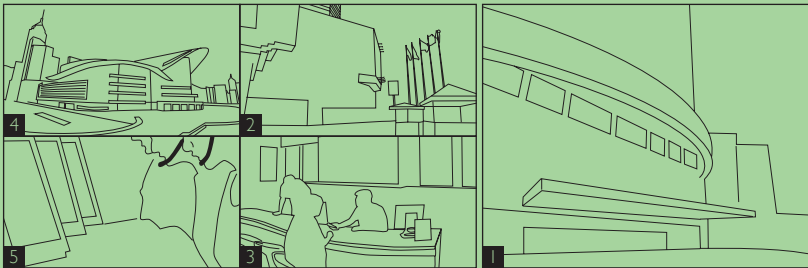




New World Development Company Limited



Interim Report 2004/2005



Cover: five listed units serving community needs

1. NWD-owned New World Centre offers unique shopping experience to local and overseas customers.
2. NWCL's Beijing New World Centre has developed into a hotspot for shopping, dining and leisure services in Chongwen District, Beijing.
3. NWMHL brings people closer together with its innovative mobile services.
4. NWSH manages HKCEC, a facility that helps take Hong Kong's trade forward.
5. NWTMT operates call centre services in Mainland China to realize for individuals and businesses the true potential of an interconnected world.

Financial Highlights

	Six months ended		
	31 December		
	2004	2003	Change
	HK\$m	HK\$m	%
Turnover	11,519.7	11,381.1	1.2
Operating Profit before Interest and Taxation	1,140.0	568.5	100.5
Share of Results of Associated Companies and Jointly Controlled Entities	1,095.5	617.2	77.5
Profit Attributable to Shareholders	1,128.9	236.4	377.5
Net Cash generated from/(used in) Operating Activities	3,208.2	(784.9)	N/A

	31 December	30 June	Change
	2004	2004	
	HK\$m	HK\$m	
Gross debt	25,530.2	28,243.4	(9.6)
Net debt	18,295.6	21,613.4	(15.4)
Cash and cash equivalents	7,234.6	6,630.0	9.1
Net gearing (%)	32.8	39.7	(17.4)

Chairman's Statement

To Our Shareholders,

On 26 December 2004, the largest tsunami disaster in decades struck several South Asian countries, taking hundreds of thousands of human lives, leaving countless people homeless and causing tremendous loss of properties. While we are grateful for the safety and wellness we enjoy in this city of ours, our hearts are with those whose lives are devastated by this catastrophe. The worst of natural disasters has brought out the best of humanity. The international community responded with massive humanitarian relief efforts not seen in recent memory. As citizens of the global village, the Group and its employees demonstrated exemplary kindness and unity by raising donations in support of relief operations for the victims.

The same technological wonders that brought us live images of disaster victims and enabled swift deployment of relief programmes, are shrinking our world in a multitude of ways. With increasing globalization comes greater economic interdependence among economies. Nowhere are the benefits of closer economic ties more pronounced than in Mainland China and Hong Kong. The two places have their own advantages. One has the manpower, natural resources and manufacturing might, while the other has the management skills and marketing know-how. Increasing economic links between the two places, as evidenced in the growing flows of people, goods and information across the border, have benefited both economies enormously in recent years.

Over the years, Hong Kong has been confronted with various challenges. On every occasion, we were able to rely on our unique qualities - resourcefulness, perseverance, diligence and passion for excellence - to rise above our difficulties. After a protracted period of economic slowdown, our economy has regained its growth momentum, thanks to our people's hard work and supportive government policies.

Opening later this year, Hong Kong Disneyland is set to turn Hong Kong into a preferred family tourist destination in the region. A Hong Kong economy that places greater emphasis on tourism will bring direct benefit to the Group's tourism-linked businesses, such as shopping malls, hotels and transport. With the support of the Central Government, policies like CEPA and Individual Visit Scheme are going full stream ahead, giving much needed stimulus to our trade, professional service and retail sectors in particular and our economy in general, and setting a positive tone for the Group's business development going forward.

With its well-established business network in both Hong Kong and Mainland China, the Group will be able to capture opportunities arising from the growth and integration of the two economies, and scale new heights in the years ahead.

Dr Cheng Yu-Tung

Chairman

Hong Kong, 15 March 2005

Managing Director's Report

To Our Shareholders,

Over the past few years, the Group has done a lot to streamline corporate structure and improve corporate transparency. The Group now has five listed vehicles, each focusing on its area of strength. Each listed company has its management team working for the best interest of their shareholders.

The Group also endeavours to improve the corporate transparency. We have organized a number of site visits, meetings with media and investment community and participated in investment forums and overseas roadshows. These activities helped keep investors on the forefront of the Group's strategies and development plans.

For the six months ended 31 December 2004, the Group recorded a turnover of HK\$11.5 billion. Contributions from property sales and rental, service and infrastructure, department stores and hotels achieved satisfactory growth. Total segment results including share of results of associated companies and jointly controlled entities grew 49% to HK\$2.2 billion. The strong cash flow from core operations reduced the net debt by HK\$3.3 billion to HK\$18.3 billion. Net gearing ratio was lowered to 33% from 40% as at the end of 2004. With the expected cash contributions from the sales of The Merton and the Group's interests in Hong Kong container ports, the net gearing ratio will be possibly below 20% by the end of 2005.

In 2005, the Group has 6 projects in Hong Kong with around 2,000 units for sales. In Mainland China, the Group will have an aggregate GFA of approximately 1.3 million sq. m., inventory and new completions, for sale in FY2005. Infrastructure operation is one of the key contributors to the Group. NWS Holdings disposed of all its interests in CT3 and CT8 West for HK\$3.0 billion. The Group has acquired stakes in three expressways in Pearl River Delta and one port investment in Tianjin.

Our core operations have benefited and will continue to benefit greatly from the revival of Hong Kong economy and prosperity in Mainland China. Strategically, we are actively looking for growth opportunities in Mainland China while enhancing and expanding our Hong Kong businesses.

China's economy is projected to grow at 8% in 2005, a growth rate that will give the country another year of enviable economic achievements. Launched in early 2004, the Central Government's austerity measures are paving the way for the healthy long-term economic development. As the economy prepares for its full integration into WTO, China's industries quickly gear up themselves for overseas competition, and in so doing, create opportunities for productivity enhancement and economic growth. As a business conglomerate with strong presence in key sectors in Mainland China, including property, infrastructure and department store, we are uniquely positioned to capitalize on the country's growth trend.

Dr Cheng Kar-Shun, Henry

Managing Director

Hong Kong, 15 March 2005

Condensed Consolidated Profit and Loss Account

	Note	Unaudited	
		Six months ended	
		31 December	
		2004	2003
		HK\$m	HK\$m
Turnover	2	11,519.7	11,381.1
Cost of sales		(8,945.7)	(8,983.1)
Gross profit		2,574.0	2,398.0
Other revenues		15.5	2.0
Other income/(charge)	3	291.7	(49.3)
Selling and marketing expenses		(248.4)	(241.5)
Administrative expenses		(505.2)	(504.7)
Other operating expenses		(987.6)	(1,036.0)
Operating profit before financing costs and income	2	1,140.0	568.5
Financing costs		(231.7)	(522.0)
Financing income		157.1	134.4
Operating profit	4	1,065.4	180.9
Share of results of			
Associated companies		250.0	90.5
Jointly controlled entities		845.5	526.7
Profit before taxation		2,160.9	798.1
Taxation	5	(453.0)	(255.8)
Profit after taxation		1,707.9	542.3
Minority interests		(579.0)	(305.9)
Profit attributable to shareholders		1,128.9	236.4
Interim dividend		346.7	69.1
Earnings per share	6		
Basic		HK\$0.33	HK\$0.10
Fully diluted		N/A	N/A
Interim dividend per share		HK\$0.10	HK\$0.02

Condensed Consolidated Balance Sheet

	Note	Unaudited 31 December 2004 HK\$m	30 June 2004 HK\$m
Assets and liabilities			
Non-current assets			
Intangible assets	7	212.2	79.3
Fixed assets	8	33,770.9	33,897.6
Associated companies		6,452.3	5,835.9
Jointly controlled entities		24,580.1	24,027.1
Other investments		3,504.2	3,429.5
Other assets	9	2,693.4	2,824.2
Deferred tax assets		282.7	286.8
		71,495.8	70,380.4
Current assets			
Properties held for sale		23,189.2	23,184.1
Stocks		278.6	281.7
Current portion of long term receivables		874.3	827.7
Other loans receivable		454.6	338.0
Debtors and prepayments	10	8,462.9	9,500.3
Cash and bank balances			
Restricted		1,479.9	1,188.0
Unrestricted		5,754.7	5,442.0
		40,494.2	40,761.8
Current liabilities			
Creditors and accrued charges	11	11,700.0	10,199.7
Contracts in progress		142.4	231.0
Deposits received on sale of properties		330.8	153.9
Bank loans and overdrafts			
Secured		686.0	649.0
Unsecured		1,701.1	2,238.7
Other unsecured loans		48.3	48.2
Current portion of long term liabilities	12	5,871.7	6,046.0
Taxation		824.5	581.7
		21,304.8	20,148.2
Net current assets		19,189.4	20,613.6
Total assets less current liabilities		90,685.2	90,994.0
Non-current liabilities			
Long term liabilities	12	19,610.8	21,869.0
Deferred tax liabilities		880.8	922.6
Minority interests		14,395.2	13,797.4
Net assets		55,798.4	54,405.0
Capital and reserves			
Share capital	13	3,457.3	3,457.3
Reserves		51,856.1	50,809.4
2004 final dividend		138.3	138.3
2005 interim dividend		346.7	—
Shareholders' funds		55,798.4	54,405.0

