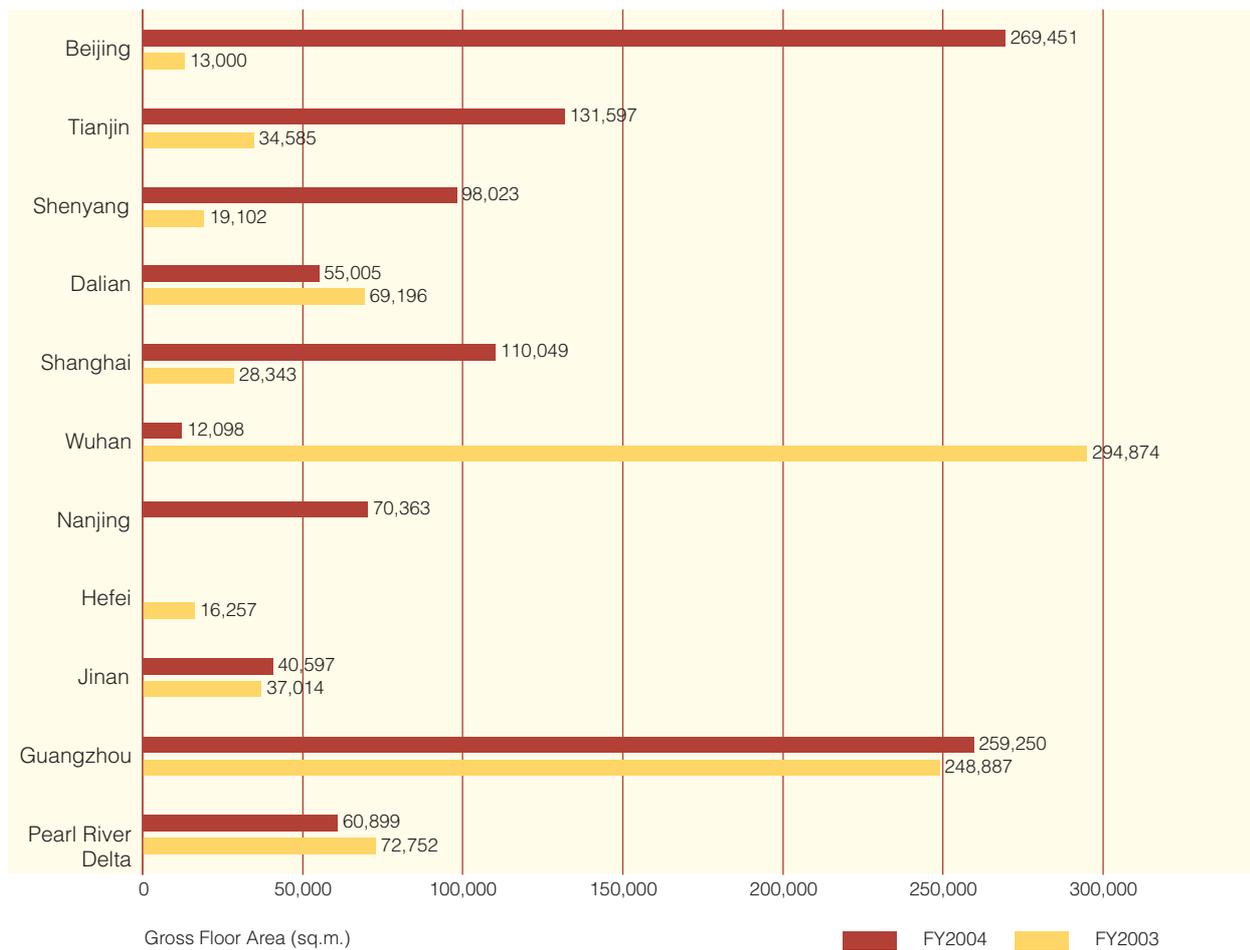
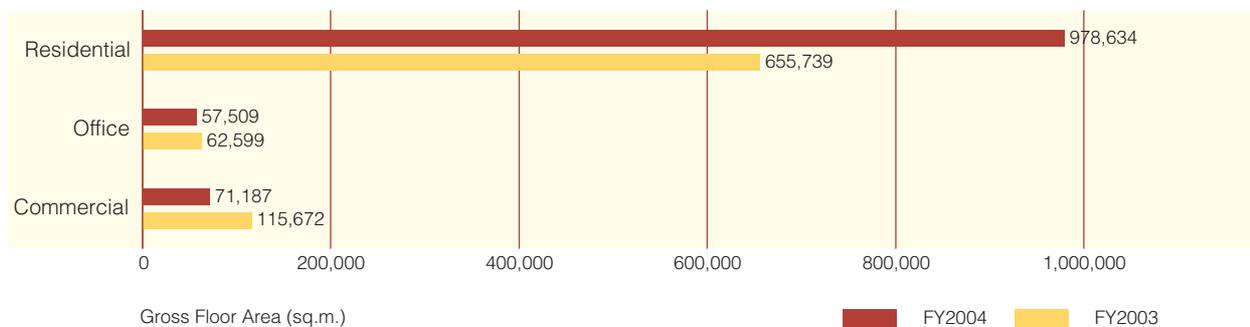


