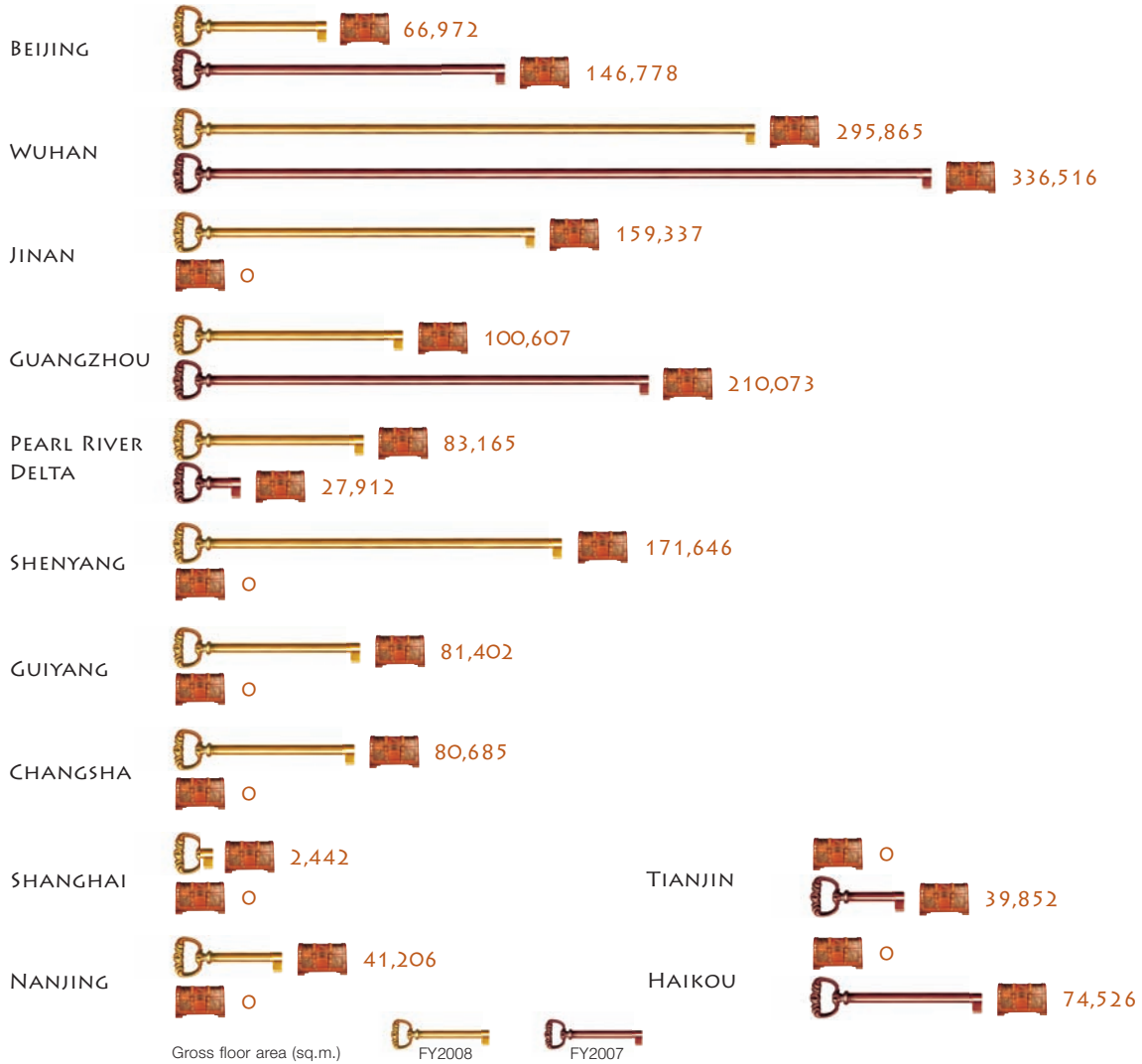
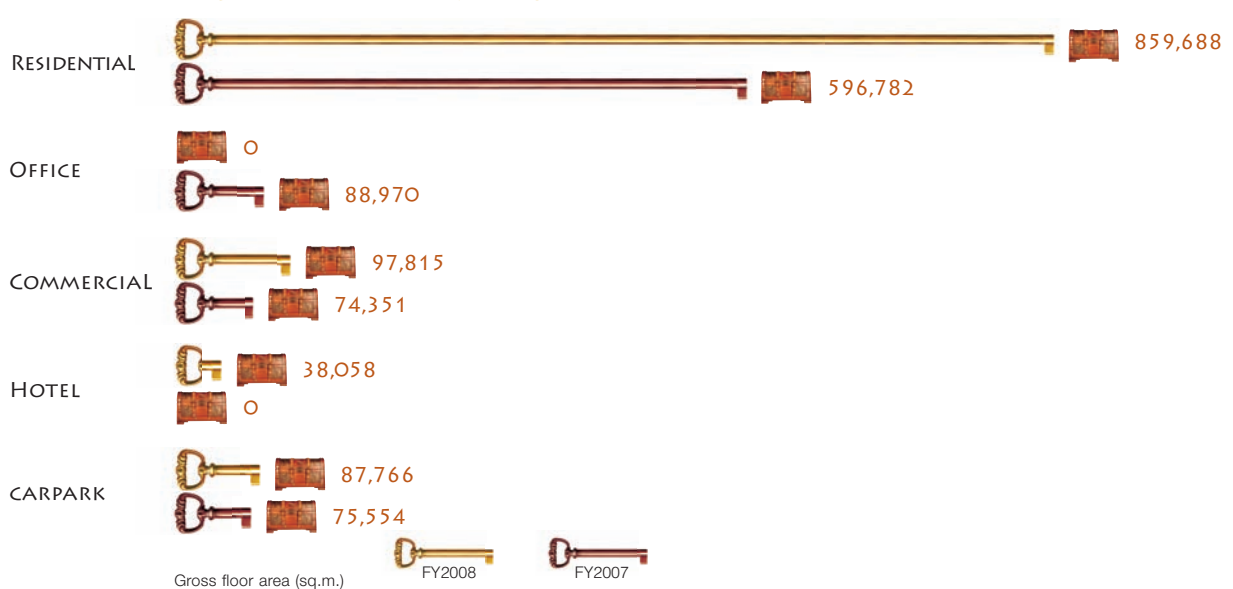


