

*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

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