### Completion of Gross Floor Area by Location



### Completion of Gross Floor Area by Usage



## REVIEW OF 2004 RESULTS

For the year under review, the Group posted a profit of HK\$127.35 million as compared to a loss of HK\$1,705.56 million in FY2003. Turnover of the Group reached HK\$2,521.78 million, an increase of over 362.2% compared to last year. The significant improvement in results of FY2004 was attributable to the improvement in all four major segments including property sales, rental operation, hotel operation and property management services.

<b>Analysis of Attributable operating profit ("AOP")/(loss)</b>		
	<b>2004</b>	2003
	<b>HK\$'000</b>	(As restated) HK\$'000
Property sales	<b>146,460</b>	(175,847)
Rental operation	<b>93,762</b>	65,148
Hotel operation	<b>18,684</b>	5,859
Land sale	—	2,565
Property management services	<b>(5,566)</b>	(13,388)
Others	<b>(1,813)</b>	—
AOP/attributable operating loss ("AOL") before provisions, revaluation deficits and finance costs	<b>251,527</b>	(115,663)
Less: Provisions and revaluation deficits	<b>(160,298)</b>	(1,327,966)
Provisions and revaluation deficits written back	<b>223,743</b>	—
Finance costs — project loans	<b>(75,189)</b>	(103,468)
AOP/(AOL)	<b>239,783</b>	(1,547,097)
Finance costs — corporate loans	<b>(14,605)</b>	(41,982)
Corporate administrative expenses	<b>(117,685)</b>	(124,307)
Bank and other interest income	<b>19,853</b>	7,824
Profit/(loss) attributable to shareholders	<b>127,346</b>	(1,705,562)

## Property Development

In FY2004, the Group has completed 15 projects with a total GFA of 997,283 sq.m., representing a 39% increase from FY2003. The overall sales volume of properties reached 909,772 sq.m. during the year, an increase of more than 62% over previous year's, of which over 63.4% of current year sales were from sale of projects completed during the year. With the increase in both completion and sales volume, the Group was able to achieve improvement in attributable gross profit from property sales.

Furthermore, the unexpected quick market rebound after SARS presented an opportunity for us to improve sales margin by increased selling price of our newly completed properties and inventory. The market pick-up was especially prominent in Guangzhou and Beijing. In FY2004, property sales recorded an AOP of HK\$146.46 million against an attributable operating loss of HK\$175.85 million in FY2003.

The Group continues to place emphasis in achieving quicker cash flow return by clearing up inventory. During the year under review, the Group has sold out inventory units of over 333,000 sq.m., an increase of over 94% compared to that of last year. With the improved market sentiment, the Group will continue its strategy to improve cash flow return by clearing up inventory of property units with better gross profit margin compared to that of last year.

We have incurred comparatively higher selling and marketing expenses, mostly on advertising programmes and promotion campaigns, due to increase in number of properties being launched to the market. The advertising and promotion expenses were well spent given the increase in sales volume and gross margin.

