



Government Policies

Business Opportunities

2006 Annual Report



New World China Land Limited
(Stock Code : 0917)

New World New Living

brings new vision of urban living



Our vision is based on our relentless pursuit of new concept in urban living. We provide quality housing and comfortable living environment to different families, contribute to the creation of a modern Chinese society in which people of different walks of life can live in harmony.

Missions

Transforming city vistas

We have dedicated ourselves in rejuvenating old city neighbourhood through comprehensive redevelopment plans. As a living embodiment of China's cosmopolitan life, these mixed-use redevelopments have been undertaken to rejuvenate the old city into vibrant communities characterised by eclectic urban housing, ample public space, shopping, entertainment and leisure facilities.

Spurring business opportunities

We have developed large-scale multi-purpose commercial complexes, all well-recognised city landmarks that generate new business opportunities and breathe new life into throbbing hearts of Chinese metropolitans.

Creating modern communities

We pride ourselves on having created large scale self-contained communities that nurture family living and promote a healthy cultural and social life.

Refining living lifestyle

Our resort-style residential properties bring together exotic tropical landscape and mood-inspiring architecture. In addition to redefining aesthetic standards and envisioning a new way of living, we enable owners and residents to experience for themselves the exquisite and sensual lifestyle enjoyed by home buyers around the world.

Contents

1	Missions
2	Our portfolio
4	Chairman's statement
6	Financial highlights
8	Business review
54	Management discussion & analysis
60	Corporate governance report
64	Directors' profile
68	Senior management profile
70	Corporate citizenship
72	Contents: financial section
170	Major project profiles
178	Glossary of terms
180	Corporate information

BRAND VALUES AND ESSENCE

Unsurpassed Quality and Long Term Value

No matter what products or services we are offering, "Quality" is always at our heart. Our continuous adherence to excellent quality has won long term reliable reputation in the market. We choose the best locations in town to develop world-class properties with quality property management services. Our determination in providing the best contributes to preservation of asset value in the long run.

Comprehensive Property Development

We develop wide ranges and types of properties to cater for varying demands on sizes and functions from different market segments. Our dedicated professionalism and wide embracing experiences in project planning and execution have enable us to handle the stringent demand of multi-product lines with ease.

Building City and Corporate Citizenship

We value corporate citizenship and are actively involved in continuous development of the local community. We commit ourselves to long term urban redevelopment projects, and participate enthusiastically in national and local charity programmes. Our act of good corporate citizenship has inspired the locals in joining us to create a more harmonious society.

Localised Hong Kong Brand

As a Hong Kong based and well recognised brand, we fully apply our advanced and wide embracing experience in Hong Kong to property development in Mainland China, while at the same time develop projects that meet the needs of the city. We value local concepts, we understand market operation and culture through extensive staff localisation, and as a result, we become an integral part of the local community.

Reliability and Reputation

With over 30 years of property development experience and 20 years of investment experience in Mainland China, we are undoubtedly a mature and reliable developer with outstanding reputation in complying with local market rules and government regulations.





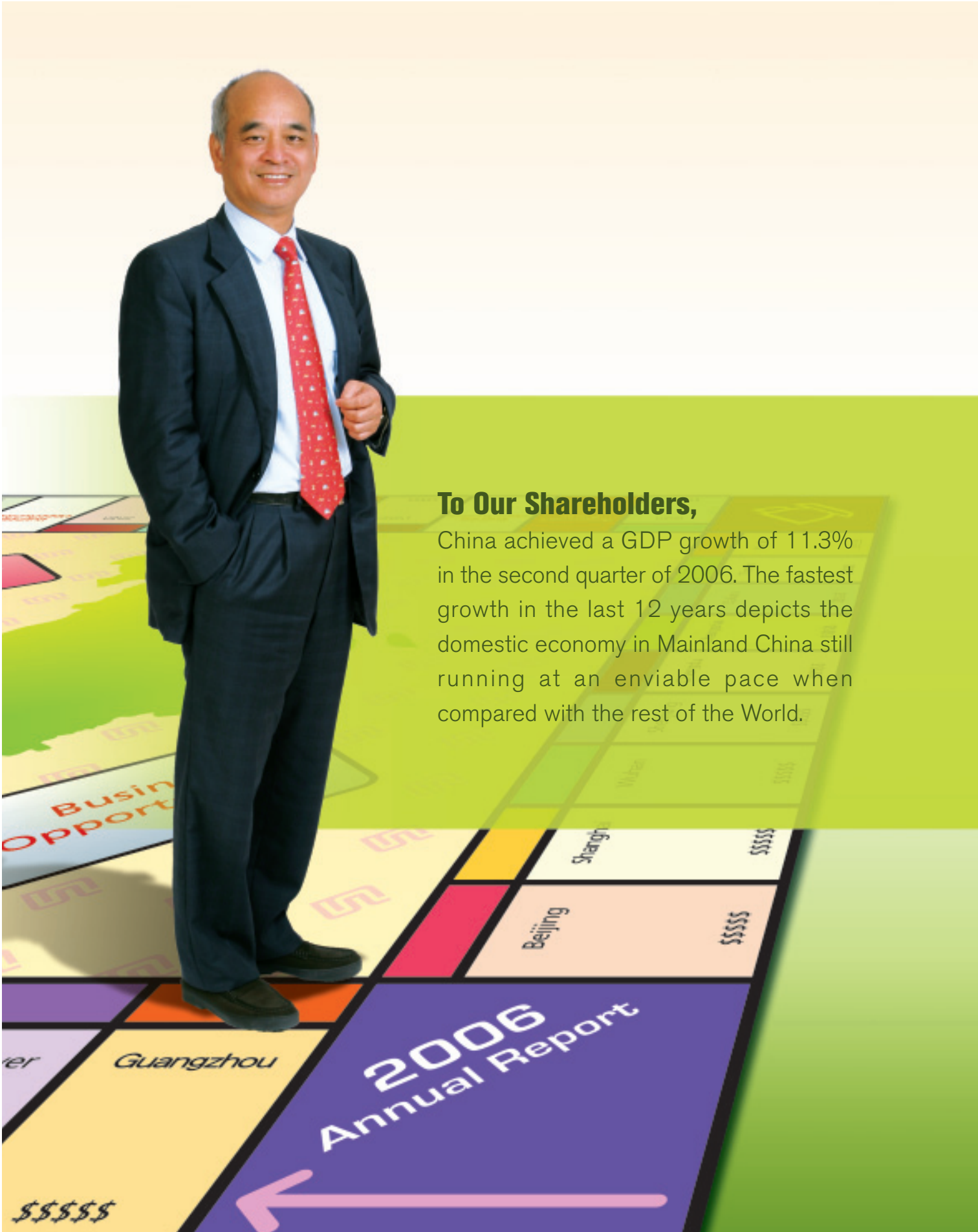
Property portfolio by type		sq.m.
Major development projects for sale	15,760,863	
Investment properties under development	230,114	
Completed investment properties	1,315,932	
Hotel properties under development	73,002	
Completed hotel properties	155,101	
Total	17,535,012	

