong Wen-New World Properties Development Co., Ltd.

(a) Results for the year

	2003	2002
	HK\$'000	HK\$'000
Turnover	202,342	190,822
Loss for the year	(77,610)	(7,657)
Group's share of operating loss	(54,327)	(5,360)

(b) Net assets as at year end

	2003	2002
	HK\$'000	HK\$'000
Fixed assets	1,312,723	1,197,475
Other assets	4,095,050	3,427,390
Current assets	308,043	536,387
Current liabilities	(716,545)	(696,429)
Long term liabilities (other than amounts due to the Group)	(1,590,790)	(1,244,271)
	3,408,481	3,220,552

(2) Beijing Chong Yu Real Estate Development Co., Ltd.

(a) Results for the year

	2003	2002
	HK\$'000	HK\$'000
Turnover	145,260	390,639
Loss for the year	(146,690)	(70,186)
Group's share of operating loss	(102,683)	(49,130)

(b) Net assets as at year end

	2003	2002
	HK\$'000	HK\$'000
Fixed assets	1,575,285	1,447,442
Other assets	412,296	605,413
Current assets	672,470	835,853
Current liabilities	(83,357)	(461,802)
Long term liabilities (other than amounts due to the Group)	(914,313)	(717,906)
	1,662,381	1,709,000

(3) China New World Electronics Ltd.*(a) Results for the year*

	2003	2002
	HK\$'000	HK\$'000
Turnover	32,324	23,469
Profit for the year	7,144	19,821
Group's share of operating profit	5,001	13,875

(b) Net assets as at year end

	2003	2002
	HK\$'000	HK\$'000
Fixed assets	885,711	809,862
Other assets	691,358	696,157
Current assets	147,691	140,307
Current liabilities	(218,201)	(227,659)
Long term liabilities (other than amounts due to the Group)	—	—
	1,506,559	1,418,667

35 Ultimate holding company

The directors of the Company consider New World Development Company Limited, incorporated and listed in Hong Kong, as being the ultimate holding company.

36 Particulars of principal subsidiaries, associated companies, jointly controlled entities and other joint ventures

Details of the principal subsidiaries, associated companies, jointly controlled entities and other joint ventures which materially affect the results for the year and/or assets of the Group as at 30th June 2003 are set out below:

Company name	Issued/ registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2003	2002	2003	2002	
<i>Subsidiaries</i>						
<i>Incorporated and operated in Hong Kong</i>						
Billion Huge (International) Limited	HK\$950,001 950,001 ordinary shares of HK\$1 each	—	—	100%	100%	Investment holding
Billion Park Investment Limited	HK\$1,000,000 1,000,000 ordinary shares of HK\$1 each	—	—	78.6%	78.6%	Investment holding
China Joy International Limited	HK\$2 2 ordinary shares of HK\$1 each	—	—	100%	100%	Investment holding
Lingal Limited	HK\$2,000 1,800 ordinary shares of HK\$1 each 200 non-voting deferred shares of HK\$1 each	—	—	100%	100%	Investment holding
Max Charm Investment Limited	HK\$2 2 ordinary shares of HK\$1 each	—	—	100%	100%	Investment holding

Company name	Issued/ registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2003	2002	2003	2002	
New World Development (China) Limited	HK\$4 2 ordinary shares of HK\$1 each 2 non-voting deferred shares of HK\$1 each	100%	100%	100%	100%	Investment holding
Sunny Trend Development Limited	HK\$2 2 ordinary shares of HK\$1 each	—	—	100%	100%	Investment holding
Trend Island Limited	HK\$2 2 ordinary shares of HK\$1 each	—	—	100%	100%	Investment holding
<i>Incorporated in the British Virgin Islands</i>						
Banyan Developments Limited	US\$1 1 share of US\$1	—	—	100%	100%	Investment holding
Conful Enterprises Limited	US\$1 1 share of US\$1	—	—	100%	100%	Investment holding
Ever Brisk Limited	US\$1 1 share of US\$1	—	—	100%	100%	Investment holding
Hinto Developments Limited	US\$1 1 share of US\$1	—	—	100%	100%	Investment holding
Kiwi Profits Limited	US\$10 10 shares of US\$1 each	—	—	—	100%	Investment holding
Magic Chance Limited	US\$1 1 share of US\$1	—	—	100%	100%	Investment holding
Radiant Glow Limited	US\$1 1 share of US\$1	—	—	100%	100%	Investment holding

36 Particulars of principal subsidiaries, associated companies, jointly controlled entities and other joint ventures (continued)

