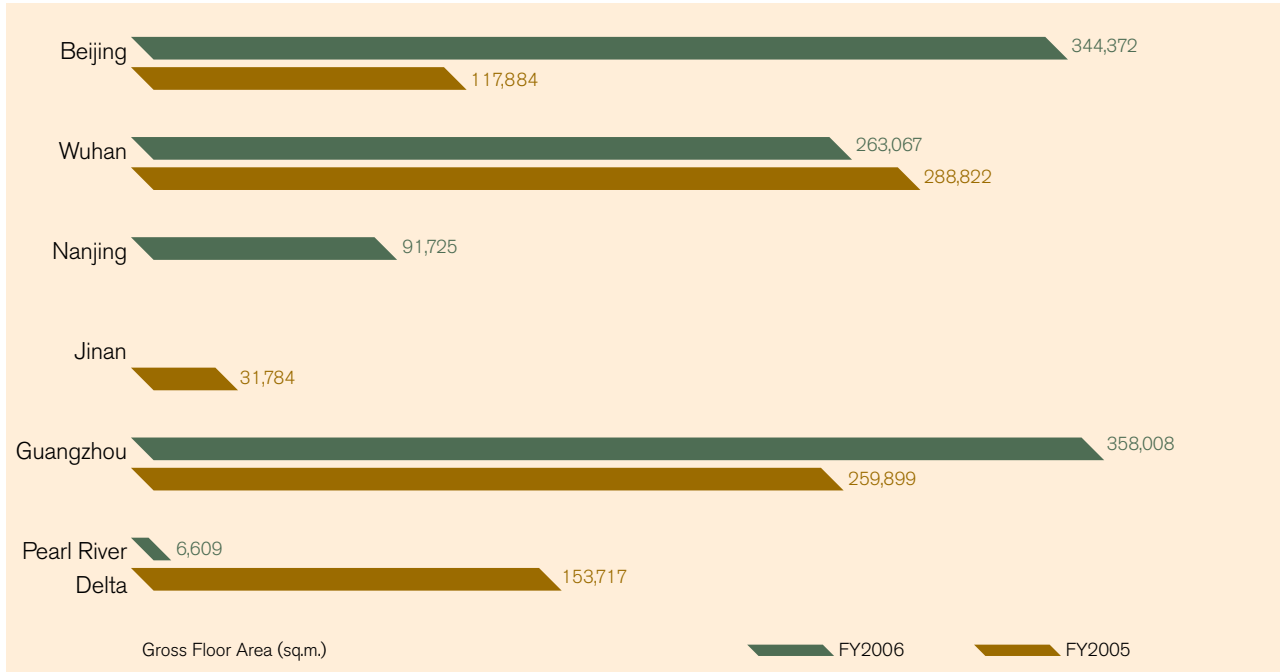
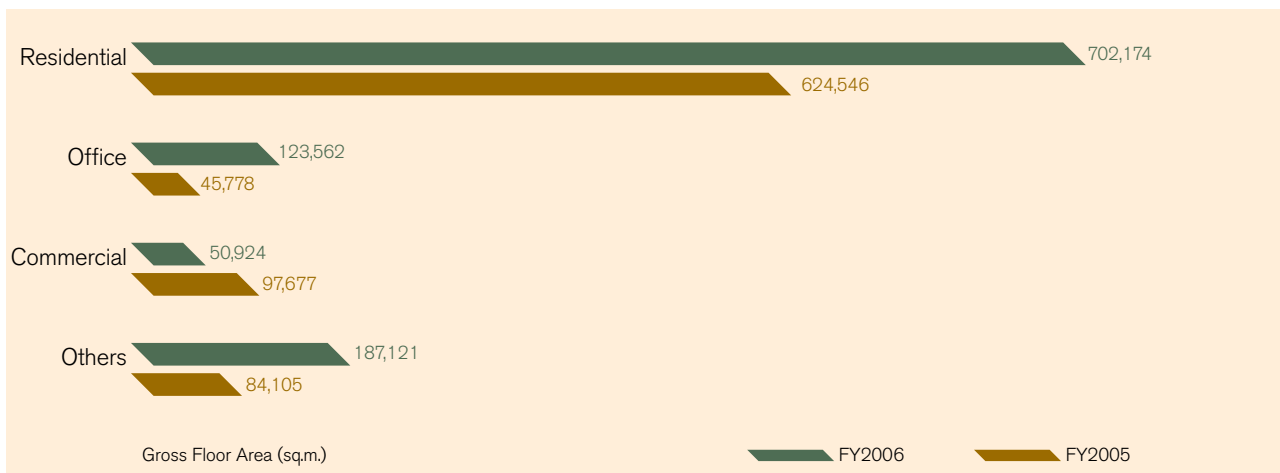