MANAGEMENT DISCUSSION AND ANALYSIS

Completion of gross floor area by location



Completion of gross floor area by usage



MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FY2008 RESULTS

In FY2008, the Group has recorded a profit of HK\$2,019.9 million, an increase of 70% over that of FY2007. The significant increase in profit for the year was attributable to improved performance achieved by two major operations of the Group, namely property sales and rental operation. The attributable operating profit ("AOP") before provision and finance costs amounted to HK\$1,761.1 million, representing an increase of 45% over that of FY2007. For the year ended 30th June 2008, the Group has completed a total gross floor area ("GFA") of 1,045,269 sq.m., an increase of 25% over FY2007. All the projects were completed on schedule except that the completion of 44,000 sq.m. of Chengdu Riverside New World Phase I has been delayed owing to impact from earthquake occurred in May 2008.

Analysis of Attributable operating profit ("AOP")

	FY2008 HK\$'000	FY2007 HK\$'000
Property sales	1,388,777	866,014
Rental operation	431,529	345,531
Hotel operation	(22,713)	13,929
Property management services	(3,027)	(6,191)
Others	(33,514)	(4,743)
AOP before provision and finance costs	1,761,052	1,214,540
Provision	(54,000)	(639)
Changes in fair value of investment properties, net of deferred taxation	406,074	446,030
Land appreciation tax	(469,091)	(238,462)
Tax indemnity from the ultimate holding company	369,620	188,424
Changes in fair value of financial assets	6,313	–
Excess of fair value of net assets acquired over cost of acquisition of subsidiaries	14,217	3,880
Gain on disposal of subsidiaries	183,048	–
Impairment of goodwill	(2,941)	(37,682)
Finance costs – project loans	(456,184)	(342,804)
AOP	1,758,108	1,233,287
Finance costs – corporate loans	(119,316)	(126,649)
Corporate administrative expenses	(158,703)	(125,404)
Deferred tax on undistributed profits	(33,427)	–
Net foreign exchange gains	515,013	161,239
Bank and other interest income	58,260	48,971
Profit attributable to equity holders of the Company	2,019,935	1,191,444