Condensed Consolidated Cash Flow Statement

	Unaudited	
	Six months ended	
	31 December	
	2004	2003
	HK\$m	HK\$m
Net cash generated from/(used in) operating activities	3,208.2	(784.9)
Net cash used in investing activities	(635.9)	(1,823.0)
Net cash (used in)/generated from financing activities	(3,023.9)	373.3
Decrease in cash and cash equivalents	(451.6)	(2,234.6)
Cash and cash equivalents at beginning of the period	5,416.9	4,134.2
Effect of foreign exchange rate changes	(7.6)	(8.7)
Cash and cash equivalents at end of the period	4,957.7	1,890.9
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	5,754.7	3,311.0
Bank overdrafts	(797.0)	(1,420.1)
	4,957.7	1,890.9

Condensed Consolidated Statement of Changes in Equity

	Unaudited							
	Capital redemption		Asset		Capital reserve	General reserve	Retained profits	Total
	Share capital	reserve account	Share premium	revaluation reserve				
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Balance at 1 July 2004	3,457.3	37.7	24,596.1	15,542.9	484.0	567.4	9,581.3	54,266.7
Release of goodwill upon disposal of properties	—	—	—	1.1	—	—	—	1.1
Share of reserve of jointly controlled entities	—	—	—	—	0.3	—	—	0.3
Investment securities impairment loss charged to profit and loss account	—	—	—	(0.5)	—	—	—	(0.5)
Negative goodwill derecognised	—	—	—	—	—	—	168.5	168.5
Investment securities revaluation surplus for the period	—	—	—	100.6	—	—	—	100.6
Investment securities revaluation deficit realised upon disposal	—	—	—	(5.5)	—	—	—	(5.5)
Retained profit for the period	—	—	—	—	—	—	1,128.9	1,128.9
Transfer from retained profits	—	—	—	—	—	11.7	(11.7)	—
	3,457.3	37.7	24,596.1	15,638.6	484.3	579.1	10,867.0	55,660.1
Representing:								
Balance at 31 December 2004	3,457.3	37.7	24,596.1	15,638.6	484.3	579.1	10,520.3	55,313.4
2005 interim dividend	—	—	—	—	—	—	346.7	346.7
	3,457.3	37.7	24,596.1	15,638.6	484.3	579.1	10,867.0	55,660.1

Condensed Consolidated Statement of Changes in Equity

	Unaudited							
	Capital redemption		Asset		Capital reserve	General reserve	Retained profits	Total
	Share capital	reserve account	Share premium	revaluation reserve				
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Balance at 1 July 2003, as previously reported	2,219.5	37.7	19,347.6	12,675.5	582.5	566.6	10,706.8	46,136.2
Effect of adoption of SSAP 12	—	—	—	(121.8)	(82.1)	—	(138.3)	(342.2)
Balance at 1 July 2003, as restated	2,219.5	37.7	19,347.6	12,553.7	500.4	566.6	10,568.5	45,794.0
Placement of shares	250.0	—	975.7	—	—	—	—	1,225.7
Release of goodwill upon partial disposal of a subsidiary	—	—	—	—	0.5	—	6.6	7.1
Investment securities revaluation surplus during the period	—	—	—	76.3	—	—	—	76.3
Investment securities revaluation deficit realised upon disposal	—	—	—	29.7	—	—	—	29.7
Release of reserve upon disposal of a subsidiary	—	—	—	(1.3)	—	—	—	(1.3)
Release of reserve upon disposal of an associated company	—	—	—	(1.2)	—	—	—	(1.2)
Retained profit for the period	—	—	—	—	—	—	236.4	236.4
Transfer to retained profits	—	—	—	—	—	(28.2)	28.2	—
Translation difference	—	—	—	—	—	—	(0.5)	(0.5)
	2,469.5	37.7	20,323.3	12,657.2	500.9	538.4	10,839.2	47,366.2
Representing:								
Balance at 31 December 2003	2,469.5	37.7	20,323.3	12,657.2	500.9	538.4	10,770.1	47,297.1
2004 interim dividend	—	—	—	—	—	—	69.1	69.1
	2,469.5	37.7	20,323.3	12,657.2	500.9	538.4	10,839.2	47,366.2

Notes to Condensed Account

I. Basis of preparation and accounting policies

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

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

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

The adoption of these standards resulted in changes to certain accounting policies of the Group. The revised policies are:

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

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

I. Basis of preparation and accounting policies (continued)

The key impacts to the Group are as follows:

- The Group ceased amortisation of goodwill and negative goodwill from 1 July 2004;
- Accumulated amortisation as at 30 June 2004 has been eliminated with a corresponding decrease in the cost of goodwill;
- Negative goodwill has been derecognised and credited to the equity;
- Goodwill is tested annually for impairment, as well as when there are indications of impairment; and
- For goodwill which arose before 1 January 2001 and which has been taken into reserves, it would not be recognised in the profit and loss account when the Group disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards and have been applied prospectively. The early adoption of these accounting standards would not have a significant impact on the Interim Accounts.

2. Segment information

The Group is principally engaged in property investment and development, contracting, provision of service including property and facilities management; transport and other services, infrastructure operations including roads and bridges operations; container handling, logistics and warehousing services, telecommunication services, department store operations, hotel and restaurant operations and telecommunications, media and technology businesses.

An analysis of the Group's revenue and results for the period by business and geographical segments is as follows:

(a) Business segments

Six months ended 31 December 2004

	Property investment and development HK\$m	Service HK\$m	Infra-structure HK\$m	Telecom-munications HK\$m	Department stores HK\$m	Others HK\$m	Eliminations HK\$m	Consolidated HK\$m
External sales	2,310.2	4,617.9	113.9	1,324.1	1,919.8	1,233.8	—	11,519.7
Inter-segment sales	57.3	414.7	—	40.7	—	—	(512.7)	—
Total turnover	2,367.5	5,032.6	113.9	1,364.8	1,919.8	1,233.8	(512.7)	11,519.7
Segment results	675.6	43.2	22.3	82.4	49.1	198.1		1,070.7
Other income/(charge)								291.7
Unallocated corporate expenses								(222.4)
Operating profit before financing costs and income								1,140.0
Financing costs								(231.7)
Financing income								157.1
Operating profit								1,065.4
Share of results of								
Associated companies	37.2	42.0	167.3	—	—	3.5		250.0
Jointly controlled entities	203.4	62.0	579.0	—	—	1.1		845.5
Profit before taxation								2,160.9
Taxation								(453.0)
Profit after taxation								1,707.9
Minority interests								(579.0)
Profit attributable to shareholders								1,128.9

Notes to Condensed Account

2. Segment information (continued)

(a) Business segments (continued)

Six months ended 31 December 2003

	Property investment and development HK\$m	Service HK\$m	Infra- structure HK\$m	Telecom- munications HK\$m	Department stores HK\$m	Others HK\$m	Elimin- ations HK\$m	Con- solidated HK\$m
External sales	1,655.0	5,724.9	244.7	1,356.7	1,571.5	828.3	—	11,381.1
Inter-segment sales	53.3	661.2	—	3.8	—	—	(718.3)	—
Total turnover	1,708.3	6,386.1	244.7	1,360.5	1,571.5	828.3	(718.3)	11,381.1
Segment results	301.9	346.9	108.7	37.8	14.3	24.7	—	834.3
Other income/(charge)								(49.3)
Unallocated corporate expenses								(216.5)
Operating profit before financing costs and income								568.5
Financing costs								(522.0)
Financing income								134.4
Operating profit								180.9
Share of results of								
Associated companies	28.2	27.3	136.7	—	—	(101.7)		90.5
Jointly controlled entities	(30.4)	62.2	490.9	—	—	4.0		526.7
Profit before taxation								798.1
Taxation								(255.8)
Profit after taxation								542.3
Minority interests								(305.9)
Profit attributable to shareholders								236.4

(b) Geographical segments

	Turnover HK\$m	Operating profit before financing costs and income HK\$m
Six months ended 31 December 2004		
Hong Kong and Southeast Asia	7,680.3	858.4
Mainland China	3,839.4	281.6
	11,519.7	1,140.0
Six months ended 31 December 2003		
Hong Kong and Southeast Asia	8,149.6	577.0
Mainland China	3,231.5	(8.5)
	11,381.1	568.5

Sales are based on the countries in which the customers are located.

The turnover and operating profit before financing costs and income derived from the Group's activities in Southeast Asia constituted less than 10.0% of the Group's turnover and operating profit before financing costs and income.

Notes to Condensed Account

3. Other income/(charge)

	Six months ended	
	31 December	
	2004	2003
	HK\$m	HK\$m
Amortisation of goodwill of subsidiaries	—	(4.9)
Loss on dilution of interests in subsidiaries	(76.5)	(6.1)
Deficit on liquidation of subsidiaries	(4.0)	—
Impairment loss on:		
Fixed assets	(8.8)	—
Intangible assets	(59.0)	—
Loss on disposal of:		
Associated companies	(2.1)	(2.5)
Fixed assets	—	(26.7)
Other investments	—	(29.6)
Subsidiaries	—	(5.4)
Profit on disposal of:		
Associated companies	—	0.2
Fixed assets	—	8.3
Jointly controlled entities	6.4	6.8
Other investments	361.3	—
Subsidiaries	—	3.5
Provision for:		
Amount due from joint venture	—	(2.5)
Amount due from associated companies	(33.9)	—
Amount due from jointly controlled entities	(6.7)	—
Doubtful debts	(55.8)	(4.7)
Deposits for proposed investments	(35.6)	—
Other investments	(5.9)	—
Provision for investment in jointly controlled entities	(2.0)	—
Share of results of other investments	—	(10.3)
Write down of stocks to net realisable value	(10.3)	(41.5)
Write back provision for diminution in value of:		
Jointly controlled entities	38.0	—
Properties held for sale	176.3	44.1
Write back provision for:		
Amount due from joint ventures	10.3	15.1
Doubtful debts	—	4.2
Other investments	—	2.7
	291.7	(49.3)

3. Other income/(charge) (continued)

A subsidiary of the Group entered into an agreement in principle (the "AIP") on 12 December 2003 with Wuhan City Construction Fund Management Office ("Wuhan Fund Office") for the disposal of its approximately 48.86% effective interest in Wuhan Bridge Construction Co., Ltd. ("WBC"), a sino-foreign joint stock company incorporated in Mainland China which operated the Yangtze River Bridge No. 2 in Wuhan. The consideration is RMB1.18 billion (equivalent to approximately HK\$1.1 billion). As at 31 December 2004, the Group has received more than 95% of the agreed consideration and all the major terms and conditions of the AIP have been fulfilled. The gain arising from the disposal has been included in profit on disposal of other investments.