Property portfolio by location	
Beijing	2,842,112
Tianjin	237,299
Shenyang	2,974,170
Dalian	312,675
Shanghai	1,024,677
Wuhan	2,918,364
Guangzhou	4,012,640
Pearl River Delta	2,343,968
Other regions	869,107
Total	17,535,012

Property portfolio by usage	
Residential	10,903,495
Commercial	1,976,817
Office	989,615
Hotel	280,225
Others	3,384,860
Total	17,535,012

Newly acquired projects	
Gross Floor Area	7,270,000

Chairman's Statement



To Our Shareholders,

China achieved a GDP growth of 11.3% in the second quarter of 2006. The fastest growth in the last 12 years depicts the domestic economy in Mainland China still running at an enviable pace when compared with the rest of the World.

The resilient economic growth, stable increase of average income per capita and the expectation of Renminbi appreciation support the stable growth of real estate market in Mainland China. New World China Land is at the best position to take advantage of this market trend, given the Group's strategic exposure in the downtown areas of key cities.

After several years of development, the China property market has evolved to a new stage. To be a successful property developer in this new era, one has to continuously pay attention to three aspects: land-reserving, execution and branding.

Land-reserving is to have the right size of land bank at the right locations. New World China Land's large land reserve is a definite asset to our operation, given the ever increasing land prices and difficulties in acquiring new pieces of land under the new land policy which had been in place since 31st August 2004. Recently, we have also started to expand our footprint to second-tier which provide better margins.

Execution is to produce the right product to match the demand at the right time. New World China Land develops wide ranges and types of properties to cater for varying demands on sizes and functions from different market segments. Our dedicated professionalism in our approach to projects and wide embracing experiences enable us to handle the stringent demand of multi-product lines with ease.

The Group plans to complete around one million sq. m. GFA of properties in FY2007. From July to September 2006, the Group sold and pre-sold 320,000 sq. m. GFA. The 300,000 sq. m. Wuhan New World Centre at the bustling downtown commercial district will be completed in 2007. In addition, the Group also has two major projects in the pipeline. The first one is the 500,000 sq. m. Shanghai New World Garden located adjacent to the World Expo 2010 Shanghai China site. The second one is the 200,000 sq. m. Dalian New World Tower located in the downtown financial district of Dalian. New World China Land will soon be running with full throttle.

Branding is to create an acquired response from a target audience based on cumulative impressions and positive reinforcement. Branding is no longer a fashion gimmick. It is also an important selection criterion for home buyers. New World China Land is now well-recognised by the local home buyers. The Group has been certified and selected into the China's real estate company brand value research top ten list by the "China Real Estate Top10 Research Team" for two consecutive years, and was awarded the "2006 Leading Company Brand in China Real Estate" this year. Meanwhile, the Group was also awarded "2006 China Blue Chip Real Estate Corporation" in September 2006. Recently, we have launched a re-branding exercise to strengthen the corporate brand equity which is one of the key success factors as a national property developer.

A new series of macro control policies has been announced starting from May 2006. Again, like the measures introduced in the first quarter of 2005, we believe the aim of the central government is to curb the speculation and stabilize the price of the property market and direct the property market to a healthy and stable development in the long run. This is exactly what a long-term, committed developer like us desire.