Property sales

In FY2008, property sales operation has achieved a marked increase in AOP to HK\$1,388.8 million or an increase of 60% over last financial year. The substantial AOP increase from property sales was mainly attributable to 35% increase in sales volume while maintaining overall gross profit margin at stable level. For the year ended 30th June 2008, a total GFA of 884,216 sq.m., up 35% year-on-year, were sold to generate gross sale proceeds of approximately RMB6.2 billion, up 19% year-on-year. An average gross profit margin of 33% and an average selling price of RMB7,016 per sq.m. were achieved in FY2008. As at 30th June 2008, the Group's inventory of completed property for sale amounted to a total GFA of 389,814 sq.m..

In FY2008, the Group has completed 11 property development projects in Beijing, Jinan, Shenyang, Wuhan, Changsha, Guangzhou, Guiyang and Zhuhai with a total GFA of 920,735 sq.m., an increase of 44% over FY2007.

Development property projects completed in FY2008	Usage	Total GFA (sq.m.)	NWCL's interest
Beijing Xin Yi Garden Phase II (北京新怡家園二期)	R, C	50,443	70%
Beijing Xin Kang Garden Phase III (北京新康家園三期)	R	6,822	70%
Jinan Sunshine Garden Phase II (濟南陽光花園二期)	R, C, P	159,337	100%
Shenyang New World Garden Phase ID (瀋陽新世界花園一期D)	R	143,508	90%
Wuhan Changqing Garden Phase VIB (武漢常青花園六期B)	R	144,206	60%
Wuhan Changqing Garden Phase VII (武漢常青花園七期)	R, C	50,612	60%
Wuhan Xin Hua Garden Phase IV (武漢新華家園四期)	R, C	55,686	60%
Changsha La Ville New World Phase I (長沙新城新世界一期)	R, C	80,685	45%
Guangzhou Park Paradise Phase IID2 (廣州嶺南新世界二期D2)	R	64,869	60%
Guiyang Jinyang Sunny Town Phase I (貴陽金陽新世界一期)	R, P	81,402	50%
Zhuhai New World Riviera Garden Phase III (珠海新世界海濱花園三期)	R, C	83,165	100%
Total		920,735	

R: Residential
C: Commercial
P: Carpark
H: Hotel

Rental operation

The rental operation recorded an AOP of HK\$431.5 million in FY2008, up 25% year-on-year. The Group's investment property portfolio has increased by 124,534 sq.m., mainly from the completion of Nanjing New World Centre shopping arcade, Guangzhou Xintang New World Garden shopping mall, the commercial area and car parks at Shenyang New World Garden and Guangzhou Park Paradise.

Benefited from the continuing improvement in the rentals of Beijing New World Centre shopping arcade and increase in occupancy of office premises, together with the expansion of the rental property portfolio, the Group has achieved a significant increase in AOP from rental operation. The effect of occupancy improvement was particularly prominent for Wuhan New World Centre and Wuhan New World International Trade Towers.

In FY2008, the Group has completed eight property investment projects in Beijing, Shenyang, Nanjing, Shanghai, Wuhan and Guangzhou with a total GFA of 124,534 sq.m..

Investment properties completed in FY2008	Usage	Total GFA (sq.m.)	NWCL's interest
Beijing Xin Yi Garden Phase II (北京新怡家園二期)	C, P	5,683	70%
Beijing New View Garden Phase II (北京新景家園二期)	C	4,024	70%
Shenyang New World Garden Phase ID (瀋陽新世界花園一期D)	C, P	28,138	90%
Nanjing New World Centre Phase II (南京新世界中心二期)	C	41,206	92%
Shanghai Jiu Zhou Shopping Arcade (上海九州商場)	C	2,442	75%
Wuhan Xin Hua Garden Phase IV (武漢新華家園四期)	P	7,303	60%
Guangzhou Park Paradise Phase IID2 (廣州嶺南新世界二期D2)	C, P	24,808	60%
Guangzhou Xintang New World Garden Phase IV (廣州新塘新世界花園四期)	C	10,930	63%
Total		124,534	

Hotel operation

In FY2008, construction of New World Hotel Wuhan with 327 rooms has been completed. The Group's hotel portfolio currently comprises 5 hotels with 2,117 rooms.