Company name	Issued/ registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2003	2002	2003	2002	
<i>Subsidiaries (continued)</i>						
<i>Incorporated in the British Virgin Islands (continued)</i>						
Sparkling Rainbow Limited	US\$1 1 share of US\$1	—	—	100%	100%	Investment holding
Steady Profits Limited	US\$1 1 share of US\$1	—	—	—	100%	Investment holding
Sweet Prospects Enterprises Limited	US\$1 1 share of US\$1	—	—	100%	100%	Investment holding
True Blue Developments Limited	US\$1 1 share of US\$1	—	—	100%	100%	Investment holding
Twin Glory Investments Limited	US\$1 1 share of US\$1	—	—	100%	100%	Investment holding
<i>Incorporated and operated in the PRC</i>						
Beijing Lingal Real Estates Development Co., Ltd.	US\$13,000,000	—	—	100%	100%	Property development
Dalian New World Plaza International Co., Ltd.	RMB58,000,000	—	—	88%	88%	Property investment and development
Fung Seng Estate Development (Shanghai) Co., Ltd.	US\$10,000,000	—	—	70%	80%	Property development
Guangzhou Xin Yi Development Limited	HK\$286,000,000	—	—	90.5%	90.5%	Property development

Company name	Issued/ registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2003	2002	2003	2002	
Guangzhou Xin Hua Chen Real Estate Co., Ltd.	RMB200,000,000	—	—	100%	100%	Property development
Guangzhou Xin Hua Jian Real Estate Co., Ltd.	RMB244,000,000	—	—	100%	100%	Property development
Nanjing Huawei Real Estate Development Co., Ltd.	US\$12,000,000	—	—	92%	92%	Property investment and development
New World Anderson (Tianjin) Development Co., Ltd.	US\$10,000,000	—	—	100%	100%	Property investment and development
New World Development (Wuhan) Co., Ltd.	US\$12,000,000	—	—	100%	100%	Property investment and development
New World (Shenyang) Property Development Limited	RMB97,720,000	—	—	90%	90%	Property development
New World (Shenyang) Property Development No. 2 Limited	RMB97,720,000	—	—	90%	90%	Property development
New World (Shenyang) Property Development No. 3 Limited	RMB164,600,000	—	—	90%	90%	Property development
New World (Shenyang) Property Development No. 4 Limited	RMB97,720,000	—	—	90%	90%	Property development
New World (Shenyang) Property Development No. 5 Limited	RMB99,320,000	—	—	90%	90%	Property development
New World (Shenyang) Property Development No. 6 Limited	RMB97,720,000	—	—	90%	90%	Property development

36 Particulars of principal subsidiaries, associated companies, jointly controlled entities and other joint ventures (continued)

Company name	Issued/ registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2003	2002	2003	2002	
<i>Subsidiaries (continued)</i>						
<i>Incorporated and operated in the PRC (continued)</i>						
Shanghai Mayfair Hotel Co., Ltd.	RMB8,000,000	—	—	65%	—	Hotel operation
Shanghai Ramada Plaza Ltd.	US\$34,000,000	—	—	61.75%	57%	Property investment and hotel operation
Shanghai Heyu Properties Co., Ltd.	US\$12,000,000	—	—	64%	64%	Property investment and development
Shanghai Ju Yi Real Estate Development Co., Ltd	RMB350,000,000	—	—	70%	80%	Property development
Shenyang New World Hotel Co., Ltd. (formerly known as Shenyang New World Lumingchun Building Co.,Ltd.)	RMB68,000,000	—	—	100%	—	Hotel operation
Shenzhen Topping Real Estate Development Co., Ltd.	HK\$182,000,000	—	—	90%	90%	Property development
Wuhan New Eagle Properties Co., Limited	US\$2,830,000	—	—	95%	95%	Property investment
Wuhan Xinhan Development Co., Ltd	RMB55,000,000	—	—	70%	—	Property development

Company name	Issued/ registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2003	2002	2003	2002	
<i>Associated companies</i>						
<i>Incorporated and operated in Hong Kong</i>						
Global Perfect Development Limited	HK\$1,000,000 1,000,000 ordinary shares of HK\$1 each	—	—	50%	50%	Investment holding
Niceline Company Limited	HK\$1,000 1,000 ordinary shares of HK\$1 each	—	—	—	35%	Investment holding
Sun City Holdings Limited	HK\$8,000,000 8,000,000 ordinary shares of HK\$1 each	—	—	30.6%	30.6%	Investment holding
<i>Incorporated in the British Virgin Islands</i>						
Faith Yard Property Limited	US\$2 2 shares of US\$1 each	—	—	50%	50%	Property investment
Fortune Star Worldwide Limited	US\$100 100 shares of US\$1 each	—	—	40%	40%	Investment holding
Grand Make International Limited	US\$100 100 shares of US\$1 each	—	—	45%	45%	Investment holding
Sinclair Profits Limited	US\$10 10 shares of US\$1 each	—	—	—	50%	Investment holding

36 Particulars of principal subsidiaries, associated companies, jointly controlled entities and other joint ventures (continued)