**Property Development** (continued)

<b>Development property projects completed during FY2004</b>			
Projects	Usage	Total GFA	Attributable
		(Sq.m.)	Interest
Beijing Xin Kang Garden Phase III	R	77,420	70%
Beijing Xin Yu Garden Block 3 & 4	R, C	70,526	70%
Chateau Regalia Beijing	R	121,505	100%
Tianjin New World Garden Phase I	R, C	54,226	60%
Tianjin New World Garden Phase II	R, C	77,371	60%
Shenyang New World Garden Phase IC	R	98,023	90%
Dalian Manhattan Tower II	R, O	55,005	88%
Wuhan Menghu Garden Phase IA	R	12,098	70%
Jinan Sunshine Garden Phase I	R	40,597	65%
Nanjing New World Centre	R	70,363	92%
Guangzhou Covent Garden Phase II	R	28,918	60%
Guangzhou Central Park-view Phase I	R	62,704	91%
Guangzhou New World Oriental Garden Phase I	R	117,715	100%
Guangzhou Xintang New World Garden Phase II	R	49,913	60%
Huiyang Palm Island Resort Phase IV	R	40,372	34%
Shunde New World Convention & Exhibition Centre Phase II	R	20,527	35%
<b>Total</b>		<b>997,283</b>	

<b>Development property projects to be completed in FY2005</b>			
Projects	Usage	Total GFA	Attributable
		(Sq.m.)	Interest
Beijing Xin Kang Garden Phase III	R	7,000	70%
Beijing New World Garden Phase II	R	60,984	70%
Beijing Xin Cheng Commercial Building	C, O	36,964	70%
Beijing Xin Yang Commercial Building	C	2,313	70%
Wuhan Menghu Garden Phase IB	R	13,223	70%
Wuhan Xin Hua Garden Phase II	R	39,073	60%
Jinan Sunshine Garden Phase II	R	13,943	65%
Nanjing New World Centre	C, O, R	113,709	92%
Guangzhou Covent Garden Phase II	R	67,896	60%
Guangzhou Central Park-view Phase IB	R	73,964	91%
Guangzhou Park Paradise Phase II	R	74,729	60%
Guangzhou Park Paradise Phase III	R	8,788	60%
Guangzhou Xintang New World Garden Phase II	R	37,000	60%
Huiyang Palm Island Resort Phase V	R	32,000	34%
Huizhou Changhuyuan Phase II	R	60,062	60%
Shenzhen New World Yi Shan Garden Phase II	R	36,088	90%
Zhuhai New World Riviera Garden Phase II	R	29,469	100%
<b>Total</b>		<b>707,205</b>	

R : Residential  
 C : Commercial  
 O : Office

In FY2005, the Group plans to complete 16 projects to provide a total GFA of 707,205 sq.m.. Together with the remaining inventory of 595,743 sq.m. as at 30th June 2004, the Group has approximately 1.3 million sq.m. of properties for sale.

## Rental Operation

With full completion of Shanghai Hong Kong New World Tower in FY2004, our investment property portfolio comprising office, apartment, shopping mall and car park has increased to over 1 million sq.m. to provide a stable recurrent income base for the Group. AOP from rental operation recorded a year-on-year growth of 43.9% to HK\$93.76 million. The marked improvement in rental performance was mainly come from positive contribution from Beijing New World Centre for which rental was charged on turnover basis. The AOP was further enhanced from the increased number of property units leased out from Shanghai Belvedere Apartment and increased rental rates upon renewal of leases during the year.

### Investment property completed during FY2004

Project	Usage	Total GFA (Sq.m.)	Attributable Interest
Shanghai Hong Kong New World Tower	C, O	110,049	44%

In FY2005, the Group plans to complete 2 investment properties in Guangzhou and Wuhan to further enhance our investment property portfolio.

### Investment properties to be completed in FY2005

Projects	Usage	Total GFA (Sq.m.)	Attributable Interest
Guangzhou Central Park-view Phase IB	C, O, R	39,782	91%
Wuhan International Trade & Commerce Centre Phase III	O	44,840	100%
<b>Total</b>		<b>84,622</b>	

## Hotel Operation

With the completion of the 860-room Mayfair Hotel Shanghai in FY2004, our hotel portfolio now comprises of 4 hotels providing 1,790 guest rooms. The hotel sector in Mainland China has been picking up gradually after SARS period with increased occupancy.

