Enrich People's Living

Our sizable property portfolio in Hong Kong and Mainland China embraces residential estates, office buildings, shopping centres, hotels and convention centres. Merging nature, design and technology, we enrich people's daily living, and turn their dreams into reality.

Property

Hong Kong Property Development

The property market is recovering from the lukewarm atmosphere after the US Federal Reserve stopped raising the interest rate subsequent to 17 consecutive rate hikes. The abundant liquidity of the local banking system enables the banks in Hong Kong to offer attractive mortgage rates, such as HIBOR based rates, to home buyers. Healthy economic growth, low unemployment rate, growing household income and declining mortgage rate pose a favourable environment for the recovery of property market.

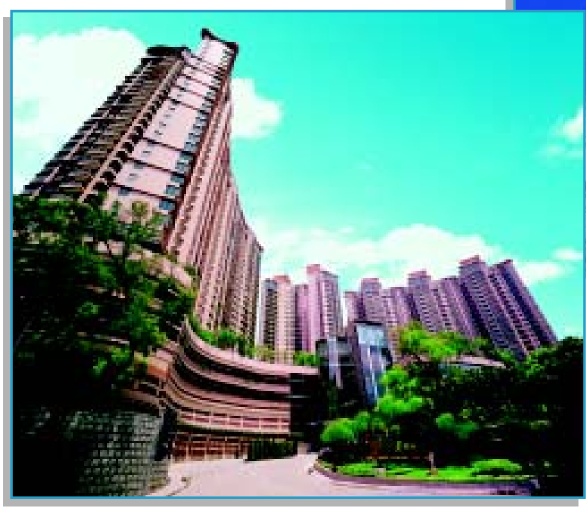
During the period under review, the Group's share of Hong Kong property sales amounted to approximately HK$5.8 billion, up 151% year-on-year. The sales were contributed mainly from The Merton, The Grandiose and 33 Island Road.

The Group now has a landbank of 4.3 million sq. ft. GFA for immediate development and a total of 20 million sq. ft. of agricultural land reserve pending conversion.

Landbank by location	Attributable GFA (sq. ft.)
Hong Kong Island	230,343
Kowloon	1,717,156
NT excluding agricultural land pending conversion	2,328,963
Total	**4,276,462**

Agricultural landbank by location	Total land area (sq. ft.)	Attributable land area (sq. ft.)
Yuen Long	14,452,000	12,984,000
Shatin / Tai Po	3,424,000	2,538,000
Fanling	2,290,000	2,290,000
Sai Kung	2,624,000	2,070,000
Tuen Mun	120,000	120,000
Total	**22,910,000**	**20,002,000**

The Group is actively discussing with the government on agricultural land conversion and is also 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. The Group is now closely negotiating with the government on the conversion of two sites at Wu Kai Sha (烏溪沙) and Tai Po Tsai (大埔仔) for development to provide an attributable GFA of around 1.6 million sq. ft.. In addition, the Group is working on the acquisitions of old buildings for redevelopment purpose.



The Group is planning to launch the Deep Bay Grove (深灣畔) in Lau Fau Shan (流浮山) in the fourth quarter of 2006. Meanwhile, the Group is expected to launch five projects: Black's Link project (布力徑項目), Hunghom Peninsula (紅灣半島), Prince Edward Road West project (太子道西項目), Belcher's Street project (卑路乍街項目) and Ma Tin Road project (馬田路項目) to provide a total GFA of over 2.3 million sq. ft. in the coming months. In addition, the Hanoi Road Redevelopment Project in Kowloon will provide a 491,000 sq. ft. residential area.

Hong Kong Property Investment

During the year under review, the Group's gross rental income in Hong Kong amounted to HK$1,021.8 million, up 7% year-on-year. It was mainly due to a growing local economy and rising tourist number.

Driven by the strong pedestrian flow from KCR East Tsim Sha Tsui Station and the Avenue of Stars, both occupancy and rental rate for New World Centre grew satisfactorily.

Hong Kong's buoyant economy and the expanding scope of CEPA have created higher demand for office space. Both occupancy and rental rates of our office portfolio are expected to be further benefited.

The rising number of visitors to Hong Kong has enhanced the rental rates in prime tourist areas, like Tsim Sha Tsui. The 1.1-million sq. ft. GFA Tsim Sha Tsui Hanoi Road Redevelopment Project, which is scheduled to complete in 2008, has a 340,000-sq. ft. shopping mall with direct access to MTR Tsim Sha Tsui Station and KCR East Tsim Sha Tsui Station. Upon opening, it will further enhance our rental portfolio.

Hotels

The visitor arrivals to Hong Kong in the first half of 2006 reached above 12 million, up 11.1% year-on-year. Our hotel operations benefited from the rising visitor number. The Group's hotels in Hong Kong, namely Grand Hyatt Hong Kong, Renaissance Harbour View Hotel and Renaissance Kowloon Hotel, recorded an average occupancy of 85% and a 20% growth in average room rate achieved during the period under review.

The Group's hotels in Mainland China achieved a satisfactory growth in both occupancy and room rate. Our four hotels in Southeast Asia have a moderate growth in contribution.

To further capture the booming tourist demand, the Group will build three more hotels in Hong Kong located at Hanoi Road, the KCR University Station and the New World Centre Extension respectively.

New World Hotel Shenyang re-opened in September 2006 after renovation. The Group now has two hotels in Wuhan and Dalian under construction and both are expected to be completed in 2007.

New World China Land Limited ("NWCL")

During the period under review, 765,774 sq. m. were sold to generate gross proceeds of approximately HK$4.2 billion. 707,043 sq. m. GFA of development properties and 356,000 sq. m. GFA of investment projects were completed in FY2006. Total inventory as at 30 June 2006 amounted to 384,796 sq. m. GFA.

NWCL expects to complete around one million sq. m. GFA of properties in FY2007. From July to September 2006, NWCL sold and pre-sold approximately 320,000 sq. m. GFA.

A new series of macro control measures over the property market from the Central Government was announced starting May 2006. By curbing the speculation and stabilizing the price of the property market, those measures can direct the property market to a healthy and stable development in the long run.

NWCL brand is now well-recognized by the local home buyers. NWCL has been certified and selected into the China's real estate company brand value research top ten list by the "China Real Estate Top 10 Research Team" for two consecutive years, and was awarded "2006 Leading Company Brand in China Real Estate" this year. Meanwhile, NWCL was awarded "2006 China Blue Chip Real Estate Corporation" in September 2006. Recently, we have launched a re-branding exercise to strengthen the company's brand equity which is one of the key success factors for a national property developer.