Company name	Issued/ registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2003	2002	2003	2002	
<i>Associated companies (continued)</i>						
<i>Incorporated and operated in the PRC</i>						
Beijing Chang Le Real Estates Development Co., Ltd.	US\$12,000,000	—	—	—	35%	Property development
Beijing Fu Wah Real Estates Development Co., Ltd.	US\$8,000,000	—	—	—	35%	Property development
Beijing Niceline Real Estates Development Co., Ltd.	US\$8,000,000	—	—	—	35%	Property development
Beijing Po Garden Real Estates Development Co., Ltd.	US\$12,000,000	—	—	—	35%	Property development
Shanghai New World Huai Hai Property Development Co., Ltd.	US\$108,500,000	—	—	44.1%	44.1%	Property investment
<i>Jointly controlled entities</i>						
<i>Incorporated and operated in Hong Kong</i>						
New World Sun City Limited	HK\$1,000 1,000 ordinary shares of HK\$1 each	—	—	49.2%	49.2%	Investment holding

Company name	Issued/ registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2003	2002	2003	2002	
<i>Incorporated in the British Virgin Islands</i>						
Concord Properties Holding (Guangzhou) Limited	US\$10 10 shares of US\$1 each	—	—	40%	40%	Investment holding
<i>Incorporated and operated in the PRC</i>						
Beijing Chong Wen-New World Properties Development Co., Ltd.	US\$104,100,000	—	—	70%	70%	Property investment and development
Beijing Chong Yu Real Estate Development Co.,Ltd	US\$81,840,000	—	—	70%	70%	Property investment and development
Beijing Xin Kang Real Estate Development Co.,Ltd	US\$12,000,000	—	—	70%	70%	Property development
Beijing Xin Lian Hotel Co., Ltd.	US\$12,000,000	—	—	59%	59%	Hotel operation
China New World Electronics Ltd.	US\$57,000,000	—	—	70%	70%	Property investment and development
Dongguan New World Garden Trade Construction Co., Ltd.	US\$12,000,000	—	—	38%	38%	Property development
Dongguan New World Square Trade Construction Co., Ltd.	US\$12,000,000	—	—	38%	38%	Property development

36 Particulars of principal subsidiaries, associated companies, jointly controlled entities and other joint ventures (continued)

Company name	Issued/ registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2003	2002	2003	2002	
<i>Jointly controlled entities (continued)</i>						
<i>Incorporated and operated in the PRC (continued)</i>						
Guangzhou Fong Chuen New World Properties Development Co., Ltd	RMB330,000,000	—	—	60%	60%	Property development
Guangzhou Fucheng Properties Development Co., Ltd	HK\$80,000,000	—	—	60%	60%	Property development
Guangzhou Hemsell Real Estate Development Co., Ltd.	RMB79,597,000	—	—	60%	60%	Property development
Guangzhou Jixian Zhuang New World City Garden Development Limited	US\$24,000,000	—	—	60%	60%	Property development
Guangzhou Bosson Real Estate Co., Ltd.	RMB20,003,000	—	—	60%	60%	Property development
Jinan New World Sunshine Development Ltd.	US\$10,000,000	—	—	65%	65%	Property development
Shanghai Trio Property Development Co., Ltd.	US\$75,000,000	—	—	47.5%	34.2%	Property development
Shenyang New World Hotel Co., Ltd. (formerly known as Shenyang New World Lumingchun Building Co., Ltd.)	RMB68,000,000	—	—	—	70%	Hotel operation

Company name	Issued/ registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2003	2002	2003	2002	
Tianjin New World Properties Development Co., Ltd.	US\$12,000,000	—	—	70%	70%	Property redevelopment
Wuhan Taibei & New World Hotel Co., Ltd	US\$14,160,000	—	—	—	50%	Hotel operation
Wuhan Wuxin Hotel Co. Ltd.	US\$13,500,000	—	—	60%	60%	Property investment
Wuhan Xinhan Development Co., Ltd	RMB55,000,000	—	—	—	50%	Property development
Zhaoqing New World Property Development Limited	US\$6,000,000	—	—	40%	32%	Property development
<i>Other joint ventures</i>						
<i>Incorporated and operated in the PRC</i>						
Huizhou New World Housing Development Limited	RMB80,000,000	—	—	note 2	note 2	Development of low-cost community housing
Tianjin New World Housing Development Co., Ltd	RMB80,000,000	—	—	note 2	note 2	Development of low-cost community housing
Wuhan New World Housing Development Limited	RMB96,000,000	—	—	note 2	note 2	Development of low-cost community housing

36 Particulars of principal subsidiaries, associated companies, jointly controlled entities and other joint ventures (continued)

Notes:

- (1) Represent equity interest in case of companies incorporated outside the PRC or the percentage of equity interest in case of equity joint ventures or profit sharing ratio in accordance with the joint venture contracts in case of co-operative joint ventures in the PRC.
- (2) In prior years, the Group was entitled to fixed-return of investment in accordance with the provisions of the joint venture contracts in respect of development of low-cost community housing. In September 2002, the State Council had announced that all the fixed-return arrangement between PRC enterprises and their foreign partners had to be cancelled by the end of 2002. The Group had initiated discussion with the joint venture partners of projects with fixed-return covenants in the original joint venture contracts to nullify the fixed-return covenants. The profit sharing ratio for the remaining undeveloped phases of these projects would follow that of commodity housing as previously defined under the original contracts.