Management Discussion & Analysis

Completion of Gross Floor Area by Location



Completion of Gross Floor Area by Usage



REVIEW OF FY2006 RESULTS

The Group has recorded a profit of HK\$741 million in FY2006, up 346% year-on-year. All three major operations, namely property sale, rental operation and hotel operation, achieved significant growth in AOP. Property sales recorded an AOP of HK\$224.9 million, 34% increase compared to last year. Rental operation achieved a significant contribution to the Group with an AOP of HK\$249.6 million, increased 66% year-on-year, and hotel operation recorded an AOP of HK\$23.3 million.

Analysis of Attributable Operating Profit ("AOP")

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

Property sale and Rental operation

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

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

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

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

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

Management Discussion & Analysis

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

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

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

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

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

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

Hotel Operation

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

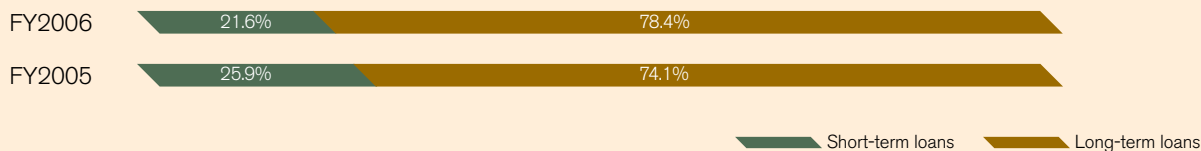
Hotel portfolio	Number of rooms
Courtyard by Marriott Beijing (北京萬怡酒店)	293
New World Mayfair Hotel Shanghai (上海巴黎春天大酒店)	860
New World Hotel Shenyang (瀋陽新世界酒店)	261
Courtyard by Marriott Shunde (順德新世界萬怡酒店)	376
Total	1,790

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

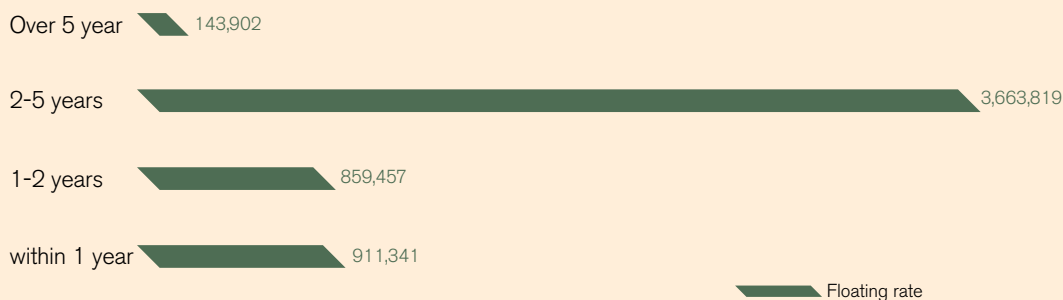
Increase in fair value of investment properties

The adoption of new accounting policy has resulted in the change in fair value of investment properties being recognised in the income statement. In FY2006, the total increase in fair value of investment properties amounted to HK\$861.9 million of which an aggregate amount of HK\$373.2 million, net of tax, was attributable to the Group. Wuhan New World Trade Tower I, Shanghai Hong Kong New World Tower and Beijing New World Centre are the major contributors to this gain.