Dr Cheng Kar-shun, Henry

Chairman and Managing Director

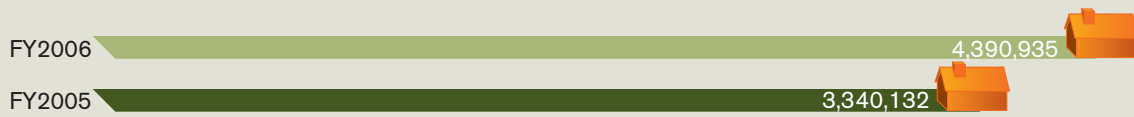
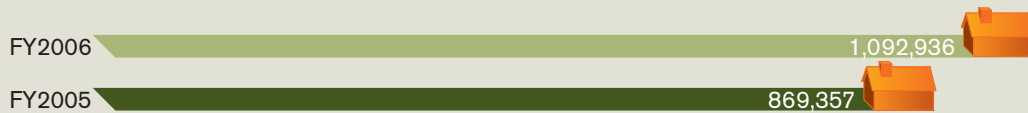
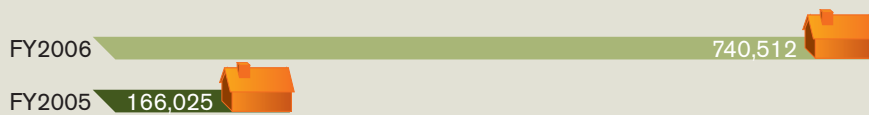
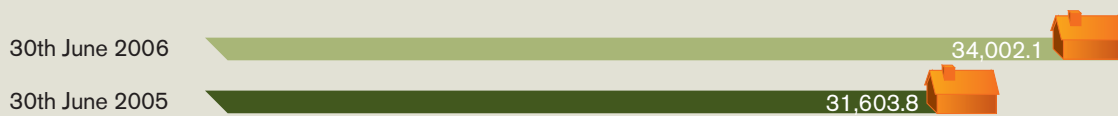
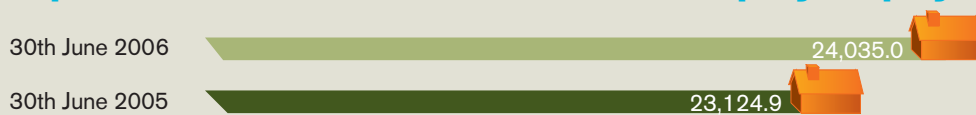
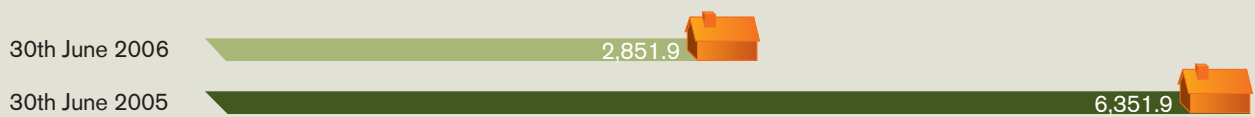
Hong Kong, 10th October 2006

KEY FINANCIAL DATA

	FY2006	Restated FY2005
Operating Result (HK\$'000)		
Turnover		
Company and subsidiaries	1,691,320	1,618,023
Share of associated companies and jointly controlled entities (<i>note 1</i>)	2,699,615	1,722,109
	4,390,935	3,340,132
Representing:		
Sale of properties	3,519,213	2,635,331
Rental income	563,541	440,737
Income from hotel operation	248,276	219,953
Property management services fee income	57,182	43,815
Project management fee income	2,723	296
	4,390,935	3,340,132
Gross Profit (HK\$'000)		
Company and subsidiaries	529,145	436,945
Share of associated companies and jointly controlled entities (<i>note 2</i>)	563,791	432,412
	1,092,936	869,357
Profit attributable to shareholders (HK\$'000)		
	740,512	166,025
Earnings per share (HK cents)		
Basic	19.50	8.38
Diluted	19.48	8.30
Dividend per share (HK cents)		
	4.00	3.00
Financial Position (HK\$ million)		
	As at 30th June 2006	Restated As at 30th June 2005
Cash and bank balances	2,851.9	6,351.9
Total assets	34,002.1	31,603.8
Total liabilities	9,790.5	8,496.0
Capital and reserves attributable to the Company's equity holders	24,035.0	23,124.9
Financial Ratios		
Current ratio (times)	2.75	2.87
Net debt to equity ratio	12.8%	—

Note 1: It represents attributable share of turnover of associated companies and jointly controlled entities to the Group

Note 2: It represents attributable share of gross profit of associated companies and jointly controlled entities to the Group

Turnover (note 1) (HK\$'000)**Gross Profit** (note 2) (HK\$'000)**Profit Attributable to Shareholders** (HK\$'000)**Total Assets** (HK\$ million)**Capital and Reserves attributable to the Company's equity holders** (HK\$ million)**Cash and Bank Balances** (HK\$ million)

Note 1: It represents turnover of the Company and subsidiaries plus share of associated companies and jointly controlled entities attributable to the Group as tabulated on page 6.

Note 2: It represents gross profit of the Company and subsidiaries plus share of associated companies and jointly controlled entities attributable to the Group as tabulated on page 6.



New Living



“Chinese people always regard their home as the epicentre of all family activities. We cherish the quality times spend together in the family house. It is the quintessential of Chinese living, the sense of belonging and cultural roots, even in the modern sense...”

Business Review

Beijing

Beijing

Area : 16,410 km²

Population: 11.6 million

Location : Beijing



HIGHLIGHTS

With the countdown to 2008 Beijing Olympic Games on the horizon, Beijing is muscling its strength in facilities and infrastructure construction intending to show a new face to the world. The world famous and under-construction egg-shaped National Opera House, nestle-shaped Olympic main stadium and angular CCTV Building are just a few of the new icons which will undoubtedly reshape the national consciousness in terms of the traditional Chinese identity. Modern architectural design is redefining public space and street life, creating a new balance to the traditional community composed of hutongs and courtyards. Chongwen District is right in the middle of this transformation and faces with the same challenge of preservation versus progress. The Group has been privileged with the opportunity to revitalise this city core district which has become one of the city's most vibrant communities where business, culture, entertainment, shopping and leisure are merged seamlessly.

- ⊙ Railway station
- 6 Beijing Xin Kang Garden

(For project details, please refer to 'Major project profiles' starting from page 170)













Beijing – completion schedule			sq. m.
FY2006	Beijing Xin Cheng Commercial Building	Commercial, Office, Carpark	45,005
	Beijing Xin Yi Garden Phase I	Residential, Commercial, Office, Carpark	149,308
	Beijing New View Garden Phase II	Residential, Commercial, Office, Carpark	136,936
	Beijing Xin Kang Garden Phase III	Commercial, Office, Carpark	13,123
Total			344,372
FY2007	Beijing Xin Yi Garden Phase II	Residential, Commercial, Carpark	76,669
	Beijing New View Garden Phase III	Residential, Carpark	30,894
	Beijing Xin Yu Garden Phase II	Residential, Commercial, Office, Carpark	36,133
	Beijing Xin Kang Garden Phase III	Residential	6,790
Total			150,486
FY2008	Beijing Xin Yi Garden Phase II	Residential, Commercial	30,471
	Total		30,471