37 Approval of accounts

The accounts were approved by the board of directors on 16th October 2003.

Financial summary

Results

	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Turnover	545,584	939,376	587,265	607,031	545,076
Operating (loss)/profit after finance costs	(1,334,857)	135,238	40,831	341,259	464,898
Share of results of					
Associated companies	(99,443)	(3,557)	(11,737)	(2,213)	(20,465)
Jointly controlled entities	(410,258)	1,327	50,521	(118,509)	(263,297)
(Loss)/profit before taxation	(1,844,558)	133,008	79,615	220,537	181,136
Taxation	(2,793)	(20,501)	(30,270)	(11,620)	(17,353)
(Loss)/profit after taxation	(1,847,351)	112,507	49,345	208,917	163,783
Minority interests	136,323	24,620	4,265	(5,388)	2,536
(Loss)/profit attributable to shareholders	(1,711,028)	137,127	53,610	203,529	166,319

Assets and liabilities

	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Fixed assets	4,442,443	3,703,088	3,248,168	2,924,107	1,926,775
Properties held for development	3,743,306	3,268,128	2,812,556	2,660,433	3,185,966
Associated companies	1,203,325	1,422,852	781,179	909,645	1,143,932
Jointly controlled entities	8,777,727	10,099,496	9,305,700	10,166,450	9,708,262
Other investments	1,777,835	1,973,041	2,925,136	2,934,454	2,636,149
Other non-current assets	50,293	50,311	111,634	108,914	10,260
Net current assets	934,022	2,191,954	1,842,600	718,013	388,026
Total assets less current liabilities	20,928,951	22,708,870	21,026,973	20,422,016	18,999,370
Bank and other borrowings	(3,987,493)	(3,954,485)	(2,686,972)	(1,817,427)	(1,562,007)
Deferred income	(355,658)	(407,788)	(474,968)	(531,341)	(421,452)
Minority interests and loans from minority shareholders	(394,637)	(465,097)	(395,281)	(1,084,729)	(1,065,356)
	16,191,163	17,881,500	17,469,752	16,988,519	15,950,555

Note:

The financial summary of the Group for the year 1999 has been prepared on the basis that the structure and business activities of the Group immediately after the completion of a reorganisation took place in 1999 had been in existence throughout that year.

Major project profiles

Project No.	Project Name	Form of investment	Accounting Classification	NWCL's	Site Area (sq.m.)	Total GFA (sq.m.)
				Attributable Interests		
MAJOR DEVELOPMENT FOR SALE PROJECTS						
1	Beijing New World Centre Phase II	CJV	JCE	70%	15,243	36,996
2	Chateau Regalia Beijing	CJV	Subsidiary	100%	214,800	125,936
3	Beijing New World Garden Phase I	CJV	JCE	70%	52,800	61,354
	Beijing New World Garden Phase II				26,930	140,222
4	Beijing Xin Yi Garden	CJV	JCE	70%	85,000	418,076
5	Beijing New View Garden Phase I	CJV	JCE	70%	20,730	20,907
	Beijing New View Garden Phase II				204,270	668,430
	Beijing Liang Guang Road Blocks 5, 6 & 7					120,204
	Beijing New View Commercial Centre				7,000	71,040
6	Beijing Xin Yu Commercial Centre	CJV	JCE	70%	20,672	142,108
	Beijing Liang Guang Road Blocks 3 & 4					82,624
	Beijing Liang Guang Road Block 2					47,917
	Beijing Xin Yu Garden				435,800	1,084,983
7	Beijing Xin Kang Garden Phase II	CJV	JCE	70%	101,893	4,313
	Beijing Xin Kang Garden Phase III					133,990
8	Tianjin Xin An Garden Phase I	WFE	Subsidiary	100%	17,148	10,735
	Tianjin Xin An Garden Phase II				3,000	19,000
9	Tianjin New World Garden Phase I	CJV	Other Joint Venture	60%	46,469	70,300
	Tianjin New World Garden Phase II					82,000
10	Tianjin Xin Chun Hua Yuan Development Phase II	CJV	Other Joint Venture	60%	72,800	9,667
	Tianjin Xin Chun Hua Yuan Development Remaining Phases					100,108
11	Jinan Sunshine Garden Phase I	EJV	JCE	65%	206,269	446,478
	Jinan Sunshine Garden Phase II				43,066	100,000
12	Shenyang New World Garden Phase IB	CJV	Subsidiary	90%	80,342	23,069
	Shenyang New World Garden Phase IC				66,380	170,219
	Shenyang New World Garden Phase ID				78,353	175,009
	Shenyang New World Garden Remaining Phases				1,234,102	2,706,230
13	Dalian Manhattan Tower I	EJV	Subsidiary	88%	9,800	17,408
	Dalian Manhattan Tower II					59,632
14	Shanghai Zhongshan Square Phase III	CJV	JCE	48%	16,171	127,956
15	Shanghai Hong Kong New World Garden Phase I	EJV	Subsidiary	70%	104,483	27,086
	Shanghai Hong Kong New World Garden Phase II					156,633
	Shanghai Hong Kong New World Garden Remaining Phases					211,212
	Shanghai Hong Kong New World Garden — Mengzi Road Project				9,786	36,698
16	Wuhan Menghu Garden Phase I	CJV	Subsidiary	70%	399,335	14,977
	Wuhan Menghu Garden Remaining Phases					162,610
17	Wuhan New World Centre Phase I	WFE	Subsidiary	100%	37,235	77,352
18	Wuhan Changqing Garden Phase IV	CJV	Other Joint Venture	60%	2,914,600	171,373
	Wuhan Changqing Garden Phase V					163,200
	Wuhan Changqing Garden Remaining Phases					1,752,940