4. Operating profit

	Six Months ended	
	31 December	
	2004	2003
	HK\$m	HK\$m
Operating profit is stated after charging the following:		
Cost of inventories sold	3,432.6	1,818.8
Depreciation		
Leased fixed assets	44.3	52.1
Owned fixed assets	371.2	584.6

5. Taxation

	Six Months ended 31 December	
	2004 HK\$m	2003 HK\$m
Company and subsidiaries		
Hong Kong profits tax	179.8	88.4
Overseas taxation	37.9	7.7
Overprovision in prior periods	9.8	—
Deferred taxation relating to the origination and reversal of temporary differences	20.8	71.5
	248.3	167.6
Associated companies		
Hong Kong profits tax	72.7	34.0
Overseas taxation	5.6	—
Deferred taxation	0.9	1.3
	79.2	35.3
Jointly controlled entities		
Hong Kong profits tax	59.0	18.3
Overseas taxation	53.5	35.1
Deferred taxation	13.0	(0.5)
	125.5	52.9
	453.0	255.8

Hong Kong profits tax is provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the period. Tax on overseas profits has been calculated on the estimated taxable profits for the period at the rate of taxation prevailing in the countries in which the Group operates.

6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$1,128.9 million (2003: HK\$236.4 million) and 3,457.4 million (2003: the weighted average of 2,288.8 million) shares in issue during the period.

No dilutive effective was resulted on the earnings per share for the current and previous period after taking into account the dilutive effect of the convertible bonds.

7. Intangible assets

	Goodwill	Negative goodwill	Licences and software	Development Costs	Total
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Net book value at 1 July 2004	127.4	(53.5)	—	5.4	79.3
Derecognition	—	53.5	—	—	53.5
Acquisition of interests in subsidiaries	79.7	—	—	—	79.7
Impairment charge	(0.3)	—	—	—	(0.3)
Net book value at 31 December 2004	206.8	—	—	5.4	212.2

Licences and software represent payments made to PrediWave Corporation (“PrediWave”), a former associated company, for purchase of software and licenses relating to billing system for PrediWave’s interactive television, video-on-demand and other digital broadcasting and related technology (the “Technology”), which are the subject of the NWTMT Complaint (Note 17). As a result of the NWTMT Complaint, the Directors decided to discontinue the use of the Technology in launching the interactive television services in the PRC, and accordingly, a full impairment charge of HK\$401.2 million has been made against these assets in 2004.

8. Fixed assets

	Investment properties	Hotel properties	Land and building	Toll roads, bridges and port facilities	Telecom- munication equipment and systems	Other assets	Assets under construction	Total
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Net book value at 1 July 2004	17,492.7	8,192.0	2,566.8	2,005.7	1,664.6	1,225.4	750.4	33,897.6
Translation difference	—	—	—	—	—	(7.6)	—	(7.6)
Acquisition of subsidiaries	—	—	—	—	—	0.3	—	0.3
Additions	36.8	2.6	4.1	—	130.8	139.8	10.7	324.8
Disposals	(26.4)	—	(11.7)	—	(6.1)	(11.3)	(7.7)	(63.2)
Reclassification	—	—	9.1	—	—	—	(9.1)	—
Depreciation, amortisation, and impairment charge	—	—	(37.7)	(36.5)	(154.7)	(150.8)	(1.3)	(381.0)
Net book value at 31 December 2004	17,503.1	8,194.6	2,530.6	1,969.2	1,634.6	1,195.8	743.0	33,770.9

9. Other assets

In 2002, New World TMT Limited (“NWTMT”) entered into an option agreement (the “Option Agreement”) with a PRC entity for the acquisition (the “Acquisition”) of an interest in a fibre optic backbone network (“Network”) in the PRC, and subject to certain conditions as stipulated in the Option Agreement, NWTMT is entitled to acquire up to 70% interest in the Network within 2 years from the date of the Option Agreement at a consideration of approximately HK\$2,563.0 million.

As at 31 December 2004, approximately HK\$1,531.2 million (30 June 2004: HK\$1,531.2 million) was paid, which has been included in other assets, as a deposit for the Acquisition and the counterparties agreed on 3 September 2004 that deposits paid for proposed investments, loans and other amounts owing to NWTMT totalling HK\$2.16 billion together with interest would be fully repaid to NWTMT by 30 November 2004. The transaction has not been completed by the counterparties up to the date of this interim report. The value of the NWTMT investment cost was substantiated in October 2004, when the Network assets were appraised by an independent valuation firm. The assessed value of the Network, on a pro-rata basis, is slightly higher than the NWTMT investment cost. However, NWTMT retains its option to re-enter the project if the network investment is not concluded.

10. Debtors and prepayments

Debtors and prepayments include trade debtors, amounts advanced to investee companies, deposits and prepayments. The Group has various credit policies for different business operations depending on the requirements of the markets and business in which the subsidiaries operate. Sales proceeds receivables from sale of properties and retention money receivables in respect of construction and engineering services are settled in accordance with the terms of respective contracts. Ageing analysis of trade debtors is as follows:

	As at 31 December 2004 HK\$m	As at 30 June 2004 HK\$m
Current to 30 days	4,359.0	5,019.4
31 to 60 days	300.1	283.5
Over 60 days	979.7	1,509.2
	5,638.8	6,812.1

Notes to Condensed Account

11. Creditors and accrued charges

Included in creditors and accrued charges are trade creditors with their ageing analysis as follows:

	As at 31 December 2004 HK\$m	As at 30 June 2004 HK\$m
Current to 30 days	4,934.1	3,418.5
31 to 60 days	377.7	280.7
Over 60 days	1,429.2	1,657.5
	6,741.0	5,356.7

12. Long term liabilities

	As at 31 December 2004 HK\$m	As at 30 June 2004 HK\$m
Bank loans		
Secured	7,473.5	9,861.8
Unsecured	14,159.3	13,986.5
Obligations under finance leases wholly repayable within five years	112.1	109.1
	21,744.9	23,957.4
Convertible bonds	1,350.0	1,350.0
Loans from minority shareholders	1,826.9	1,955.2
Deferred income	485.7	478.7
Provision for long service payments	75.0	87.7
Long term accounts payable	—	86.0
	25,482.5	27,915.0
Amounts repayable within one year included in current liabilities	(5,871.7)	(6,046.0)
	19,610.8	21,869.0

12. Long term liabilities (continued)

	Secured bank loans HK\$m	Unsecured bank loans HK\$m	Obligations under finance leases HK\$m	Total HK\$m
The maturity of long term borrowings at 31 December 2004 is as follows:				
Of less than one year	3,620.1	2,199.7	51.9	5,871.7
Of more than one year, but not exceeding two years	1,611.0	4,722.8	18.7	6,352.5
Of more than two years, but not exceeding five years	2,061.5	7,199.5	10.6	9,271.6
Of more than five years	180.9	37.3	30.9	249.1
	7,473.5	14,159.3	112.1	21,744.9
The maturity of long term borrowings at 30 June 2004 is as follows:				
Of less than one year	3,941.2	1,950.8	67.9	5,959.9
Of more than one year, but not exceeding two years	3,443.7	3,524.8	37.9	7,006.4
Of more than two years, but not exceeding five years	2,226.0	8,501.5	3.3	10,730.8
Of more than five years	250.9	9.4	—	260.3
	9,861.8	13,986.5	109.1	23,957.4

13. Share capital

	As at 31 December 2004 No. of shares (million)	As at 31 December 2004 HK\$m	As at 30 June 2004 No. of shares (million)	As at 30 June 2004 HK\$m
Authorised:				
Shares of HK\$1.00 each				
Balance at beginning of the period (Note a)	10,000.0	10,000.0	2,500.0	2,500.0
Increased during the period	—	—	7,500.0	7,500.0
Balance at end of the period	10,000.0	10,000.0	10,000.0	10,000.0
Issued and fully paid:				
Shares of HK\$1.00 each				
Balance at beginning of the period	3,457.3	3,457.3	2,219.5	2,219.5
Placement of shares (Note b)	—	—	250.0	250.0
Rights Issue (Note c)	—	—	987.8	987.8
Balance at end of the period	3,457.3	3,457.3	3,457.3	3,457.3

- (a) By two ordinary resolutions passed on 2 December 2003 and 22 March 2004, the authorised share capital of the Company was increased from HK\$2,500.0 million to HK\$10,000.0 million by the creation of an additional 7,500.0 million shares of HK\$1.00 each.
- (b) In 2004, 250.0 million shares were issued at HK\$4.9044 per share to provide funds for general working capital of the Group.
- (c) In 2004, 987,817,877 shares of HK\$1.00 each were issued at HK\$5.40 per share by way of rights issue on the basis of two rights shares for every five shares. The proceeds of the rights issue were to repay the outstanding convertible bond, to pay land conversion premium for existing agricultural land bank and partly used to provide for general working capital of the Group.