Hotel portfolio	Number of rooms
Courtyard by Marriot Beijing (北京萬怡酒店)	293
New World Mayfair Hotel Shanghai (上海巴黎春天大酒店)	860
New World Hotel Shenyang (瀋陽新世界酒店)	261
New World Hotel Wuhan (武漢新世界酒店)	327
Courtyard by Marriot Shunde (順德萬怡酒店)	376
Total	2,117

The AOP from hotel operation turned into a loss of HK\$22.7 million in FY2008. The overall hotel operating results have been declining with drop in occupancy rates and decrease in room rates during renovation of Courtyard by Marriot Beijing & New World Mayfair Hotel Shanghai. New World Hotel Wuhan was launched in April 2008. Therefore, its pre-matured results also dampened the contributions from hotel operation.

Other operations

The AOP from other operations recorded a loss of HK\$33.5 million in FY2008. The increased losses was mainly resulted from the Group's attributable share of a lump sum termination fee paid to previous manager for buyouts of the existing management contracts of New World Hotel Shenyang and New World Hotel Xian.

MANAGEMENT DISCUSSION AND ANALYSIS

There are currently five New World Group's hotels managed by the New World Hotel Management Company Limited. They are New World Hotel Beijing, New World Mayfair Hotel Shanghai, New World Hotel Shenyang, New World Hotel Wuhan and New World Hotel Xian with a total of 2,359 rooms.

In FY2009, the Group plans to complete 14 projects with a total GFA of 1,103,184 sq.m..

Properties to be completed in FY2009	Usage	Total GFA (sq m)	NWCL's interest
Dalian New World Tower (大連新世界大廈)	R, C, H, P	128,631	100%
Wuhan New World Centre (武漢新世界中心)	C	11,049	100%
Wuhan Menghu Garden Phase III (武漢夢湖香都三期)	R	15,660	70%
Wuhan Changqing Garden Phase VII (武漢常青花園七期)	R, C, P	168,545	60%
Wuhan Xin Hua Garden Phase IV (武漢新華家園四期)	R, P	61,233	60%
Chengdu Riverside New World Phase I (成都河畔新世界一期)	R	92,080	30%
Changsha La Ville New World Phase I (長沙新城新世界一期)	R, C, P	220,966	45%
Guangzhou New World Oriental Garden Phase II (廣州東方新世界二期)	R, P	15,265	100%
Guangzhou Covent Garden Phase III (廣州逸彩庭園三期)	R, C, P	33,761	60%
Guangzhou Park Paradise Phase IID3 (廣州嶺南新世界二期D3)	R, P	136,971	60%
Guangzhou Park Paradise Phase IIE1 (廣州嶺南新世界二期E1)	R	14,450	60%
Guangzhou Xintang New World Garden Phase V (廣州新塘新世界花園五期)	R, C, P	89,328	63%
Guiyang Jinyang Sunny Town Phase I A (貴陽金陽新世界一期A)	R	50,855	50%
Zhaoqing New World Garden Phase II (肇慶新世界花園二期)	R	64,390	40%
Total		1,103,184	

LIQUIDITY AND CAPITAL RESOURCES

As at 30th June 2008, the Group's cash and bank deposits amounted to HK\$4,825 million (30th June 2007: HK\$6,396 million). The decrease in cash and bank deposits was mainly due to scheduled payment of land premium of land newly acquired recently. The Group's consolidated net debt (aggregate of borrowings, net of cash and bank balances) amounted to HK\$9,855 million (30th June 2007: HK\$4,869 million), translating into a gearing ratio of 31.8% (30th June 2007: 17.7%). The gearing ratio is calculated on the basis of net debts over total equity.