### Hotel portfolio

Hotel	No. of rooms
New World Courtyard Hotel, Beijing	293
Mayfair Hotel Shanghai	860
New World Hotel, Shenyang	261
New World Courtyard Hotel, Shunde	376
<b>Total</b>	<b>1,790</b>

## Provision

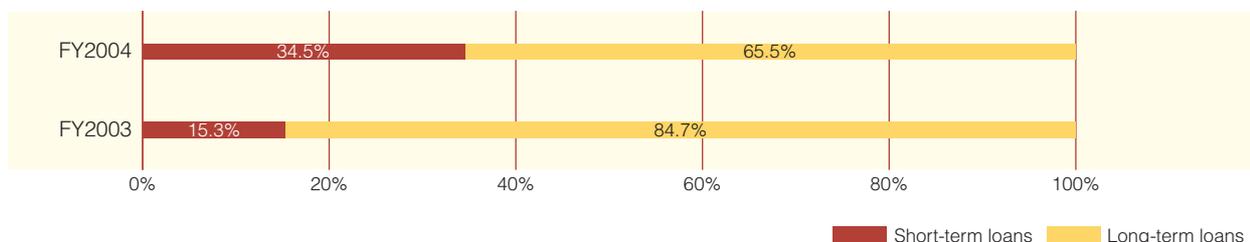
Further provision attributable to the Group of HK\$160.30 million had been made on certain projects with reference to valuation as at 30th June 2004 and latest selling price of our launched projects. The major projects involved were certain development projects in Foshan and Tianjin.

On the other hand, with reference to open market valuation of hotels and properties as at 30th June 2004 and the prevailing market condition, provisions attributable to the Group of HK\$223.74 million previously provided were written back in FY2004.

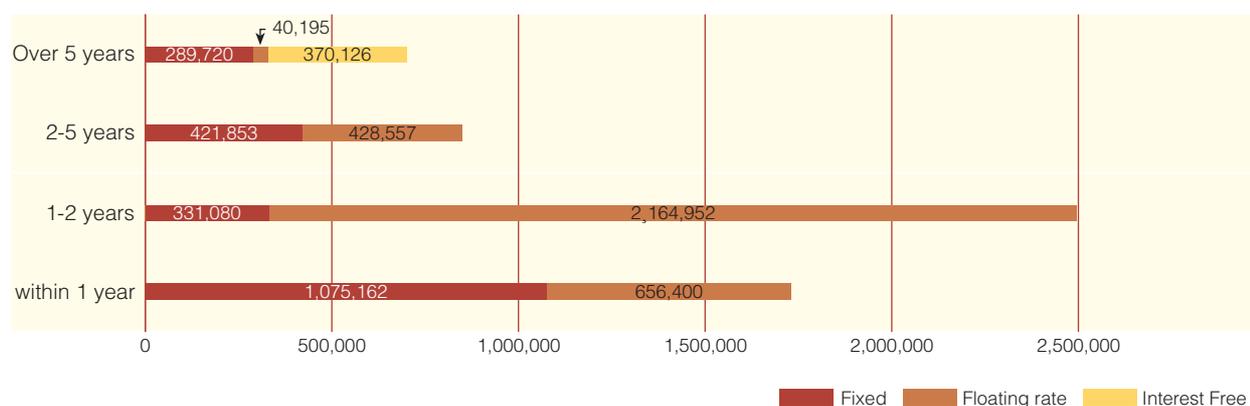
## Finance costs

In FY2004, finance costs dropped to HK\$75.2 million and HK\$14.6 million for project loans and for corporate loans respectively. Borrowing costs were decreased following the increase in completion and sales of projects for which some of the project loans borrowed were repaid during the year. The decrease was further resulted from decrease in releasing capitalised interest for existing project loans for future phases of certain large property projects comparing to last year.

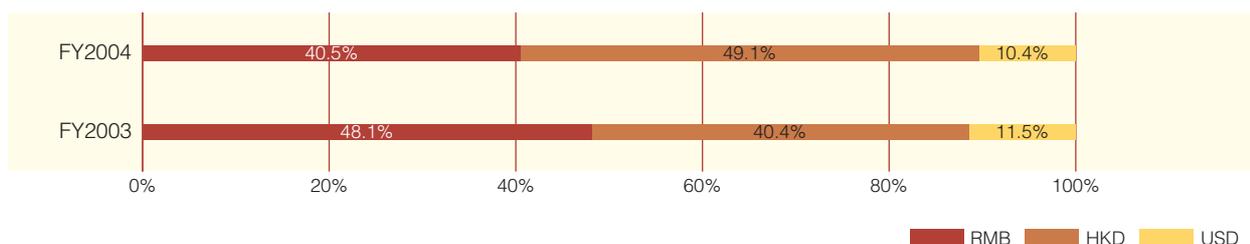
### Source of Borrowings



### Interest Rate and Maturity Profile (HK\$'000)



### Currency Profile of Borrowings



## LIQUIDITY AND CAPITAL RESOURCES

As at 30th June 2004, the Group's cash and bank deposits amounted to HK\$891.29 million (30th June 2003: HK\$1,330.21 million). Its consolidated net debt amounted to HK\$4,878.30 million (30th June 2003: HK\$5,122 million), translating into a gearing ratio of 29.8% (30th June 2003: 31.6%).