14. Commitments

	As at 31 December 2004 HK\$m	As at 30 June 2004 HK\$m
(a) Capital commitments		
(i) Contracted but not provided for		
Fixed assets	348.2	566.1
An associated company	—	12.2
Jointly controlled entities	467.5	326.4
Other investments	70.3	70.3
	886.0	975.0
(ii) Authorised but not contracted for		
Fixed assets	73.1	15.7
(b) The Group's share of capital commitments committed by the jointly controlled entities not included above are as follows:		
Contracted but not provided for	296.9	205.1
Authorised but not contracted for	93.7	268.4
	390.6	473.5

- (c) As at 31 December 2004, the Group had issued performance guarantees amounting to approximately HK\$534.3 million (30 June 2004: HK\$889.5 million), 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.

14. Commitments (continued)

- (d) A subsidiary and certain jointly controlled entities are parties to agreements with third parties in respect of the joint development of Container Terminal 9 ("CT9") in Hong Kong, the related berth swap arrangement and the funding thereof. The Group's share of capital commitments as at 31 December 2004 was HK\$112.2 million (30 June 2004: HK\$101.4 million) has been disclosed in (b) above.
- (e) The Group has committed to provide sufficient funds in the forms of capital and loan contributions to certain jointly controlled entities under various joint venture contracts to finance relevant infrastructure projects. The Directors estimate that the Group's share of projected funds requirements of these projects would be approximately HK\$173.0 million (30 June 2004: HK\$33.0 million) which represents the attributable portion of the capital and loan contributions to be made to the jointly controlled entities.
- (f) The above capital commitment did not include commitment for purchase of fixed assets and intangible assets which are subject of the PrediWave Complaint (Note 17).

15. Contingent liabilities

	As at 31 December 2004 HK\$m	As at 30 June 2004 HK\$m
Guarantees for performance bonds in respect of:		
Construction contracts undertaken by the Group	1,781.1	1,488.4
Others	77.4	332.3
Guarantees for credit facilities granted to:		
Associated companies	427.3	418.9
Investee companies included under other investments	4.2	4.2
Jointly controlled entities	5,398.8	5,142.1
Indemnity to non-wholly owned subsidiaries for		
PRC tax liabilities	1,916.7	1,925.2
	9,605.5	9,311.1

Included in the above, a corporate guarantee has been given by a subsidiary in favour of certain banks for banking facilities granted to Asia Container Terminals Limited ("ACT"), a jointly controlled entity of CSX World Terminals Hong Kong Limited ("CSXWTHK"), an associated company of the Group to the extent of approximately HK\$1,323.4 million as at 31 December 2004 (30 June 2004: HK\$858.0 million), in proportion to the Group's interest in ACT. The proportionate amount utilised against such facilities at 31 December 2004 which was secured by the guarantee amounted to approximately HK\$643.9 million (30 June 2004: HK\$351.4 million).

15. Contingent liabilities (continued)

CSXWTHK has agreed to counter-indemnify the Group the corporate guarantee as at 31 December 2004 of approximately HK\$507.0 million (30 June 2004: HK\$507.0 million) as included above given in relation to ACT.

Except for pending litigations as referred to in Note 17 to the condensed account, the Group has disputes with certain joint venture partners in respect of certain property development projects in the PRC and a hotel project in Malaysia. For the PRC property development projects, no statement of claims setting out details of the claims had been served by the PRC joint venture partner to the Group as at 15 March 2005. The Group, however, had made a claim against such joint venture partner. For the hotel project in Malaysia, the trial was heard and adjourned on 14 July 2003 and a judgment in favour of the Group was made on 1 April 2004. The joint venture partner lodged an appeal against the judge's judgment which is scheduled to be heard in June 2005. The Directors of the Company have obtained legal advice on the aforementioned matters and are of the opinion that the matters will not have any material adverse impact on the financial position of the Group.

16. Related party transactions

The following is a summary of significant related party transactions during the period carried out in the normal course of the Group's business:

	Six months ended 31 December	
	2004 HK\$m	2003 HK\$m
Transactions with affiliated companies		
Interest income	37.6	48.4
Management fee income	12.2	52.8
Provision of contracting work service	305.1	416.7
Transactions with other related parties		
Rental income	10.8	12.9

These related party transactions were conducted in accordance with the terms as disclosed in the last annual accounts.

17. Pending litigations

- (a) In May 2004, NWTMT filed complaints to the Superior Court of the State of California for the County of Santa Clara in the United States of America ("US") ("NWTMT Complaint") against the PrediWave Companies and Mr Tony Qu, the president and founder of the PrediWave Companies. Under the NWTMT Complaint, NWTMT alleged that, in reliance of the representations given by Mr Tony Qu and PrediWave, NWTMT entered into various agreements with the PrediWave Companies under which the Group invested in the PrediWave Companies and placed various purchase orders for goods and services relating to the technology (the "Technology") of video-on-demand and other digital broadcasting and related technology and added value services. The Group had paid approximately HK\$5 billion to the PrediWave Companies for investments in and loans to the PrediWave Companies, and purchases of goods and services from PrediWave. NWTMT complained of various breaches, in relation to goods and services relating to the Technology, by Mr Tony Qu and the PrediWave Companies relating to the parties' agreements. Accordingly, NWTMT claimed damages for an amount to be determined at trial together with interest, rescission of all agreements, restitution of all monies obtained from the Group, punitive and exemplary damages, costs of legal proceedings and other declaratory relief and equitable relief. The total monetary amount sought by NWTMT in the lawsuit exceeds US\$700.0 million (equivalent to approximately HK\$5,460.0 million).

The directors of NWTMT have been advised by their external legal counsel that the NWTMT Complaint will not be concluded in a short period of time and the outcome of the NWTMT Complaint is uncertain.

Based on the unaudited management accounts of the PrediWave Companies as at 31 December 2003 which were obtained prior to the commencement of the NWTMT Complaint, there was a balance of approximately US\$344.0 million (equivalent to approximately HK\$2,683.0 million) in their bank accounts.

In June 2004, with the objective of preventing improper withdrawals of funds, Mr Jimmy Li, the director nominated by NWTMT to certain PrediWave Companies sought to exercise the co-signing rights in relation to withdrawals of funds in excess of US\$0.5 million from the bank accounts of certain PrediWave Companies by requesting a temporary restraining order from the court. However, such request was denied by the Superior Court of the State of California for the County of Santa Clara in the US.

In August 2004, the Superior Court of the State of California for the County of Santa Clara in the US made an order in favour of Mr Jimmy Li permitting him to inspect all corporate books and records of certain PrediWave Companies. Mr Jimmy Li is assisted by an accounting firm in the US to inspect the books and records but no meaningful financial information has been extracted as at 31 December 2004.

17. Pending litigations (continued)

As the directors of NWTMT were unable to freeze the bank accounts or enforce the co-signing rights, the directors of NWTMT consider that they cannot effectively monitor the utilisation of funds by the PrediWave Companies. Notwithstanding that the bank balances of the PrediWave Companies were approximately US\$344.0 million as at December 2003 based on their unaudited management accounts, the Directors expect that the utilisation of funds for legal costs and other causes beyond their control will be significant throughout the period up to the date when the NWTMT Complaint is concluded. In addition, in the absence of the availability of meaningful and updated financial information on the PrediWave Companies and given the uncertainty of the timing and the outcome of the litigation which would have a consequential effect on the amount of assets recoverable, in the year ended 30 June 2004, the Directors of the Company have concluded that a full provision of HK\$3,082.0 million has been made against the Group's investments in the PrediWave Companies, loans to the PrediWave Companies and deposits paid to PrediWave is most appropriate.

- (b) In May 2004, PrediWave filed complaints to the Superior Court of the State of California for the County of Los Angeles in the US against NWTMT (the "PrediWave Complaint"). Under the PrediWave Complaint, PrediWave alleged that NWTMT had failed to make full payments under three purchase orders and one agreement for goods and services delivered or licenses granted by PrediWave to the Group relating to the Technology with an outstanding amount of approximately US\$58.9 million (equivalent to approximately HK\$459.0 million). PrediWave claimed damages against NWTMT in an amount to be proved at trial, but not less than US\$58.0 million (equivalent to approximately HK\$452.0 million) together with interest and costs of legal proceedings, and a declaration that NWTMT should pay PrediWave the profits PrediWave would have received had NWTMT performed its obligations under various purchase order and agreements and that PrediWave should be entitled to retain the deposits made by NWTMT thereunder.

The Directors are of the view that the Group has proper and valid defences to the PrediWave Complaint, and accordingly, no provision for commitment/loss has been accounted for in the accounts.

- (c) Up to the date of this report, PrediWave dropped its complaints against NWTMT to the Superior Court of the State of California for the County of Los Angeles. It then filed a counter claim against NWTMT to the Superior Court of the State of California for the County of Santa Clara.

As at the date of this interim report, the Directors are of the view that the current provision relating to PrediWave should be adequate without making any provision for PrediWave's counter claim against NWTMT and it is also appropriate not to write back any provision.

18. Post balance sheet date events

- (a) On 4 February 2005, a subsidiary of NWS Holdings Limited ("NWSH") entered into a share sale agreement with PSA International Pte Ltd ("PSA") to dispose of its 31.4% interest in Asia Container Terminals Holdings Limited ("ACTH"), an investment holding company with Asia Container Terminals Limited ("ACT") as its wholly owned subsidiary company, and the shareholder loans owing from ACTH at a consideration of HK\$1.9 billion. ACT is engaged in the operation of Container Terminal No. 8 West in Kwai Chung, Hong Kong ("CT8W"). The completion of the disposal is expected in March 2005.

On the same day, another subsidiary of NWSH entered into another share sale agreement with PSA to dispose of its entire interests in Keen Sales Limited, a wholly owned subsidiary company of the Group, which indirectly holds 33.34% in CSX World Terminals Hong Kong Limited ("CSXWTHK"), currently the operator of Container Terminal No. 3 ("CT3"), at a consideration of HK\$1.1 billion. The disposal was completed on 21 February 2005. Upon completion, NWSH entered into a trust deed, pursuant to which PSA would hold the beneficial title and interest in and to the indirect 16.67% shareholding interest in ATL Logistics Centre Hong Kong Limited ("ATL") for the benefit of NWSH as if such interests had been retained in their entirety by NWSH.