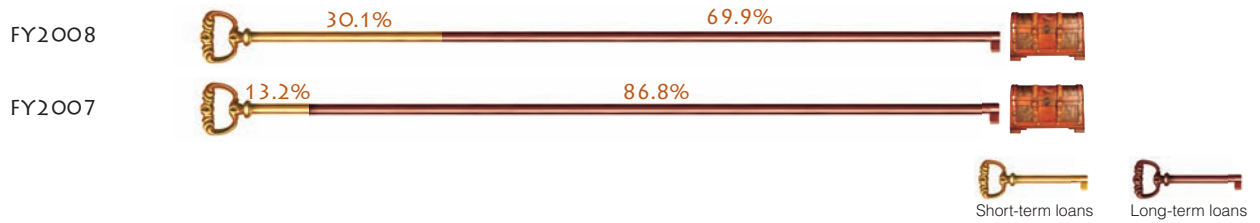
The Group's borrowings from banks and fellow subsidiaries and liabilities of convertible bonds as at 30th June 2008 totalled HK\$13,613 million (30th June 2007: HK\$10,417 million) of which 16.7% were secured by way of charges over assets and 83.3% were unsecured.

The maturity profile of the Group's borrowings from banks and fellow subsidiaries and liabilities of convertible bonds is set out as follows:

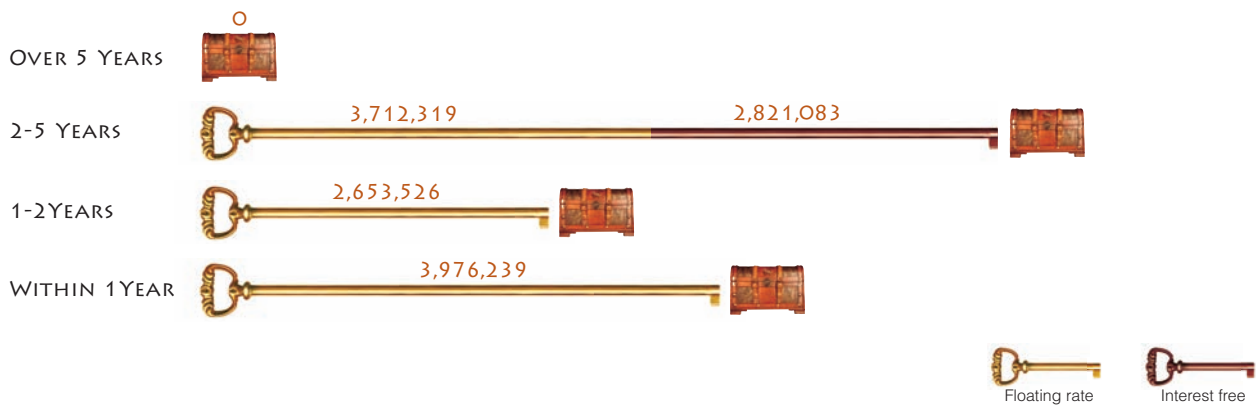
	2008 HK\$'million	2007 HK\$'million
Repayable:		
Within one year	4,426	1,467
Between one and two years	2,654	2,763
Between two to five years	6,533	6,065
Over five years	–	122
	13,613	10,417

As at 30th June 2008, the Group's committed unutilised bank loan facilities amounted to HK\$2,548 million (30th June 2007: HK\$1,288 million).