Business Review

Beijing



-  Railway station
-  Metro line
-  Metro line under development
-  Subway
-  Completed development
-  To be completed next two years
-  Future development
-  Beijing New World Garden
-  Beijing Xin Yi Garden
-  Beijing New View Garden
-  Beijing Xin Yu Garden
-  Beijing New World Centre Phase I
-  Beijing New World Centre Phase II
-  Courtyard by Marriott Beijing

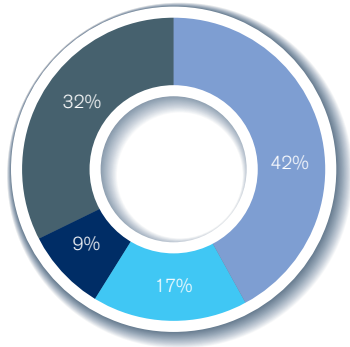
(For project details, please refer to 'Major project profiles' starting from page 170)

Possession of centrally located quality housing with ample facilities in mature community has always been a Beijing middle-class dream. The demand is driving the prices to rise sharply in the last 12 months. The Group's high-end residential project Beijing Xin Yi Garden Phase II epitomise this ideal lifestyle and is one of the most sought-after addresses in Chongwen District. Nearly 40% of units were gone within the first three months when being launched in May 2006. Around the corner, all 1,200 flats of Beijing New View Garden Phase II, aimed at young couples, have been sold out. Quality commercial space like Beijing Xin Cheng Commercial Building is also in high demand. Many occupants are in the service industry such as publication, marketing and healthcare business.

To cope with the rising demand for quality furnished apartment, Beijing Chateau Regalia refurbished the eight apartment blocks and re-brand them as the "Roseburg", to attract the younger metropolitan dwellers who are looking for a lush European setting as well as sharing the same address with international elite neighbours.

Beijing – development properties for sale

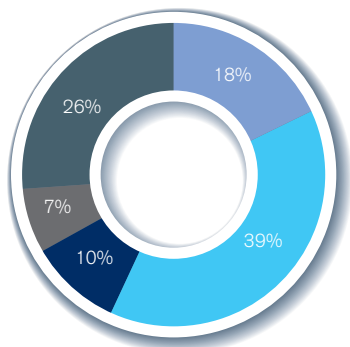
Total GFA 2,498,210 sq. m.



- Residential
- Commercial
- Office
- Others

Beijing – completed investment properties

Total GFA 343,902 sq. m.



- Residential
- Commercial
- Office
- Hotel
- Others

PROPERTY PORTFOLIO

There are six major property development projects with GFA of 2,498,210 sq. m.. A saleable GFA of 246,966 sq. m. was completed during the year, including 191,726 sq. m. of residential space, 9,626 sq. m. of commercial space and 45,614 sq. m. of office space . We expect to build 150,486 sq. m. GFA in FY2007 and 30,471 sq. m. GFA in FY2008.

INVESTMENT PROPERTIES

There are seven completed investment property projects with a total GFA of 343,902 sq. m..

The shopping space of Beijing New World Centre in the bustling Chongwen District within the second ring road was over 90% leased while its office space recorded satisfactory occupancy.

Courtyard by Marriott Beijing in Chongwen District recorded an average occupancy rate of over 80% during the year.



Business Review

Tianjin

Tianjin

Area : 11,760 km²


Population: 10.4 million

Location : Tianjin



HIGHLIGHTS

State Council has recently approved the “2005 – 2020 Tianjin Municipality Master Plan”, in which Tianjin is being repositioned as the Northern Economic Centre, the final ascension of Tianjin from being the key city in the Pan-Bohai Bay Rim city belt and then the centre of Beijing-Tianjin-Hebei economic zone. Tianjin will play a pivotal role in promoting the economic development of northwestern, northern and northeastern districts. An important step for Tianjin is to further develop its Binhai New Area, a coastal district on the east, to boost Tianjin into a high-grade manufacturing, R&D, aviation freight and international logistics centre. Recently the renowned European company, Airbus has selected Tianjin to construct its worth over 8 billion Euros A320 general assembly plant, a manifestation of the city's unique advantage and strong industrial base.

-  Bridge
-  Metro line
-  Completed development
-  To be completed next two years
-  Future development
-  Tianjin Xin An Garden
-  Tianjin New World Garden
-  Tianjin Xin Chun Hua Yuan
-  Tianjin New World Plaza

(For project details, please refer to 'Major project profiles' starting from page 170)



Tianjin - completion schedule			sq. m.
FY2007	Tianjin Xin Chun Hua Yuan Phase III	Residential, Commercial	44,490
Total			44,490

Business Review

Tianjin

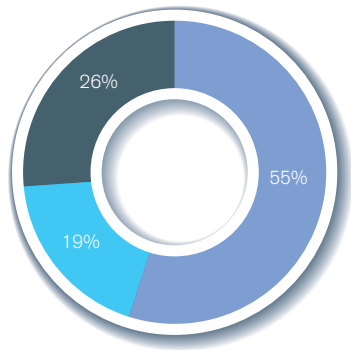


Tianjin Xin Chun Hua Yuan Phase III, a medium-density residential development adjacent to the Tianjin Subway Line No.1, launched for presale during FY2006 and was matched with overwhelming success. The first batch of apartments launched were sold out within the first two hours.

Tianjin New World Garden retail arcade Palm Spring were sold over 70%, a positive reflection of the increasing pedestrian flow and commercial activity to this traditional shopping area.

Tianjin – development properties for sale

Total GFA 118,751 sq. m.



- Residential
- Commercial
- Others

PROPERTY PORTFOLIO

There are three major property development projects with GFA of 118,751 sq. m.. 44,490 sq. m. of residential and commercial space are expected to be completed in FY2007.

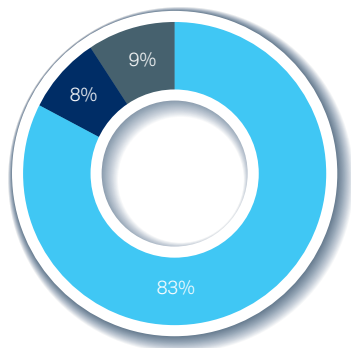
INVESTMENT PROPERTIES

There are two completed investment properties with a total GFA of 118,548 sq. m..