The aforesaid disposals would give rise to a gain on disposal, net of minority interests, of approximately HK\$0.97 billion.

- (b) On 18 February 2005, the Company entered into an underwriting agreement with New World China Land Limited ("NWCL") to underwrite in full the proposed rights issue of NWCL. The maximum amount payable by the Company for the underwritten shares will be HK\$2,163.7 million.

19. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

Disclosure Pursuant to Rule 13.22 of the Listing Rules

In accordance with the requirements under Rule 13.22 of the Listing Rules, the Directors of the Company reported below the details of advances to, and guarantees given for the benefit of, its associated companies and jointly controlled entities (collectively as “affiliated companies”) as at 31 December 2004.

The financial assistance, in aggregate, exceeds 8% of the Company's market capitalisation as at 31 December 2004.

In aggregate the Group had advanced an amount of HK\$18,131.1 million (30 June 2004: HK\$18,457.7 million) to affiliated companies, guaranteed bank loans and other credit facilities for the benefit of the affiliated companies in the amount of HK\$5,826.1 million (30 June 2004: HK\$5,561.0 million) and contracted to further provide an aggregated amount of HK\$1,609.1 million (30 June 2004: HK\$1,570.6 million) in capital and loans to affiliated companies. The advances are unsecured and are interest free except for an aggregate amount of HK\$8,374.7 million (30 June 2004: HK\$8,417.2 million) which carry interest ranging from 0.6% above 3-month HIBOR to 14.0% per annum. Other than amounts of HK\$299.1 million (30 June 2004: HK\$311.5 million), HK\$762.6 million and HK\$287.8 million which are repayable by instalments up to December 2016, 2010 and 2008 respectively, the other advances have no fixed repayment terms.

In addition, in accordance with the requirements under Rule 13.22 the Listing Rules, the Company is required to include in its interim report a pro forma combined balance sheet of its affiliated companies which would include significant balance sheet classifications and state the attributable interest of the Company in the affiliated companies. The Company has numerous affiliated companies and the Directors are of the opinion that it is not practical nor meaningful to prepare a pro forma combined balance sheet and such information may be misleading. Pursuant to Rule 13.22 of the Listing Rules, the Company made an application to, and received a waiver from , the Stock Exchange as an alternative to provide the following statement.

As at 31 December 2004, the combined indebtedness, capital commitments and contingent liabilities as reported by such affiliated companies (including amounts owing to the Group) amounted to approximately HK\$56,373.7 million (30 June 2004: HK\$59,198.5 million), HK\$4,486.9 million (30 June 2004: HK\$3,406.9 million) and HK\$1,519.3 million (30 June 2004: HK\$3,654.9 million) respectively.

Interim Dividend

The directors have declared an interim dividend for the financial year ending 30 June 2005 in scrip form equivalent to HK\$0.10 per share with a cash option to shareholders registered on 8 April 2005.

Subject to the Listing Committee of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") granting listing of and permission to deal in the new shares, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholders could elect to receive in cash and that they be given the option to elect to receive payment in cash of HK\$0.10 per share instead of the allotment of shares. Full details of the interim scrip dividend will be set out in a letter to be sent to shareholders together with a form of election for cash on or about 13 May 2005.

Book Close Date

Book close dates (Both days inclusive):	1 April 2005 to 8 April 2005
Latest time to lodge transfer with Share Registrar:	4:00 p.m. on 31 March 2005
Address of Share Registrar:	Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong

Purchase, Sale or Redemption of Listed Securities

The Company has not redeemed any of its listed securities during the six months ended 31 December 2004. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's listed securities during the six months ended 31 December 2004.

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 six months ended 31 December 2004, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules. Based on specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards of the said code during the six months ended 31 December 2004.

Details of Charges on Group Assets

As at 31 December 2004, the Group's fixed assets, properties held for sale and joint property development projects of HK\$13,118.7 million (30 June 2004: HK\$13,122.1 million), HK\$1,910.8 million (30 June 2004: HK\$3,055.1 million) and HK\$1,053.8 million (30 June 2004: HK\$1,053.8 million) respectively have been pledged as securities for credit facilities granted to the Group.

The Group's interests in certain co-operative joint ventures have been pledged as security for a loan granted to the Group.

Restricted bank balances are funds which are pledged to secure certain short term loans and long term loans.

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited Interim Accounts for the six months ended 31 December 2004 with the Directors.

Business Review

Business Review

Hong Kong Property Development

The property market in Hong Kong was on an upward trend in 2004. During the period under review, the Group's share of property sales revenues amounted to approximately HK\$1.2 billion, mainly from Bon-Point, Parc Palais and Sky Tower. In January 2005, The Merton at Kennedy Town was launched with overwhelming response and will have HK\$3.8 billion cash contribution to the Group.

The Group now has a landbank of 5.7 million sq. ft. ready for immediate development and a total 20 million sq. ft. of agricultural land reserve. The landbank excluding The Merton and the six projects for sale in 2005, stands at 4 million sq. ft., which is sufficient for development needs in the next three years.

Development projects	Attributable GFA (sq. ft.)
Hong Kong Island	748,650
Kowloon	1,895,623
NT excluding areas pending agricultural land conversion	3,011,221
Total	5,655,494

Agricultural landbank by location	Total land area (sq. ft.)	Attri. land area (sq. ft.)
Yuen Long	14,560,000	13,077,000
Shatin/Tai Po	3,414,000	2,528,000
Fanling	2,310,000	2,310,000
Sai Kung	1,905,000	1,668,000
Tuen Mun	120,000	120,000
Total	22,309,000	19,703,000

The Group is actively liaising with the government on agricultural land conversion and is seeking various sources to replenish its landbank, such as public auctions and tendering for development projects offered by Urban Renewal Authority and the two rail companies.

In 2005, the Group has 6 projects with around 2,000 units for sale. Projects to be launched in the coming months include Island Road, Black's Link, The Grandiose in Tseung Kwan O, Lau Fau Shan and Fu Tei projects.

Projects for sale in 2005	Total GFA (sq. ft.)	Number of units	Group's Interest (%)
Caldecott Hill (郝德傑山)	77,210	38	33.33
33 & 35 Island Road (香島道33及35號)	43,067	8	43.00
6-10 Black's Link (布力徑6-10號)	34,763	9	80.00
The Grandiose, Tseung Kwan O (將軍澳君傲灣)	1,041,923	1,472	45.00
Lot No. 3569 in DD129, Lau Fau Shan (流浮山項目)	66,520	120	100.00
3 Tuen Kwai Road, Fu Tei (虎地屯貴路3號)	204,632	320	96.46
Total	1,468,115	1,967	

Hong Kong Property Investment

The opening of Avenue of Stars and KCR East Tsimshatsui Station in April and October 2004 respectively has boosted pedestrian traffic at New World Centre. Both occupancy and average rental rate recorded stable growth.

The Group entered into a tenancy agreement with an anchor tenant to lease the 115,000-sq. ft. Amazon shopping mall in New World Centre from September 2005. Subject to the tenant's EGM approving the tenancy agreement, the first Sogo Department Store in Kowloon will be opened. This will further enhance pedestrian traffic for New World Centre and pose opportunity for positive rental revision.

Hotels

Hotel operations benefited from the reviving tourist industry and economic growth in Hong Kong. Grand Hyatt Hong Kong, Renaissance Harbour View Hotel and New World Renaissance Hotel have improved significantly in both the occupancy rate and room rate. Meanwhile, our four hotels in Southeast Asia maintained moderate growth.

With the opening of Hong Kong Disneyland in fall 2005, the hotel sector is expected to benefit from a surge in visitor arrivals from Mainland and overseas.

NWS Holdings Limited (“NWSH”)

Service

The Hong Kong economy has exhibited a strong and broad-based upturn. The general performance of Service operations, with the exception of construction and engineering, was satisfactory. HKCEC attained excellent result, hosting 777 events attracting over three million guests, the second highest attendance in its history. HKCEC has just been named Asia’s Leading Conference Centre for the third consecutive year for its world standard service.

Sky Connection Limited, which has exclusive rights to retail duty free liquor and tobacco in Hong Kong International Airport and ferry terminals, delivered satisfactory results.

Urban Property Management continued to contribute a stable profit to the Group. Kiu Lok Property Management continues to focus on the Mainland China market and was awarded a pre-opening consultancy contract to market and manage the landmark “Merchandise City” in Tianjin.

Construction operations have been operated in a severe competition environment. It was evidenced that the drop in profit margin and the surge of the contract risks had resulted in substantial exposures with some projects making losses or requiring provision.

Transport businesses continue to face the tough challenge of surging fuel costs, increasing operating cost and intensifying competition. After the reorganization of the Group’s transport businesses, New World First Bus and Citybus have achieved synergies by means of sharing resources, coordinating purchasing efforts and strengthening service competitiveness.

Infrastructure

The Infrastructure operation is one of the key contributors to the Group and achieved excellent results in the reporting period. The Water Treatment and Waste Management operations attained satisfactory growth as the new investments in Mainland China started to contribute. The Group currently has 18 water projects and is exploring new investment opportunities in several cities.

The combined electricity sales of Zhujiang Power Phase I and II (珠江電廠第一及第二期) increased by 3%. Despite the increase in electricity demand, the high coal price has hindered its profitability.

Capitalizing on the robust economic growth in Pearl River Delta region, the Group acquired stakes in three road projects, namely Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section) (京珠高速公路廣珠北段), Guangzhou-Zhaoqing Expressway (廣肇高速公路) and Pearl River Delta Ring Road (South-Western Section) (珠江三角洲環形公路西環南段).

