



To Our Shareholders,

In the first half of 2005, Mainland China's total sales turnover of commodity housing amounted to RMB297.4 billion, up 41% year-on-year, while the average selling price of residential properties rose by 11.9%. An expanding economy and a growing middle-class are the key drivers for strong housing demand. Riding on a buoyant market, the Group recorded a profit of HK\$222 million for the year ended 30 June 2005, an increase of 74% compared to same period last year. Profit margins of both inventory and newly completed projects had improved. All major business operations, namely property sales, rental and hotel, enjoyed significant growth.

As a national developer, New World China Land's portfolio comprises of 46 major projects with a total GFA of 17 million sq.m. spanning over 17 high-growth cities, including 1.15 million sq.m. GFA of investment properties. Around 90% of our land bank will be developed into properties for sale, targeting medium to high end mass market segment.

The Group is optimistic about the outlook of Mainland China's property market. China's plan to rationalise its property market will provide a fertile ground for the sector to flourish. A series of macro control measures over the property market from State Council of China were released starting from March 2005 to direct the property market towards a healthy and stable development in the long run. The measures announced did have a drag on the sales volume across Mainland China at the beginning. However, cities with healthy property market soon retracted back to its normal pace starting from June 2005. Overall, the Mainland property market is still on its rising track.

Amid a fast-growing economy, the disposable income of China's rising middle-class will increase, and so will their demand for choices and better quality housing. All these developments are to the advantage of the Group, which commands a strong market reputation with its quality projects that meet a wide range of housing needs in Mainland China.

New World China Land is a well-recognised brand in every city where we have a footprint. In September 2005, the Group was ranked first in "2005 TOP10 China's Real Estate Company Brand Value" by "China Real Estate TOP10 Research Team". NWCL was the only Hong Kong developer among the local awardees. This award has proven the brand equity of our products throughout Mainland China. Our commitment to quality products and services enables the Group to charge a premium over the competitors' products.

We believe that with operation scale and market presence we have established over these years, the Group is very well placed to capture future opportunities in China's burgeoning property market. The Group will continue to focus on developing residential units for sale while gradually building up our rental portfolio to generate stable recurrent income.

Dr Cheng Kar-shun, Henry
Chairman and Managing Director
Hong Kong, 6th October 2005