Tianjin New World Plaza consists of 91,562 sq. m. of commercial space and office space, while the overall occupancy rate was recorded at 85%.

Tianjin – completed investment properties

Total GFA 118,548 sq. m.



- Commercial
- Office
- Others





New Way to Work



“We feel completely at home in our new office. The facilities and services are simply superb and up to international standard, just as those in international financial centres like London or New York. It makes our work day a whole lot easier and downright more efficient...”

Business Review

Shanghai

Shanghai

Area : 6,340 km²

Population: 13.5 million










Location : Shanghai



HIGHLIGHTS

The construction of World Expo 2010 Shanghai China finally started at the waterfront of the Huangpu River in downtown Shanghai in the summer of 2006. Being the first World Expo focusing on the theme of city with “Better City, Better Life” as its slogan, and serving as a platform for technological advancement, innovation and interaction, the 2010 Expo will thrust Shanghai into the undisputable high-tech and information technology service centre for the Yangtze River Delta as well as the whole country.



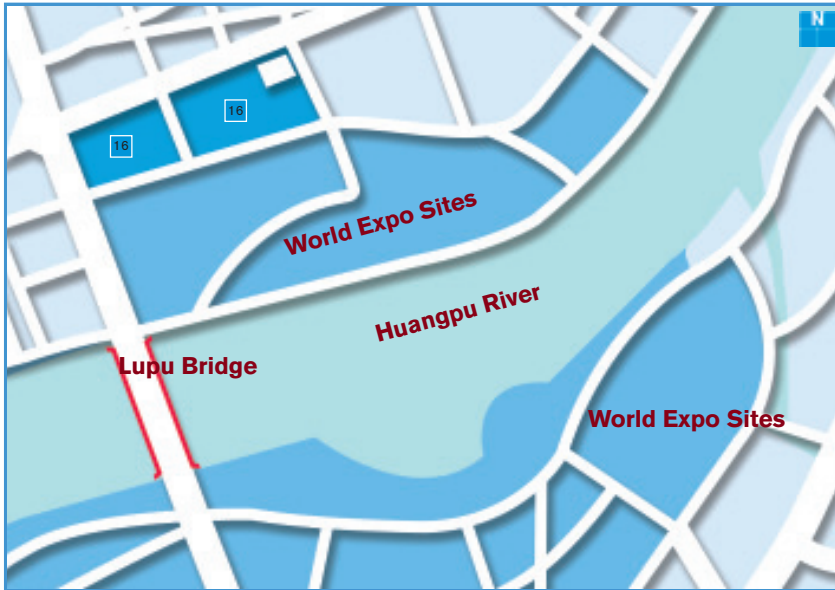
-  Light rail transit
-  Metro line
-  Bridge
-  Tunnel
-  Shanghai Zhongshan Square
-  Shanghai Hong Kong New World Garden
-  Shanghai Hong Kong New World Tower
-  Shanghai Ramada Plaza
-  New World Mayfair Hotel Shanghai






(For project details, please refer to 'Major project profiles' starting from page 170)

Foreign capital plays a dominant part in Shanghai's property investment market. Expatriates living in the city for more than one year reached 100,000 by the end of 2005. Global institutional investors continue their spending spree especially on en bloc service apartments with price tag hitting the billion mark, apparently attracted by the steady rising rental rate and further appreciation of RMB.

Notwithstanding the central government's new comprehensive measures to curb speculation and bubbles in the market, Shanghai residential market continue to perform reasonably well with presale volume reaching over 80,000 units during the first half of 2006. New projects within inner ring road on the average account for only about 10% of the total presale and property with price over RMB20,000 per sq. m. accounts only for roughly 2%. This depicts the long term investment value of luxurious apartment in core central location.

Business Review Shanghai



-  Bridge
-  Completed development
-  Future development
-  World Expo Sites
-  Shanghai Hong Kong New World Garden

By the end of 2005, foreign banks have set up 87 operations and 100 representative offices in Shanghai. The position as China's financial centre has been driving the demand for Grade A office space. Total take-up of prime office space during the past year reached 550,000 sq. m.. The Group's flagship investment property, Shanghai Hong Kong New World Tower, located in Shanghai's core Huaihai Road Central business district, was 93% leased up by the end of FY2006. The prevailing market rental rate reached US\$32 per sq. m. per month in the area.

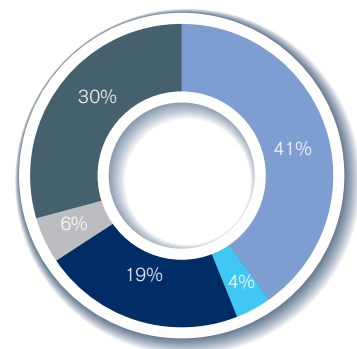
The master plan of Shanghai Hong Kong New World Garden has been approved by the municipal authority. Situated on the northern edge of the Shanghai Expo site and connected directly with the subway line serving the Expo, the massive project comprising mainly of luxurious apartment, commercial and hotel properties. It will be one of the largest residential developments along the Huangpu River in city core.

PROPERTY PORTFOLIO

There are two major property development projects with GFA of 775,915 sq. m.. Shanghai Zhongshan Square Phase III is under planning and the remaining phases of Shanghai Hong Kong New World Garden are under development. The latter will comprise a large scale development complex of residential, commercial, office and hotel buildings.

Shanghai – development properties for sale

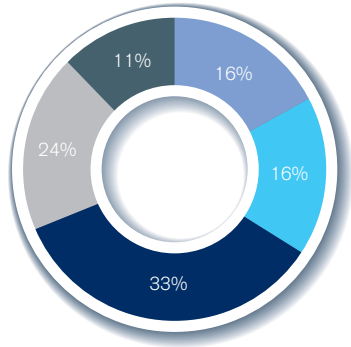
Total GFA 775,915 sq. m.