Ports

The Group has disposed all its interests in Container Terminal No. 8 West and Container Terminal No. 3 in Hong Kong for HK\$3 billion with a gain, net of minority interests, of approximately HK\$0.97 billion. The Group will maintain the interests in ATL Logistics Centre which achieved 93% occupancy.

Our Tianjin and Xiamen ports, being the shipping hub in northern and southeastern China respectively, continued to perform well amid solid expansion in trade flows.

New World China Land Limited (“NWCL”)

NWCL, the Group's 70%-owned Mainland China property arm, has a portfolio of 36 major development property projects across 17 cities with a total GFA of approximately 16 million sq. m..

For the period under review, NWCL has completed 297,883 sq. m. and, together with its inventory in hand on 30 June 2004, sold 331,712 sq. m. during the period under review.

Projects completed during IH FY2005	Usage	Total GFA (sq. m.)	NWCL's Interest (%)
Beijing New World Garden Phase II (北京新世界家園二期)	R, P	87,590	70
Guangzhou Park Paradise Phase IIB (廣州嶺南新世界家園二期B)	R, C, P	55,935	60
Guangzhou New World Oriental Garden Phase I (廣州東方新世界花園一期)	C	2,560	100
Guangzhou Covent Garden Phase II (廣州逸彩庭園二期)	P	8,190	60
Guangzhou Central Park-view Phase I (廣州凱旋新世界廣場一期)	R	62,704	91
Guangzhou Xintang New World Garden Phase II (廣州新塘新世界花園二期)	R	37,273	60
Shenzhen New World Yi Shan Garden Phase II (深圳新世界倚山花園二期)	R, P	43,631	90
Total		297,883	

R : Residential
C : Commercial
P : Carpark

Business Review

The Group is optimistic about the outlook of Mainland China's property market. The proposed rights issue of NWCL on the basis of three rights shares, at HK\$2.8 per share for every two shares, subject to the approval of NWCL independent shareholders, will raise HK\$6.3 billion to strengthen its capital base and financial position. NWCL intends to use the proceeds from the rights issue to fund the resettlement and development costs of its existing projects, reduce its debts and increase its general working capital for future development.

The rights issue will enable NWCL to speed up the resettlement works for its projects and lay the foundation for future development. It will also help to reduce NWCL's exposure from the expected rising interest costs and a possible currency revaluation.

In the second half of FY2005, NWCL expects to complete 10 development projects in 7 cities with 492,296 sq. m. GFA and two investment properties in Wuhan and Guangzhou with 66,201 sq. m. GFA.

Development projects to be completed in 2H FY2005	Usage	Total GFA (sq. m.)	NWCL's Interest (%)
Beijing Xin Yang Commercial Building (北京新陽商務樓)	C	1,561	70
Jinan Sunshine Garden Phase I (濟南陽光花園一期)	R	31,754	65
Wuhan Menghu Garden Phase I (武漢夢湖香郡一期)	R	13,223	70
Wuhan Xin Hua Garden Phase II (武漢新華家園二期)	R	39,073	60
Wuhan Changqing Garden Phase V (武漢常青花園五期)	R	142,936	60
Nanjing New World Centre (南京新世界中心)	R, C	113,709	92
Guangzhou Covent Garden Phase II (廣州逸彩庭園二期)	R	26,618	60
Guangzhou Park Paradise Phase IIC (廣州嶺南新世界家園二期C)	R, C	32,618	60
Huizhou Changhuyuan Phase II (惠州長湖苑二期)	R, C	61,382	63
Zhuhai New World Riviera Garden Phase II (珠海新世界海濱花園二期)	R, C	29,422	100
Total		492,296	

Investment properties to be completed in 2H FY2005	Usage	Total GFA (sq. m.)	NWCL's Interest (%)
Wuhan Int'l Trade & Commerce Centre Tower I (武漢國貿大廈一座)	O, P	59,998	100
Guangzhou Park Paradise Phase IIC (廣州嶺南新世界二期C)	P	6,203	60
Total		66,201	

O : Office

New World Mobile Holdings Limited (“NWMHL”)

NWMHL, the Group's 71%-owned Hong Kong mobile services arm, recorded a net profit of HK\$55.5 million for the period under review, a 28% decrease compared with the same period last year. The reduction was due to fierce competition in the mobile telecommunications market.

The subscriber base of New World Mobility (“NWM”) grew from 1.25 million in June 2004 to 1.3 million in December 2004. The drop in subscriber number caused by the termination of an MVNO contract in October 2004, was more than made up for by the substantial growth in the prepaid subscribers.

In order to enhance ARPU and revenue, NWM continues to introduce new value added services such as “Press ‘n Talk” and “Video-on-the-move” news and entertainment video services.

New World Telecommunications Limited (“NWT”)

NWT will focus its business on IDD, broadband and IP based value added services. New services launched during the period under review include Yahoo! Hong Kong — NWT BizNet, Biz@nywhere PDA based wireless data solutions, NWT bb and NWTmusic.com.

The withdrawal of Type II interconnection will have minimal impact on NWT's fixed line business as NWT continues to extend its self-built network and explore new technologies to overcome the last mile connection issue.

New World TMT Limited (“NWTMT”)

NWTMT's management have strengthened project control and improved the cash flow and operating return of its projects.

A number of projects has made encouraging progress. Beijing Xintong (北京信通), Shanghai Mtone (上海美通) and Shenzhen Sunlong (深圳翔龍) attained good turnover and operating profits.

During the period, NWTMT made progress on legal proceedings to recoup its investments in PrediWave Corporation (“PrediWave”) and certain associated companies of PrediWave Group (collectively the “PrediWave Companies”). NWTMT has reliable information that US\$310 million remained in the PrediWave bank accounts in December 2004. Up to the date of this report, the following progress was achieved in the litigation: NWTMT won a writ of mandate to gain access to PrediWave financial documents; and PrediWave dropped its counter claim in Federal Court against Mr Jimmy Li, a director of NWTMT associated companies and an appointee to the PrediWave board, and Mr Fu Sze Shing, a Non-executive Director of NWTMT and an appointee to the PrediWave board.

NWTMT entered into an option agreement with a PRC entity for the acquisition of an interest in a fibre optic backbone network (“Network”). Some HK\$1.531 billion was paid as a deposit for the Network. It was agreed amongst the counterparties during the period that investments, loans and other amounts owing to NWTMT amounting to HK\$2.16 billion would be repaid in November 2004. The transaction has not been completed by the counterparties up to the publishing date of the interim accounts. The value of the NWTMT investment cost was substantiated in October 2004, when the Network assets were appraised by an independent valuation firm. The assessed value of the Network is slightly higher than the NWTMT investment cost on a pro-rata basis. Presently, it is the priority of NWTMT to finalize the transfer of the fibre network investment to a third party. Should the transaction cannot be completed for

Business Review

any reason, NWTMT management will assist the counterparties to seek for another potential buyer. However, NWTMT retains its option to re-enter the project if the network investment is not concluded.

New World Department Stores Limited (“NWDS”)

NWDS benefited from the growing consumer market in Mainland China. During the period under review, total sales of NWDS amounted to HK\$1.9 billion, up 22% year-on-year. The fourth store in Shanghai and the second store in Ningbo (寧波) were opened in September and November 2004 respectively. As at December 2004, NWDS operations expanded to 17 stores across 10 cities in Mainland China and Hong Kong with a total GFA of 460,000 sq. m..

The Group plans to open three more stores in Lanzhou (蘭州), Nanjing (南京) and Xiamen (廈門) by 2006 with a total GFA 72,000 sq. m..

New World China Enterprises Projects Limited (“NWCEP”)

NWCEP manages over 20 projects in Mainland China. Amongst them, Kunming Fulintang Pharmaceutical Company Limited, Yunnan Phytopharmaceutical Company Limited, The Waterman Co. Ltd. (Shanghai), Xiamen Topstar Co Limited and HXNW Auto Service Limited have achieved satisfactory profits contribution to NWCEP.

NWCEP has recently completed a strategic investment in Tianneng International Limited, one of the largest battery manufacturers for electric bicycles in China. During the same period, NWCEP has divested its investment in Vision Grande Group Holdings Limited at a satisfactory return.

LIQUIDITY AND CAPITAL RESOURCES

	As at 31 December 2004	As at 30 June 2004
Net Debt (HK\$ million)		
Consolidated net debt	18,295.6	21,613.4
NWSH (stock code: 0659)	4,884.5	4,618.1
NWCL (stock code: 0917)	4,806.8	4,878.3
NWMHL (stock code: 0862)	122.1	N/A
NWTMT (stock code: 0301)	2,745.8	2,703.3
Consolidated net debt (excluding listed subsidiaries)	5,736.4	9,413.7

As at 31 December 2004, the Group's cash and bank balances amounted to HK\$7,234.7 million (30 June 2004: HK\$6,630.0 million). Its consolidated net borrowing amounted to HK\$18,295.6 million, a decrease of HK\$3,317.8 million as compared with 30 June 2004. Gearing ratio decreased from 39.7% as at 30 June 2004 to 32.8% as at 31 December 2004. Cash generated from operations mainly from the sales of residential properties and services activities.

Source of Borrowings

As at 31 December 2004, around 32% of the total outstanding loans were secured by the Group's assets.

Interest Rate and Maturity Profile

As at 31 December 2004, \$8,307.0 million of debt will be due within the next twelve months.

This combination of cash on hand, together with cash inflow from operations and our remaining undrawn banking facilities, should enable the Group to satisfy its debt repayment commitments and working capital requirements.

Approximately 77% (78% in FY2004) of the Group's total debt is on a floating rate basis, whilst fixed rate borrowings are mainly related to the Group's RMB loan facilities and convertible bonds.