SOURCE OF BORROWINGS



INTEREST RATE AND MATURITY PROFILE (HK\$'000)



Management Discussion & Analysis

CURRENCY PROFILE OF BORROWINGS



NATURE OF DEBT



Excess of fair value of net assets acquired over cost of acquisition of interest in subsidiaries and jointly controlled entities

In FY2006, the Group increased its interests in Huiyang Palm Island Resort and Foshan Country Club. The excess of fair value of the attributable net assets acquired over the consideration amount represented negative goodwill on acquisitions. The negative goodwill was increased from HK\$46.9 million in FY2005 to HK\$135.5 million in FY2006.

Net foreign exchange losses

The Renminbi has been experiencing appreciation since July 2005 when the net monetary assets in foreign currency held in Hong Kong dollar was exposed to immediate devaluation as the available fund resources converted to Renminbi for use in Group's operation in China would be diminished accordingly. The net exchange difference was realised as net foreign exchange losses which amounted to HK\$62.0 million in FY2006.

Finance Costs

Project finance costs increased by 45% to HK\$157.2 million in FY2006 due to the increase in interest rate and higher borrowing costs expensed resulting from increase in completed projects.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

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

FOREIGN CURRENCY EXPOSURE

The Group has net Renminbi ("RMB") exposure in the form of net monetary/non-monetary assets held and investment in PRC entities. As majority of the Group's net assets are denominated in RMB, the appreciation of RMB has a positive impact on the Group with an appreciation of net asset value by HK\$117.1 million.

TREASURY POLICIES

The Group will continue to control financial risk in a conservative approach to safeguard the interest of shareholders. The Group's borrowings are principally arranged on floating rate basis. Should market conditions require, the Group will consider appropriate foreign exchange and interest rate hedging products to protect the Group's exposures.

During the year under review, the Group has not used any interest rate swaps or foreign currency derivatives products to hedge its exposure to interest rate risk and currency risk.

CONTINGENT LIABILITIES

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

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

DETAILS OF THE CHARGES ON GROUP'S ASSETS

As at 30th June 2006, the Group's property, plant and equipment, investment properties, land use rights, properties under development and bank deposits of HK\$534,049,000 (30th June 2005: HK\$588,792,000), HK\$1,651,688,000 (30th June 2005: HK\$767,186,000), HK\$139,900,000 (30th June 2005:

HK\$137,472,000), HK\$53,577,000 (30th June 2005: HK\$328,425,000) and HK\$489,671,000 (30th June 2005: HK\$817,517,000) respectively have been pledged as securities for short term and long term loans. As at 30th June 2005, properties held for development of HK\$974,721,000 had been pledged as security for a short term loan. The short term loan was fully repaid during the year.

EMPLOYEES AND REMUNERATION POLICY

As at 30th June 2006, the Group had 3,124 full-time employees. Total staff related costs incurred were HK\$141.5 million (2005 restated: HK\$129.7 million), of which retirement benefits was included. Remuneration of the employees is reviewed annually based on the assessment of individual performance. Discretionary year-end bonus was paid to employees based on individual performance.

MAJOR ACQUISITION AND DISPOSAL

During the year, the Group has acquired an effective interest of approximately 24.9% in Fortune Leader Overseas Chinese (Daiyawan) Real Estate Development Co. Ltd. ("Fortune Leader Real Estate") and 4.9% in Fortune Leader Overseas Chinese (Daiyawan) Investment Co. Ltd. ("Fortune Leader Investment"), for an aggregate consideration of approximately HK\$29.9 million. After the acquisitions, the Group effectively owns Fortune Leader Real Estate and Fortune Leader Investment as to approximately 59% and 39% respectively. Fortune Leader Real Estate is principally engaged in the development, sale and lease of residential properties in Palm Island Resort situated in Huiyang District, the PRC and Fortune Leader Investment is engaged in golf club operation of the Palm Island Resort.

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

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