-  Residential
-  Commercial
-  Office
-  Hotel
-  Others

Shanghai – completed investment properties

Total GFA 248,762 sq. m.



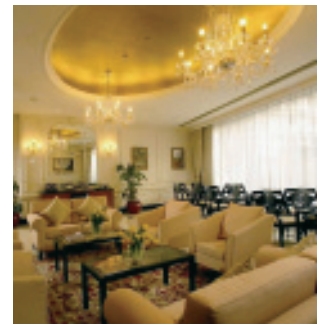
- Residential
- Commercial
- Office
- Hotel
- Others

INVESTMENT PROPERTIES

There are three completed investment properties with total GFA of 248,762 sq. m..

Benefiting from the mature property market in Shanghai, the occupancy rate of Shanghai Hong Kong New World Tower office space recorded over 90%, and the shopping mall of Shanghai Ramada Plaza was fully occupied during the year under review.

New World Mayfair Hotel Shanghai, the largest 4-star hotel in Shanghai with over 860 guest rooms recorded satisfactory occupancy rate during the year under review. Meanwhile, Apartment Belvedere of Shanghai Ramada Plaza recorded over 95% occupancy rate.



Business Review

Dalian

Dalian

Area : 12,574 km²

Population: 5.6 million

Location : Liaoning Province



HIGHLIGHTS

Without much fanfare, Dalian has steadily established itself as the offshore software development hub during the past five years with an annual growth rate of 50%. The municipal government anticipates by the year 2012, the gross production value of its software and information service industry will reach RMB80 billions, or one sixth of the total GDP. Apart from attracting major high-technology players such as IBM, Dell and Hewlett-Packard, the majority of the foreign investment comes from Japan. Currently, there are over 2,500 Japanese companies in Dalian.



Dalian – completion schedule

sq. m.

FY2008	Dalian New World Tower	Residential, Commercial, Hotel, Carpark	215,166
	Total		215,166

The Group's landmark mixed-use project in the city's commercial district, Dalian New World Plaza has enjoyed enormous success as the revamped shopping strip, Tianjin Street, beside the project has redrawn the pedestrian towards this area. The sale of the twin towers, Manhattan Tower I and II on top of the retail podium of Dalian New World Plaza has nearly come to its end.

Dalian New World Tower, another important mixed-use project under development, is located at the main business district Zhongshan Road. The 40-storey-plus hotel tower on top of the commercial podium commands spectacular view of the harbour and the grand hotel lobby below will set the standard for true international grandeur.

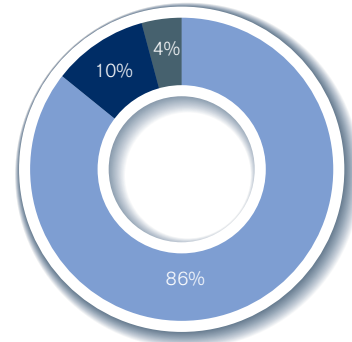
Business Review

Dalian



Dalian – development properties for sale

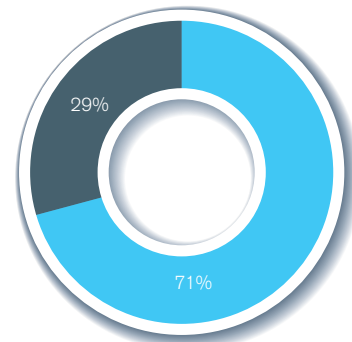
Total GFA 131,519 sq. m.



■ Residential
■ Office
■ Others

Dalian – completed investment property

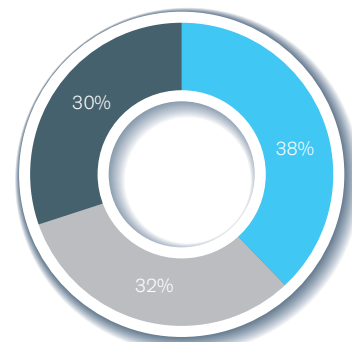
Total GFA 69,196 sq. m.



■ Commercial
■ Others

Dalian – investment property under development

Total GFA 111,960 sq. m.



■ Commercial
■ Hotel
■ Others

PROPERTY PORTFOLIO

The two major property development projects, Dalian Manhattan Tower I and II and Dalian New World Tower, consists of 131,519 sq. m. of saleable GFA. We expect to build 215,166 sq. m. GFA in FY2008.

INVESTMENT PROPERTY

Dalian New World Plaza consists of 69,196 sq. m. of commercial space, of which around 32,000 sq. m. was leased by Dalian New World Department Store.

The hotel portion of Dalian New World Tower will enable the Group to enter into hospitality business in Dalian.

Business Review

Shenyang



Shenyang

Area : 13,000 km²

Population : 7.2 million

Location : Liaoning Province








HIGHLIGHTS

Shenyang, the leading city of the three northeastern provinces, recorded a double digit growth in GDP during the first half of 2006, a concrete signal of the continuous transformation of the city from state planned industrial heartland of northeastern China towards an open market economy. Symbolic projects such as the Shenyang Subway Line No.1, Olympic Stadium and other urban infrastructure have progressed steadily during the past year. The Municipal Government has clearly taken every step vigorously.

Business Review

Shenyang



-  Bridge
-  Completed development
-  To be completed in next two years
-  Future development
-  Shenyang New World Garden

(For project details, please refer to 'Major project profiles' starting from page 170)

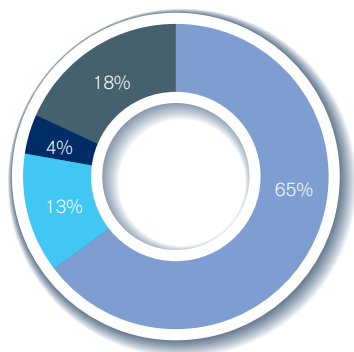
The Group's flagship large scale community development, Shenyang New World Garden has regained its momentum with an upscale high-rise apartment phase in the pipeline, providing well over 1,000 units. The remaining phases of the site has undergone a comprehensive redesign to take full advantage of the vibrant commercial development in the vicinity and to maximize the utilisation of the riverbank lifestyle.