Residential (sq.m.)	Commercial (sq.m.)	Office (sq.m.)	Hotel (sq.m.)	Others (sq.m.)	Development Status	Expected Completion Date
31,989		3,073		1,934	COMPLETED	N/A
121,505				4,431	UNDER DEVELOPMENT	Sep-03
1,476	21,105	12,544		26,229	COMPLETED	N/A
61,360	4,355	34,152		40,355	UNDER DEVELOPMENT	Mar-06
211,076	22,295	61,561		123,144	UNDER PLANNING	Jul-06
1,761	612			18,534	COMPLETED	N/A
471,105	25,235	6,202		165,888	UNDER DEVELOPMENT	Jun-06
92,140	7,341			20,723	UNDER PLANNING	May-05
	11,341	45,243		14,456	UNDER PLANNING	May-06
	45,577	61,124		35,407	UNDER PLANNING	Aug-06
66,269	4,971	573		10,811	UNDER DEVELOPMENT	Feb-04
36,651	3,136	566		7,564	UNDER PLANNING	Feb-05
650,253	18,530	114,120		302,080	UNDER PLANNING	TBD
463				3,850	COMPLETED	N/A
95,317	9,953			28,720	UNDER DEVELOPMENT	Sep-04
3,918	1,922			4,895	COMPLETED	N/A
		19,000			UNDER PLANNING	TBD
39,267	16,160			14,873	UNDER DEVELOPMENT	Jun-03
73,748	1,100			7,152	UNDER DEVELOPMENT	Jun-04
7,824	1,600			243	COMPLETED	N/A
91,612	8,496				UNDER PLANNING	TBD
378,208	15,993			52,277	UNDER DEVELOPMENT	Dec-07
		100,000			UNDER PLANNING	TBD
13,617				9,452	COMPLETED	Dec-02
153,586				16,633	UNDER DEVELOPMENT	Dec-04
88,746		18,300		67,963	UNDER PLANNING	Jun-05
1,758,424	365,076	108,360		474,370	UNDER PLANNING	TBD
17,408					COMPLETED	N/A
37,109		15,218		7,305	UNDER DEVELOPMENT	Dec-03
		127,956			UNDER PLANNING	TBD
	888	22,340		3,859	COMPLETED	N/A
131,036	19,097			6,500	UNDER PLANNING	Dec-04
189,873	21,339				UNDER PLANNING	TBD
36,698					UNDER PLANNING	TBD
14,497				480	UNDER DEVELOPMENT	Aug-04
153,010				9,600	UNDER PLANNING	TBD
77,352					UNDER DEVELOPMENT	Mar-05
91,627	61,953			17,793	COMPLETED	Dec-02
156,200	1,000			6,000	UNDER DEVELOPMENT	Jun-05
1,595,200	83,500			74,240	UNDER PLANNING	TBD