The Group maintained a balanced debt profile with adequate risk diversification through specifying the preferred mix of fixed and floating rate debt, the permitted currency exposure and a

well-balanced spread of maturity. The Group's capital structure strikes a balance between equity, bank loans, loans from fellow subsidiaries and loans from minority shareholders of certain subsidiaries of the Group. The Group policy is to leverage funding by straight debts rather than quasi-debt financial instruments and to borrow in local currencies where possible. The proportion of bank loans denominated in Renminbi that the Group has procured directly in Mainland China are continuously being increased to mitigate the foreign currency exposure of the Group.

Amount of debt due within the FY2005 amounts to HK\$2,133.43 million, which should be comfortably served by our cash on hand of HK\$891.29 million and by improved property sales proceeds and rental income.

As at 30th June 2004, 23.65% (30th June 2003: 28%) of the total outstanding loans was secured by the Group's assets.

Over 53.2% (30th June 2003: 44%) of the Group's total debts are on a floating rate basis, whilst fixed rate borrowings are mainly related to the Renminbi loan facilities. As at 30th June 2004, the Group's committed unutilised bank loan facilities amounted to HK\$602.80 million (30th June 2003: HK\$734.00 million).

## FOREIGN CURRENCY EXPOSURE

The Group's property projects are all located in Mainland China. Funding for their development is inevitably achieved by cross-border investments through numerous Sino-foreign owned joint ventures in the form of registered capital injected into these joint ventures and shareholder's loan advances. As a result of this locality restriction, the return of such funding is either through repayment of shareholders' advance, interest costs or cash dividend. The funding made from Hong Kong to Mainland China is all denominated in either US dollars or Hong Kong dollars and this quasi-capital investment funding is legally required to go through the registration process in Foreign Exchange Bureaus in China before being converted to Renminbi for funding the development costs. The return of these fundings out of China has to be made in the same original currency remitted from Hong Kong and has to go through the releasing registration procedures. Hence the Group is effectively not exposed to foreign currency risk on return of our investments. Owing to the unique nature of China's foreign currency control system, and our Group's view on the foreseeable continuity of the Hong Kong Dollar peg, the exposure of foreign currency fluctuation is not regarded as substantial. The Group has hence conducted minimal hedging activities.

## CONTINGENT LIABILITIES

As at 30th June 2004, the Group has contingent liabilities of approximately HK\$2,598,081,000 (30th June 2003: HK\$2,068,623,000) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities. The rise in contingent liabilities indicates the continuing financing requirements of the Group's property projects.

## MAJOR ACQUISITIONS AND DISPOSALS

During the year, there is no major acquisition or disposal undertaken by the Group.

## DETAILS OF THE CHARGES ON GROUP'S ASSETS

As at 30th June 2004, the Group's investment properties, hotel properties, completed properties held for sale, property held for development, property under development and bank deposits of HK\$266,579,000 (30th June 2003: HK\$297,862,000), HK\$803,739,000 (30th June 2003: Nil), HK\$657,517,000 (30th June 2003: HK\$116,642,000), HK\$919,892,000 (30th June 2003: HK\$91,215,000), HK\$285,600,000 (30th June 2003: HK\$808,478,000) and HK\$74,128,000 (30th June 2003: HK\$427,635,000) respectively have been pledged as securities for short term and long term loans. As at 30th June 2003, assets under construction of HK\$910,412,000 were pledged as securities for short term loans and long term loans.

## EMPLOYEE'S INFORMATION

As at 30th June 2004, the Group had 1,887 full-time employees. Remuneration of the employees are reviewed annually based on the assessment of individual performance. Discretionary year-end bonus was paid to employees based on individual performance. Share options, as part of basic remuneration package, have also been offered to all employees to strengthen loyalty to the Group.