Early in the year the Group has also embarked on a new mixed-use commercial project on Nanjing Street in Heping District, adjacent to the New World Hotel Shenyang. The development consists of a single tower block of office and service apartment on top of a retail podium.

Shenyang – completion schedule			sq. m.
FY2008	Shenyang New World Garden	Residential, Carpark	165,082
Total			165,082

Shenyang – development properties for sale

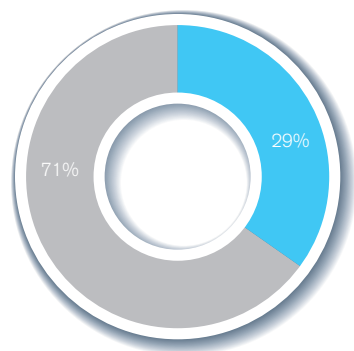
Total GFA 2,925,659 sq. m.



- Residential
- Commercial
- Office
- Others

Shenyang – completed investment properties

Total GFA 48,511 sq. m.



- Commercial
- Hotel

PROPERTY PORTFOLIO

There is one major property development project with GFA of 2,925,659 sq. m.. We expect to build 165,082 sq. m. GFA in FY2008.

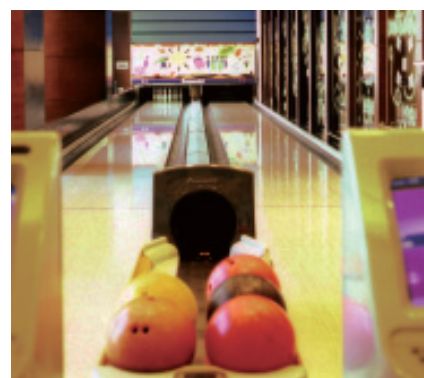
INVESTMENT PROPERTY

New World Hotel Shenyang has just been re-opened in September 2006 after renovation.





New Culture and Entertainment



“This is my rendezvous point during the day, no doubt about it. Shopping, groceries and other daily activities all could be conveniently conducted in the community commercial centre. Best of all, I will usually run into some of my friends and neighbours and we will have a pleasant afternoon having tea and chat together...”

Business Review

Wuhan

Wuhan

Area : 8,494 km²









Population: 8.5 million

Location : Hubei Province



HIGHLIGHTS

Wuhan is the undisputed industrial and transportation hub of central China. To reinforce this status, the municipal government has planned to invest a total of RMB64.8 billion in infrastructure such as a new airport terminal, railway station, ports, highways and bridges during the Eleventh Five Year Plan period. State Development and Reform Authority has just approved the plan for the building of seven subway lines in the city. Subway Lines No. 1, 2 and 4 totalling 60 km. will be built between 2006 and 2012.

-  Railway station
-  Bridge
-  Embankment
-  Wuhan Menghu Garden
-  Wuhan New World Centre
-  Wuhan Changqing Garden
-  Wuhan Xin Hua Garden
-  Wuhan New World Trade Tower

For project details, please refer to 'Major project profiles' starting from page 170)



Wuhan – completion schedule			sq. m.
FY2006	Wuhan Menghu Garden Phase IIA	Residential	23,671
	Wuhan Changqing Garden Phase VIA	Residential, Commercial, Office, Carpark	81,516
	Wuhan Xin Hua Garden Phase III	Residential, Commercial, Carpark	97,514
	Wuhan New World Trade Tower Tower I	Office	60,366
Total			263,067
FY2007	Wuhan Menghu Garden Phase III	Residential	26,663
	Wuhan New World Centre	Residential, Office, Carpark	239,479
	Wuhan Changqing Garden Phase VIB	Residential, Commercial, Carpark	75,642
Total			341,784
FY2008	Wuhan New World Centre	Office	49,432
	Wuhan Menghu Garden Phase IVA	Residential	70,000
	Wuhan Changqing Garden Phase VIB	Residential	142,001
	Wuhan Xin Hua Garden Phase IV	Residential, Commercial, Carpark	61,442
Total			322,875

Business Review

Wuhan



During the first seven months of 2006, Wuhan's GDP achieved a 27% growth to RMB160 billion. Retail figures also recorded a 17% rise to RMB71 billion in the same period. Within the central commercial district alongside the Jiefang Road, new mega malls and commercial facilities are under construction to capture the rising spending power of the region.

Wuhan New World Centre is the landmark of mixed-use development located at the bustling intersection of the core Jiefang Road commercial district. Due to complete before the end of 2006, this most anticipated project comprises of a five-star hotel, luxurious apartments, Grade A offices, a department store and retail walking street.

The leasing activity of Wuhan New World Trade Tower has been very successful. Sony, Fedex, Honda, Philips and 3M are just a few of the long list of global tenants who find this building built and managed by New World is a rare Grade A office in the city with true international standard and up to their stringent requirement.

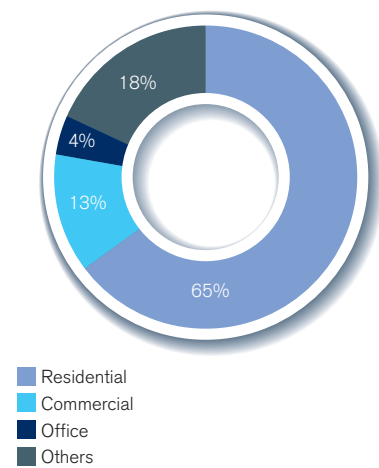
Riding on the successful sales of Phase I, Wuhan Menghu Garden Phase II has enticed the interest of the home buyers with a modern design. Nearly 90% of all the launched duplex townhouses unit were sold during the first half of the year.