Project No.	Project Name	Form of investment	Accounting Classification	NWCL's	Site Area (sq.m.)	Total GFA (sq.m.)
				Attributable Interests		
MAJOR DEVELOPMENT FOR SALE PROJECTS						
19	Wuhan Xin Hua Garden Phase I	CJV	JCE	60%	96,427	19,145
	Wuhan Xin Hua Garden Phase II					149,062
	Wuhan Xin Hua Garden Phase III					112,318
20	Nanjing New World Centre	EJV	Subsidiary	92%	11,219	86,252
21	Hefei New World Garden Phase I	CJV	JCE	60%	82,660	15,673
22	Guangzhou New World Casa California	CJV	JCE	60%	18,930	6,742
23	Guangzhou Dong Yi Garden Phase II	CJV	Subsidiary	100%	74,720	17,354
	Guangzhou Dong Yi Garden Phase III					23,697
	Guangzhou Dong Yi Garden Phase IV-V					129,400
24	Guangzhou New World Oriental Garden Phase I	CJV	Subsidiary	100%	99,885	159,531
	Guangzhou New World Oriental Garden Phase II					46,723
	Guangzhou New World Oriental Garden Phase III					94,837
	Guangzhou New World Oriental Garden Phase IV					103,496
25	Guangzhou Central Park-view Phase I	CJV	Subsidiary	91%	107,876	233,944
	Guangzhou Central Park-view Phase II					124,113
26	Guangzhou Covent Garden Phase I	CJV	JCE	60%	370,383	7,749
	Guangzhou Covent Garden Phase II					42,039
	Guangzhou Covent Garden Phase III					77,739
	Guangzhou Covent Garden Remaining Phases					924,088
27	Guangzhou Fangcao Garden Phase I	CJV	JCE	40%	44,516	21,997
	Guangzhou Fangcao Garden Phase II					55,832
28	Guangzhou Park Paradise Phase IIA	CJV	JCE	60%	730,266	21,317
	Guangzhou Park Paradise Phase IIB					90,837
	Guangzhou Park Paradise Phase III					158,360
	Guangzhou Park Paradise Phase IV					159,735
	Guangzhou Park Paradise Remaining Phases					750,309
	Guangzhou Park Paradise Remaining Phases	CJV	Subsidiary	80%	421,453	544,159
29	Guangzhou Xintang New World Garden Phase II	CJV	JCE	60%	283,335	100,962
	Guangzhou Xintang New World Garden Phase III					90,713
	Guangzhou Xintang New World Garden Phase IV					107,604
30	Shenzhen Xilihu Development	CJV	JCE	70%	58,121	29,000
31	Shunde New World Convention & Exhibition Centre Phase II	CJV	Assoc. Co.	35%	14,171	26,499
	Shunde New World Convention & Exhibition Centre Phase III-V					65,849
32	Huiyang Palm Island Golf Resort Phase I	EJV	JCE	34%	15,525	2,510
	Huiyang Palm Island Golf Resort Phase II				4,484	291
	Huiyang Palm Island Golf Resort Phase III				18,734	6,694
	Huiyang Palm Island Golf Resort Phase IV				37,554	37,554
	Huiyang Palm Island Golf Resort Remaining Phases				222,837	212,192
33	Zhaoqing New World Garden Phase I	CJV	Assoc. Co.	40%	12,852	34,713
	Zhaoqing New World Garden Remaining Phases				126,282	304,284
34	Shenzhen New World Yi Shan Garden Phase I	CJV	Subsidiary	90%	25,600	5,596
	Shenzhen New World Yi Shan Garden Phase II				31,500	71,504
	Shenzhen New World Yi Shan Garden Phase III				32,200	103,658

Residential (sq.m.)	Commercial (sq.m.)	Office (sq.m.)	Hotel (sq.m.)	Others (sq.m.)	Development Status	Expected Completion Date
14,049				5,096	COMPLETED	Aug-02
124,209	1,724			23,129	UNDER DEVELOPMENT	Nov-04
89,584	15,156			7,578	UNDER PLANNING	Dec-06
86,252					UNDER DEVELOPMENT	Jun-04
2,815				12,858	COMPLETED	Sep-02
2,914				3,828	COMPLETED	N/A
2,192	7,366			7,795	COMPLETED	N/A
13,158				10,539	COMPLETED	Aug-02
99,722	1,590			28,088	UNDER PLANNING	TBD
115,587				43,944	UNDER DEVELOPMENT	Dec-03
37,790				8,933	UNDER PLANNING	TBD
82,963				11,874	UNDER PLANNING	TBD
80,381				23,115	UNDER PLANNING	TBD
154,179	13,118	3,714		62,933	UNDER DEVELOPMENT	Apr-04
97,691	2,844			23,578	UNDER PLANNING	TBD
4,886				2,863	COMPLETED	N/A
9,244	7,254			25,541	UNDER DEVELOPMENT	Jun-05
49,585	7,248			20,906	UNDER PLANNING	May-06
842,720				81,368	UNDER PLANNING	TBD
13,698	959			7,340	COMPLETED	Aug-02
39,137	1,058			15,637	UNDER PLANNING	TBD
17,137	992			3,188	COMPLETED	N/A
71,233				19,604	UNDER DEVELOPMENT	Nov-04
120,000	2,100			36,260	UNDER PLANNING	Feb-05
116,240	3,500			39,995	UNDER PLANNING	TBD
604,649	17,100			128,560	UNDER PLANNING	TBD
311,408	31,734			201,017	UNDER PLANNING	TBD
83,760	6,084			11,118	UNDER DEVELOPMENT	2004
84,880	3,700			2,133	UNDER PLANNING	2005
100,620	4,223			2,761	UNDER PLANNING	TBD
23,800	5,200				UNDER PLANNING	Jun-05
26,499					UNDER DEVELOPMENT	Oct-03
65,849					UNDER PLANNING	TBD
850			1,660		COMPLETED	N/A
291					COMPLETED	N/A
6,694					COMPLETED	N/A
33,504				4,051	UNDER DEVELOPMENT	Jan-04
184,392				27,800	UNDER PLANNING	TBD
21,577				13,136	UNDER DEVELOPMENT	Dec-03
297,009	2,700			4,575	UNDER PLANNING	TBD
5,233				363	COMPLETED	N/A
45,302	10,392			15,810	UNDER DEVELOPMENT	Jul-04
87,722				15,936	UNDER PLANNING	TBD