EMPLOYEES

The Group has over 31,000 employees at 31 December 2004 and staff costs of HK\$1,725 million for the period under review. Remuneration policies are reviewed annually. Remuneration and bonuses are awarded to employees based on individual performances and market practices. Education subsidies will be granted to employees who are taking job-related courses. Periodic in-house training programs are also offered. Under the share option schemes of NWTMT, NWCL and NWSH, options may be granted to certain Directors of the Company and certain employees of the Group to subscribe for shares in NWTMT and/or NWCL and/or NWSH.

OUTLOOK

The GDP in Mainland China grew by 9.5% in 2004, the fastest pace in last eight years. National economic development will maintain the growth momentum with mild increase in prices. Pearl River Delta regional co-operation will further drive the Hong Kong economy.

The property projects in Hong Kong and Mainland China are expected to benefit from the solid growth in demand for properties. Other core businesses, including hotels, service and infrastructure and department stores, will continue to perform well and generate strong cash flow.

The Group is optimistic about the Mainland China property market. Urbanization and growing economy are driving housing demand. Rising average household income and middle class have improved affordability. Furthermore, the clear and transparent central government policies support long-term healthy growth. In addition, land supply through public auctions enables a closer match between supply and demand. Developers with good reputation and quality projects, like NWCL, are better positioned to take advantages of these developments.

Infrastructure is a key growth driver for the Group. While existing projects continue to improve their operations, NWSH is actively looking for new investment opportunities, especially in expressways and water projects.

With the opening of Hong Kong Disneyland this year, the expected strong growth in Hong Kong tourist industry will benefit our hotels businesses.

NWDS will tap the booming consumer market in Mainland China by extending its footprints across Mainland China.

Disclosure of Interests

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2004, the interests of the Directors and their associates in shares, underlying shares and debentures of the Company or any of its associated corporations which were recorded in the register required to be kept by the Company pursuant to Section 352 of Securities and Futures Ordinance ("SFO") were as follows:

(A) Long position in shares

	Number of shares			Total	Approximate % of shareholding
	Personal interests	Spouse interests	Corporate interests		
New World Development Company Limited (Ordinary shares of HK\$1.00 each)					
Dr. Sin Wai-Kin, David	4,708,708	47,098	—	4,755,806	0.14
Mr. Leung Chi-Kin, Stewart	32,553	—	—	32,553	—
Mr. Chow Kwai-Cheung	43,000	—	—	43,000	—
Mr. Ho Hau-Hay, Hamilton	—	—	438,905 ⁽¹⁾	438,905	0.01
Mr. Liang Cheung-Biu, Thomas	5,215	—	—	5,215	—
Dragon Fortune Limited (Ordinary shares of US\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	—	—	15,869 ⁽²⁾	15,869	27.41
HH Holdings Corporation (Ordinary shares of HK\$1.00 each)					
Dr. Sin Wai-Kin, David	42,000	—	—	42,000	7.00
Master Services Limited (Ordinary shares of US\$0.01 each)					
Mr. Leung Chi-Kin, Stewart	16,335	—	—	16,335	1.63
Mr. Chow Kwai-Cheung	16,335	—	—	16,335	1.63
New World China Land Limited (Ordinary shares of HK\$0.10 each)					
Mr. Cheng Kar-Shing, Peter	396,800	—	—	396,800	0.03
Mr. Chow Kwai-Cheung	126	—	—	126	—

Disclosure of Interests

	Number of shares			Total	Approximate % of shareholding
	Personal interests	Spouse interests	Corporate interests		
New World TMT Limited (Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	—	1,000,000	—	1,000,000	0.11
Dr. Sin Wai-Kin, David	5,594	53	—	5,647	—
Mr. Liang Chong-Hou, David	262	—	—	262	—
NWS Holdings Limited (Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	2,000,000	587,000	—	2,587,000	0.14
Dr. Sin Wai-Kin, David	—	—	32,224,060 ⁽³⁾	32,224,060	1.78
Mr. Cheng Kar-Shing, Peter	333,333	—	2,659,700 ⁽⁴⁾	2,993,033	0.17
Mr. Liang Chong-Hou, David	153	—	—	153	—
Mr. Leung Chi-Kin, Stewart	3,526,630	—	84,607 ⁽⁵⁾	3,611,237	0.20
Mr. Chow Kwai-Cheung	2,264,652	—	—	2,264,652	0.13
Sun City Holdings Limited (Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	—	80,000	3,570,000 ⁽⁶⁾	3,650,000	45.63
Sun Legend Investments Limited (Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	—	—	500 ⁽⁷⁾	500	50.00
YE Holdings Corporation (Ordinary shares of HK\$1.00 each)					
Mr. Leung Chi-Kin, Stewart	37,500	—	—	37,500	1.50

Notes:

- (1) These shares are beneficially owned by a company of which Mr. Ho Hau-Hay, Hamilton owns 20.00% of its issued share capital.
- (2) 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 Kar-Shing, Peter is deemed to be interested in 45.63% of its issued share capital.
- (3) These shares are beneficially owned by a company which is jointly owned by Dr Sin Wai-Kin, David and his spouse.

Disclosure of Interests

Directors' Interests in Shares, Underlying Shares and Debentures (continued)

- (4) These shares are beneficially owned by a company which is wholly-owned by Mr Cheng Kar-Shing, Peter.
- (5) These shares are beneficially owned by a company of which Mr Leung Chi-Kin, Stewart has a direct interest of 55%.
- (6) These shares are held by a company of which Mr Cheng Kar-Shing, Peter has an indirect interest of 48.18%.
- (7) Mr Cheng Kar-Shing, Peter is deemed to be interested in the shares of Sun Legend Investments Limited by virtue of his interest in Sun City.

(B) Long position in underlying shares — share options

Under the respective share option schemes of NWCL, NWSH, NWTMT and NWMHL, share options may be granted respectively to certain directors and employees of NWCL, NWSH, NWTMT and NWMHL to subscribe for shares. Certain Directors of the Company have personal interest in share options to subscribe for shares in these companies respectively.

Long position in underlying shares of NWCL — share options

Share options granted to Directors

Name of Director	Date of grant	Exercisable period	Number of share options with exercise price of HK\$1.955 per share			
			Balance at 1 July 2004	Exercised during the period	Reclassified during the period	Balance at 31 December 2004
Dr. Cheng Kar-Shun, Henry	7 February 2001	8 March 2001 to 7 March 2006	5,000,000	—	—	5,000,000
Mr. Cheng Kar-Shing, Peter	9 February 2001	10 March 2003 to 9 March 2006	2,500,000	(1,000,000) ⁽³⁾	—	1,500,000
Mr. Leung Chi-Kin, Stewart	7 February 2001	8 March 2001 to 7 March 2006	500,000	—	—	500,000
Mr. Chan Kam-Ling	9 February 2001	10 March 2002 to 9 March 2006 ⁽²⁾	400,000	(200,000) ⁽⁴⁾	(200,000) ⁽⁵⁾	—
Mr. Chow Kwai-Cheung	9 February 2001	10 March 2005 to 9 March 2006	500,000	—	—	500,000
			8,900,000	(1,200,000)	(200,000)	7,500,000

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 20.0% 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.
- (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 25.0% of the outstanding balance of the share options held.

Disclosure of Interests

- (3) Share options representing 500,000 shares each were exercised. The weighted average closing price of the shares immediately before the dates on which share options were exercised were HK\$2.70 and HK\$2.90 respectively.
- (4) The weighted average closing price of the shares immediately before the date on which share options were exercised was HK\$2.125.
- (5) Mr Chan Kam Ling resigned as director of the Company on 30 August 2004. The interests of Mr Chan Kam Ling in the share options were reclassified as employee's interests.
- (6) The cash consideration paid by each Director for each grant of the share options is HK\$10.0.

Share options granted to employees

2000 Share Option Scheme

Date of grant	Number of share options					Balance at 31 December 2004	Exercise price per share HK\$
	Balance at 1 July 2004	Re-classified during the period ⁽⁴⁾	Exercised during the period ⁽⁶⁾	Lapsed during the period			
5 February 2001 to 2 March 2001	25,338,400	200,000	(7,484,800)	(812,000)	17,241,600	1.955	
8 February 2001 to 17 February 2001	3,200,000	—	—	—	3,200,000 ⁽²⁾	1.955	
2 May 2001 to 29 May 2001	402,000	—	(18,800)	—	383,200	2.605	
29 June 2001 to 26 July 2001	2,097,200	—	—	(153,600)	1,943,600	3.192	
31 August 2001 to 27 September 2001	590,000	—	(40,000)	(12,000)	538,000	2.380	
26 March 2002 to 22 April 2002	861,200	—	(172,000)	—	689,200	2.265	
	32,488,800	200,000	(7,715,600)	(977,600)	23,995,600		

2002 Share Option Scheme

Date of grant	Number of share options					Balance at 31 December 2004	Exercise price per share HK\$
	Balance at 1 July 2004	Granted during the period ⁽⁵⁾	Exercised during the period ⁽⁷⁾	Lapsed during the period			
3 January 2003 to 30 January 2003	676,800	—	(14,800)	—	662,000	1.330	
12 May 2003 to 6 June 2003	1,544,000	—	(264,600)	(137,200)	1,142,200	1.000	
28 October 2003 to 22 November 2003	237,600	—	—	(200,800)	36,800	1.810	
18 December 2003 to 14 January 2004	1,300,000	—	(400,000)	—	900,000 ⁽³⁾	1.830	
25 March 2004 to 21 April 2004	976,000	—	(68,400)	(73,200)	834,400	2.470	
18 June 2004 to 15 July 2004	—	560,400	(74,400)	(132,800)	353,200	1.810	
4 November 2004 to 1 December 2004	—	282,800	—	—	282,800	2.725	
	4,734,400	843,200	(822,200)	(544,000)	4,211,400		

Disclosure of Interests

Directors' Interests in Shares, Underlying Shares and Debentures (continued)

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 20.0% of the total number of the share options granted together with any unexercised share options carried forward from the previous years, except otherwise specified in notes 2 and 3.
- (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 25.0% of the outstanding balance of the share options held.
- (3) The share options are exercisable during a period of two 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 50.0% of the total number of the share options granted together with any unexercised share options carried forward from the previous year.
- (4) The share options are re-classified as employee's interest which are previously counted as director's interest due to the resignation of a director of the Company who remains to act as employee of the Group.
- (5) The closing prices per share immediately before 18 June 2004 and 4 November 2004, the dates of grant, were HK\$1.76 and HK\$2.675 respectively.
- (6) The weighted average closing price of the shares immediately before the dates on which share options were exercised under the 2000 Share Option Scheme was HK\$2.863.
- (7) The weighted average closing price of the shares immediately before the dates on which share options were exercised under the 2002 Share Option Scheme was HK\$2.40.
- (8) The cash consideration paid by each employee for each grant of the share option is HK\$10.0.