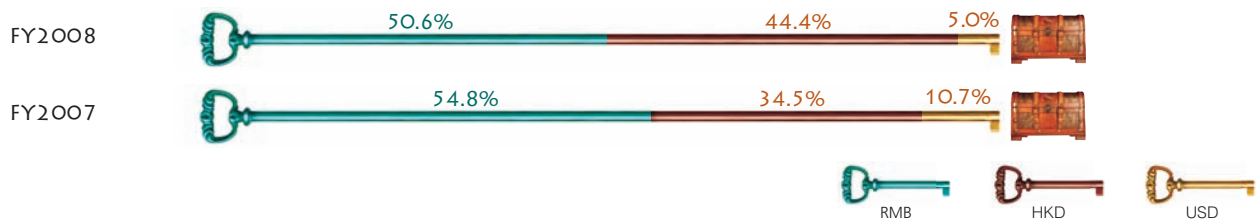
Source of borrowings



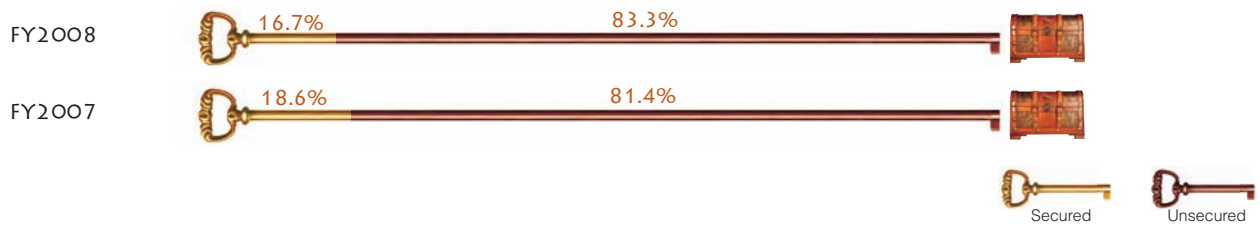
Interest rate and maturity profile (HK\$'000)



Currency profile of borrowings



Nature of debt



MANAGEMENT DISCUSSION AND ANALYSIS

Capital expenditure commitments

The capital expenditure commitments of the Group as at 30th June 2008 were HK\$173,711,000 (30th June 2007: HK\$149,591,000) of which HK\$65,711,000 (30th June 2007: HK\$41,591,000) were contracted but not provided for in the financial statements and HK\$108,000,000 (30th June 2007: HK\$108,000,000) were authorised but not contracted for. The Group did not have any share of capital commitments of jointly controlled entities (30th June 2007: Nil). The source of funding for capital commitments are internally generated resources and bank loan facilities.

Foreign currency exposure

The Group conducts its business mainly in Renminbi. Other than certain bank balances and borrowings denominated in Hong Kong dollar and United States dollar, the Group does not have any material direct exposure to foreign exchange fluctuations. During the year under review, the Group has not used any foreign currency derivative product to hedge its exposure to currency risk.

Treasury policies

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

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

CONTINGENT LIABILITIES

As at 30th June 2008, the Group has contingent liabilities of approximately HK\$2,350,081,000 (30th June 2007: HK\$2,535,903,000) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities. The slight decrease in contingent liabilities was mainly due to loan repaid during the year partly offsetting by the increase in Hong Kong dollar equivalent balances of bank loans denominated in Renminbi as a result of appreciation of Renminbi as at 30th June 2008.

As at 30th June 2008, the Group had provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of properties developed by certain subsidiaries of the Group amounting to HK\$995,605,000 (30th June 2007: HK\$398,402,000).

DETAILS OF CHARGES ON GROUP'S ASSETS

As at 30th June 2008, the Group's property, plant and equipment, investment properties, land use rights, properties held for development, properties under development, completed properties held for sale and bank deposits of HK\$456,546,000 (30th June 2007: HK\$510,541,000), HK\$2,157,547,000 (30th June 2007: HK\$1,853,135,000), HK\$297,343,000 (30th June 2007: HK\$146,646,000), HK\$261,345,000 (30th June 2007: Nil), HK\$1,345,017,000 (30th June 2007: HK\$117,802,000), HK\$10,499,000 (30th June 2007: HK\$112,228,000) and HK\$456,468,000 (30th June 2007: HK\$464,303,000) respectively have been pledged as securities for short term and long term loans.

EMPLOYEES AND REMUNERATION POLICY

As at 30th June 2008, the Group has 3,742 full-time employees. Total staff related costs incurred during the year under review were HK\$238 million (2007: HK\$203 million), of which retirement benefits were included. Remuneration of employees is reviewed annually based on assessment of individual performance. Discretionary year-end bonus was paid to employees based on individual performance.

MAJOR ACQUISITION OR DISPOSAL

On 30th June 2008, the Group disposed of its entire interest in Billion Glory Group Limited (“Billion Glory”) to the group of New World Department Store China Limited for an aggregate consideration of HK\$270 million resulting in a net gain on disposal of approximately HK\$33 million. The principal asset of Billion Glory is its holding of the entire equity interest in Shenyang Trendy Property Company Limited which is the owner of a commercial property in Nanjingnan Street, Heping District, Shenyang, Liaoning Province, the PRC with a total gross floor area of approximately 13,889.55 sq.m..