Project No.	Project Name	Form of investment	Accounting Classification	NWCL's	Site Area (sq.m.)	Total GFA (sq.m.)
				Attributable Interests		
MAJOR DEVELOPMENT FOR SALE PROJECTS						
35	Zhuhai New World Riviera Garden Phase I	CJV	JCE	60%	21,584	12,493
	Zhuhai New World Riviera Garden Phase II				19,420	30,031
36	Huizhou Changhuyuan Development Remaining Phases	CJV	Other Joint Venture	63%	65,955	143,513
37	Haikou New World Garden Phase I	CJV	JCE	60%	246,801	36,830
	Haikou New World Garden Phase II					64,127
	Haikou New World Garden Phase III					140,258
Sub-total					9,819,767	15,854,315

Project No.	Project Name	Form of investment	Accounting Classification	NWCL's	Site Area (sq.m.)	Total GFA (sq.m.)
				Attributable Interests		
INVESTMENT PROPERTY UNDER DEVELOPMENT						
20a	Nanjing New World Centre	EJV	Subsidiary	92%	11,219	108,092
38	Shanghai Hong Kong New World Tower	CJV	Assoc. Co.	44%	9,953	110,049
32a	Huiyang Palm Island Golf Resort Remaining Phases	EJV	JCE	34%	175,912	10,645
17a	Wuhan New World Centre Phase IIa	WFE	Subsidiary	100%	37,235	131,005
17b	Wuhan New World Centre Phase IIb	CJV	JCE	60%		21,412
Sub-total						381,203

Project No.	Project Name	Form of investment	Accounting Classification	NWCL's	Site Area (sq.m.)	Total GFA (sq.m.)
				Attributable Interests		
HOTEL PROPERTY UNDER DEVELOPMENT						
20b	Nanjing New World Centre	EJV	Subsidiary	92%	11,219	16,414
39	Shanghai MayFair Hotel	CJV/EJV	Subsidiary	62%/65%	10,883	71,987
17c	Wuhan New World Centre Phase IIb	CJV	JCE	60%		34,588
Sub-total						122,989

Residential (sq.m.)	Commercial (sq.m.)	Office (sq.m.)	Hotel (sq.m.)	Others (sq.m.)	Development Status	Expected Completion Date
9,715		1,093		1,684	COMPLETED	N/A
29,117				914	UNDER DEVELOPMENT	May-04
112,742	3,213			27,558	UNDER PLANNING	Oct-05
33,114				3,716	COMPLETED	N/A
62,535				1,592	UNDER PLANNING	Jun-04
140,025				233	UNDER PLANNING	Apr-05
11,608,979	921,830	755,139	1,660	2,566,707		

Residential (sq.m.)	Commercial (sq.m.)	Office (sq.m.)	Hotel (sq.m.)	Others (sq.m.)	Development Status	Expected Completion Date
	40,980	48,443		18,669	UNDER DEVELOPMENT	Jun-04
	35,869	57,509		16,671	UNDER DEVELOPMENT	Dec-03
	10,645				UNDER PLANNING	TBD
	40,703	53,464		36,838	UNDER DEVELOPMENT	Dec-06
		18,476		2,936	UNDER DEVELOPMENT	Dec-06
—	128,197	177,892	—	75,114		

Residential (sq.m.)	Commercial (sq.m.)	Office (sq.m.)	Hotel (sq.m.)	Others (sq.m.)	Development Status	Expected Completion Date
			16,414		UNDER DEVELOPMENT	Jun-04
			58,650	13,337	UNDER DEVELOPMENT	Dec-03
			34,588		UNDER DEVELOPMENT	Dec-06
—	—	—	109,652	13,337		

Project No.	Project Name	Form of investment	Accounting Classification	NWCL's	Site Area (sq.m.)	Total GFA (sq.m.)
				Attributable Interests		
COMPLETED INVESTMENT PROPERTY PROJECTS						
40	Beijing New World Centre Phase I	CJV	JCE	70%	19,533	135,821
1a	Beijing New World Centre Phase II	CJV	JCE	70%	16,224	101,903
42	Tianjin New World Plaza	WFE	Subsidiary	100%	23,127	101,934
13a	Dalian New World Plaza	EJV	Subsidiary	88%	9,800	73,946
38a	Shanghai Hong Kong New World Tower	CJV	Assoc. Co	44%	9,953	28,343
39a	Shanghai Ramada Plaza	CJV	Subsidiary	62%	9,084	60,032
19a	Wuhan Xin Hua Garden Phase I	CJV	JCE	60%	96,427	46,480
44	Wuhan Int'l Trade & Comm. Centre Annex Building	EJV	Subsidiary	95%	3,806	9,963
24a	Guangzhou New World Oriental Garden Phase I	CJV	Subsidiary	100%	99,885	18,889
31a	Shunde New World Convention & Exhibition Centre Phase I	CJV	Assoc. Co.	35%	14,171	49,203
Sub-total						626,514