The fair values of the share options granted during the period with exercise prices per share of HK\$1.81 and HK\$2.725 are estimated at HK\$1.81 and HK\$1.40, respectively, using the Black-Scholes option pricing model. Values are estimated based on the risk-free rate of 1.39% per annum with reference to the rate prevailing on the Exchange Fund Notes, a one-year period historical volatility of 0.46, 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 period 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.

Disclosure of Interests

Long position in underlying shares of NWSH — share options

Share options granted to Directors

Number of share options with exercise price of HK\$3.725 per share						
Name of Director	Date of grant	Exercisable period	Balance at 1 July 2004	Exercised during the period ⁽²⁾	Reclassified during the period	Balance at 31 December 2004
Dr. Cheng Kar-Shun, Henry	21 July 2003	21 July 2005 to 20 July 2008	2,000,000	(1,000,000)	—	1,000,000
Mr. Cheng Kar-Shing, Peter	21 July 2003	21 July 2005 to 20 July 2008	333,334	(166,667)	—	166,667
Mr. Leung Chi-Kin, Stewart	21 July 2003	21 July 2004 to 20 July 2008	134,000	(66,000)	—	68,000 ⁽¹⁾
Mr. Chan Kam-Ling	21 July 2003	21 July 2005 to 20 July 2008	1,333,334	—	(1,333,334) ⁽³⁾	—
			3,800,668	(1,232,667)	(1,333,334)	1,234,667

Notes:

- (1) Divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 to 20 July 2008 respectively.
- (2) The weighted average closing price of the shares immediately before the date on which the share options were exercised was HK\$10.13.
- (3) Mr. Chan Kam-Ling resigned as director of the Company on 30 August 2004. The interest of Mr Chan Kam-Ling in the share options were re-classified as other eligible persons.
- (4) The cash consideration paid by each Director for each grant of the share options is HK\$10.0.

Share options granted to other eligible persons

1997 Share Option Scheme

Number of share options with exercise price of HK\$6.93 per share				
Date of grant	Balance at 1 July 2004	Exercised during the period ⁽³⁾	Lapsed during the period	Balance at 31 December 2004
11 May 1999	1,900,000	(1,300,000)	(600,000)	— ⁽¹⁾
11 May 1999	30,000	(30,000)	—	— ⁽²⁾
	1,930,000	(1,330,000)	(600,000)	—

Disclosure of Interests

Directors' Interests in Shares, Underlying Shares and Debentures (continued)

Notes:

- (1) Divided into 4 tranches exercisable from 5 November 1999, 5 May 2001, 5 May 2002 and 5 May 2003 respectively to 4 November 2004.
- (2) Exercisable from 5 May 2004 to 4 November 2004.
- (3) The weighted average closing price of the shares immediately before the date on which share options were exercised was HK\$10.89.

2001 Share Option Scheme

Date of grant	Number of share options with exercise price of HK\$3.725 per share				
	Balance at 1 July 2004	Reclassified during the period ⁽³⁾	Exercised during the period	Lapsed during the period	Balance at 31 December 2004
21 July 2003	4,800,002	1,333,334	(666,667) ⁽⁴⁾	—	5,466,669 ⁽¹⁾
21 July 2003	20,234,668	—	(10,673,134) ⁽⁵⁾	(397,922)	9,163,612 ⁽²⁾
	25,034,670	1,333,334	(11,339,801)	(397,922)	14,630,281

Notes:

- (1) Divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 respectively to 20 July 2008.
- (2) Divided into 3 tranches exercisable from 21 January 2004, 21 July 2004 and 21 July 2005 respectively to 20 July 2008.
- (3) The share options are re-classified as other eligible person's interest which are previously counted as director's interest due to the resignation of a director of the Company who remains to act as employee of the Group.
- (4) The weighted average closing price of the shares immediately before the date on which share options were exercised was HK\$10.13.
- (5) The weighted average closing price of the shares immediately before the date on which share options were exercised was HK\$9.40.
- (6) The cash consideration paid by each eligible person for each grant of the share option is HK\$10.0.

Disclosure of Interests

Long position in underlying of NWTMT — share options

Share options granted to employees

1997 Share Option Scheme

Date of grant	Number of share options		Exercise price per share HK\$
	Balance at 1 July 2004	Balance at 31 December 2004	
23 September 1999	240,000	240,000 ⁽¹⁾	10.20
23 September 1999	960,000	960,000 ⁽²⁾	12.00
	1,200,000	1,200,000	

Notes:

- (1) Exercisable from 1 July 2000 to 1 June 2005.
- (2) Divided into 3 tranches exercisable from 1 July 2001, 1 July 2002 and 1 July 2003 respectively to 1 June 2005.
- (3) The cash consideration paid by each employee for each grant of the share option is HK\$10.0.

Long position in underlying shares of NWMHL — share options

Share options granted to employees

Date of grant	Exercisable period	Number of share options with exercise price per share of HK\$2.44		
		Balance at 1 July 2004	Lapsed during the period	Balance at 31 December 2004
8 February 2002	9 February 2002 to 8 February 2008	448,000 ⁽¹⁾	(23,000)	425,000 ⁽¹⁾

Note:

- (1) Adjustments on the number of share options and the exercise price as a result of the completion of the subscription agreement dated 29 March 2004 and the consolidation of NWMHL's shares from every 100 issued or unissued ordinary shares of HK\$0.01 each into 1 consolidated ordinary share of HK\$1.00 each.

Disclosure of Interests

Directors' Interests in Shares, Underlying Shares and Debentures (continued)

Save as disclosed above, as at 31 December 2004, 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.

Substantial Shareholders' Interests in Shares

As at 31 December 2004, the register kept by the Company under Section 336 of the SFO shows the following parties had interests in 5.0% or more of the issued share capital of the Company.

Long position in shares

Name	Number of shares			Percentage to the issued share capital
	Beneficial interests	Corporate interest	Total	
Chow Tai Fook Enterprises Limited ("CTFEL") ⁽¹⁾	1,093,068,180	126,032,062	1,219,100,242	35.26
Marathon Asset Management Ltd ("MAM") ⁽²⁾	208,191,948	—	208,191,948	6.02

Notes:

(1) CTFEL and its subsidiaries.

(2) These shares are held by MAM Investment Ltd., a wholly owned subsidiary company of MAM.

Save as disclosed above, there is no other interest is recorded in the register that is required to be kept under Section 336 of the SFO as having an interest in 5.0% or more of the issued share capital of the Company as at 31 December 2004.

Corporate Information

Board of Directors

Executive directors

Dato' Dr. Cheng Yu-Tung (*Chairman*)

Dr. Cheng Kar-Shun, Henry (*Managing Director*)

Dr. Sin Wai-Kin, David

Mr. Liang Chong-Hou, David

Mr. Leung Chi-Kin, Stewart

Non-executive directors

Mr. Cheng Yue-Pui

Mr. Cheng Kar-Shing, Peter

Mr. Chow Kwai-Cheung

Mr. Ho Hau-Hay, Hamilton

Mr. Liang Cheung-Biu, Thomas

Independent non-executive directors

Lord Sandberg, Michael

Mr. Yeung Ping-Leung, Howard

Dr. Cha Mou-Sing, Payson JP

Mr. Cha Mou-Zing, Victor (*alternate director to
Dr. Cha-Mou Sing, Payson*)

Mr. Lee Luen-Wai, John JP

Company Secretary

Mr. Leung Chi-Kin, Stewart

Joint Auditors

PricewaterhouseCoopers

H.C. Watt & Company Limited

Solicitors

Yung, Yu, Yuen & Company

Woo, Kwan, Lee & Lo

Corporate Information

Share Registrars and Transfer Office

Tengis Limited
Ground Floor, Bank of East Asia Harbour
View Centre,
56 Gloucester Road, Wanchai, Hong Kong

Registered Office

30 Floor, New World Tower,
18 Queen's Road Central, Hong Kong
Tel: (852) 2523 1056
Fax: (852) 2810 4673

Principal Bankers

Bank of China
BNP Paribas
Citibank N.A.
DBS Bank
Hang Seng Bank
Industrial and Commercial Bank of China (Asia) Ltd.
Nanyang Commercial Bank
Sumitomo Mitsui Banking Corporation
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation
UFJ Bank

Stock Code

Hong Kong Stock Exchange 0017
Reuters 0017HK
Bloomberg 17HK

Investor Information

For more information about the Group,
please contact the Corporate
Affairs Department at:
New World Development Company Limited,
30 Floor, New World Tower,
18 Queen's Road Central, Hong Kong
Tel: (852) 2131 6790
Fax: (852) 2810 4673
e-mail: newworld@nwd.com.hk

Website

www.nwd.com.hk



New World Development Company Limited

30/F., New World Tower, 18 Queen's Road Central, Hong Kong

Tel: (852) 2523 1056 Fax: (852) 2810 4673

www.nwd.com.hk