Project No.	Project Name	Form of investment	Accounting Classification	NWCL's	Site Area (sq.m.)	Total GFA (sq.m.)
				Attributable Interests		
COMPLETED HOTEL PROPERTY PROJECTS						
41	New World Courtyard Hotel, Beijing	CJV	JCE	59%	N/A (included in Beijing New World Centre Phase I)	23,988
43	New World Hotel, Shenyang	EJV	Subsidiary	100%	7,847	32,200
45	New World Courtyard Hotel, Shunde	CJV	Assoc. Co.	33%	4,508	36,524
Sub-total						92,712
Total						17,077,733

Residential (sq.m.)	Commercial (sq.m.)	Office (sq.m.)	Hotel (sq.m.)	Others (sq.m.)
6,109	74,232	26,272		29,208
28,246	46,378			27,279
	71,998	10,464		19,471
	49,413			24,533
	1,370	24,583		2,390
37,681	22,351			
	36,069			10,411
		9,963		
	18,889			
	33,254			15,949
72,036	353,955	71,282	—	129,241

Residential (sq.m.)	Commercial (sq.m.)	Office (sq.m.)	Hotel (sq.m.)	Others (sq.m.)
			23,988	
			32,200	
			36,524	
—	—	—	92,712	—
11,681,015	1,403,982	1,004,313	204,024	2,784,399

Glossary of terms

General Terms

AGM:	Annual General Meeting
BVI:	British Virgin Islands
Company or NWCL:	New World China Land Limited
FY:	Fiscal year, July 1 to June 30
GFA:	Gross floor area
Group:	New World China Land Limited and its subsidiary companies
HK:	Hong Kong
HK\$:	Hong Kong dollar(s), the lawful currency of Hong Kong
HPF:	Housing Provident Fund
ICBC:	The Industrial and Commercial Bank of China
IPO:	Initial Public Offering
N/A:	Not applicable
PBoC:	People's Bank of China
China, PRC or Mainland China:	The People's Republic of China
RMB:	Renminbi, the lawful currency of The People's Republic of China
SAR or HKSAR:	Special Administrative Region — A status granted to Hong Kong to own an independent government and legislative system and to enjoy a degree of autonomy from the PRC Government under the principle of “one country, two systems”
SEHK:	The Stock Exchange of Hong Kong Limited
SOEs:	State-owned Enterprises
US:	The United States of America
US\$	United States dollar(s), the lawful currency of the United States of America
WTO:	World Trade Organisation

Financial Terms

Attributable Operating Profit:	Profit attributable to shareholders before head office items
Basic Earnings Per Share or EPS:	$\frac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$
HIBOR:	Hong Kong Interbank Offered Rate
LIBOR:	London Interbank Offered Rate
Net Debt:	The aggregate of bank loans and other borrowings, net of cash and bank balances
Net Debt to Equity Ratio:	$\frac{\text{Net Debt}}{\text{Shareholders' funds}}$

Technical Terms

CJV:	Co-operative joint venture
EJV:	Equity joint venture
Individual Purchase Ration of Residential Buildings:	$\frac{\text{Residential buildings purchased by individuals in real estate development}}{\text{Floor space of residential buildings actually sold in real estate development}}$
WFE:	Wholly foreign-owned enterprise

Measurement

Sq.m. or m²:	Square meter
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Corporate information

Chairman and Managing Director	Dr. Cheng Kar-shun, Henry GBS
Vice-chairman	Mr. Doo Wai-hoi, William
Executive Directors	Mr. Cheng Kar-shing, Peter Mr. Leung Chi-kin, Stewart Mr. Chan Kam-ling Mr. Chow Kwai-cheung Mr. Chow Yu-chun, Alexander Mr. Chan Wing-tak, Douglas Mr. Fong Shing-kwong, Michael
Non-executive Directors	Mr. Cheng Wai-chee, Christopher Mr. Tien Pei-chun, James Mr. Lo Hong-sui GBS JP Mr. Fu Sze-shing
Company Secretary	Mr. Chow Yu-chun, Alexander
Auditors	PricewaterhouseCoopers
Principal Bankers	Hang Seng Bank Limited The Hongkong and Shanghai Banking Corporation Limited The Bank of East Asia, Limited The Industrial and Commercial Bank of China Bank of China (Hong Kong) Limited
Share Registrars and Transfer Office	Standard Registrars Limited G/F, Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong
Head Office	9/F, New World Tower 1 18 Queen's Road Central Hong Kong
Stock Code	Hong Kong Stock Exchange 917
Investor Information	For more information about the Group, please contact the Corporate Communications Department at: New World China Land Limited 9/F, New World Tower 1 18 Queen's Road Central Hong Kong Tel: (852) 2131 0201 Fax: (852) 2131 0216 Email: enquiry@nwcl.com.hk
Website	www.nwcl.com.hk

Chinese Version

The Chinese version of this Annual Report is available on request from New World China Land Limited.

Where the English and the Chinese texts conflict, the English text prevails.



新世界中國地產有限公司

New World China Land Limited

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