Wuhan Changqing Garden has always been the star neighborhood of the city. During the year under review, Phase VI was launched for sale and over 600 residential units were sold.

Wuhan Xin Hua Garden is an urban residential development in convenient location of Hankou, catering to the needs of young professional couples. Its Phase III mid-rise apartments were launched for sale during the year under review and were almost sold out.

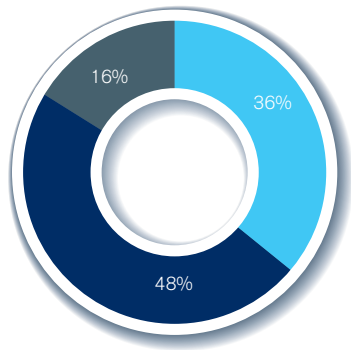
Wuhan – development properties for sale

Total GFA 2,468,806 sq. m.



Wuhan – completed investment properties

Total GFA 258,402 sq. m.



- Commercial
- Office
- Others

PROPERTY PORTFOLIO

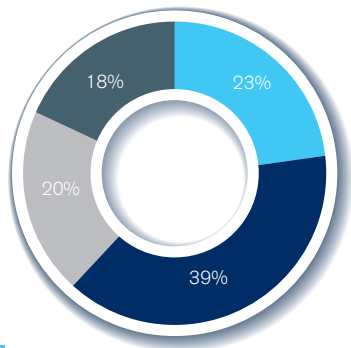
There are four major property development projects with GFA of 2,468,806 sq. m.. A total saleable GFA of 176,344 sq. m. was completed during the year, including 174,627 sq. m. residential space and 1,717 sq. m. of commercial space. We expect to build 341,784 sq. m. GFA in FY2007 and a further 322,875 sq. m. GFA in FY2008.

INVESTMENT PROPERTIES

There are four completed investment property projects and two investment properties under development with 258,402 sq. m. and 191,156 sq. m. respectively. During the year under review, 60,366 sq. m. of office space in Wuhan New World Trade Tower was completed.

Wuhan – investment properties under development

Total GFA 191,156 sq. m.



- Commercial
- Office
- Hotel
- Others



Business Review

Jinan

Jinan

Area : 8,154 km²

Population: 5.9 million

Location : Shandong Province



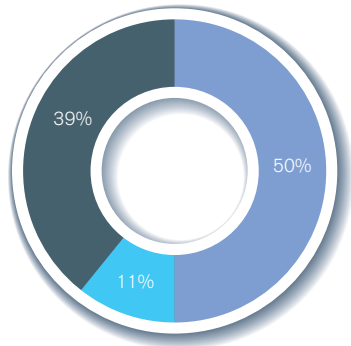
HIGHLIGHTS

Jinan is reputed for its long and colourful history, underground springs, the Yellow River to the north and Tai Mountain to the south. The city has an annualised average GDP of 14.2% for the past five years and will host the 11th National Games in 2009. The municipal government recognises the fact that to increase the magnitude of urban renewal in the city core while protecting the springs and their cultural value, new paradigm has to be in place. As such, the city has been pioneering the China Sustainable Energy Program with US-based The Energy Foundation, to develop the exclusive-lane Bus Rapid Transit (“BRT”) pilot project, aiming to provide efficient, station-to-station, high-speed mass transit at only a fraction of the subways cost. The first phase of 13 km BRT has started last year and would be operational in a year’s time.

Jinan – completion schedule				sq. m.
FY2007	Jinan Springs Plaza	Commercial		20,893
Total				20,893
FY2008	Jinan Sunshine Garden Phase II	Residential		108,689
	Jinan Springs Plaza	Commercial		23,333
Total				132,022

Jinan – development properties for sale

Total GFA 540,437 sq. m.



- Residential
- Commercial
- Others

Jinan Sunshine Garden Phase I is almost completely sold out. Construction of Phase II is underway and will provide new urban apartments for over one thousand families. Jinan Springs Plaza, an eye-gripping new mixed-use commercial project in the city's oldest core commercial district, is the most anticipated urban project set to represent the contemporary facet of Jinan. Masterminded by the American architect Benjamin Wood, who is renowned for his work in Shanghai's Xintiandi, the design makes use of the springs well found on the site to develop a spring-themed low-rise modernist structure comprised of Soho-style loft and exciting intertwined pedestrian-centered retail, catering and cultural themed corridor.

PROPERTY PORTFOLIO

In Jinan, the Group has two major property development projects with a GFA of 540,437 sq. m.. We expect to build 20,893 sq. m. GFA in FY2007, and a further 132,022 sq. m. GFA in FY2008.





New Style of Leisure



“You can’t imagine the fun the kids are having when they harvest their own vegetables. I used to think weekend golfing is mundane activity for my husband, surprisingly there are a lot more going on than I expected. The spa treatment I get under the palm tree is just amazing. Weekend will never be the same again...”

Business Review

Guangzhou

Guangzhou

Area : 7,434 km²











Population: 7.3 million

Location : Guangdong Province



HIGHLIGHTS

With the country's entry into the WTO, the city's service industry especially in the area of finance, logistics and exhibition service has witnessed rapid growth. Investors from Hong Kong are particularly active in the service sector with Closer Economic Partnership Arrangement ("CEPA") between Mainland China and Hong Kong running into the third year. At present, 47 foreign banking institutions from 19 countries and regions have set up offices and accelerated their expansion in Guangzhou. The new Baiyun International Airport, Guangzhou International Convention and Exhibition Centre, deep-water ports in Huangpu and Nansha are just some of the new world class infrastructures to support Guangzhou's emergence as the regional financial centre.

-  Railway station
-  Metro Line
-  Metro Line Extension
(Subject to approved planning)
-  Bridge
-  Guangzhou Dong Yi Garden
-  Guangzhou New World Oriental Garden
-  Guangzhou Central Park-view
-  Guangzhou Covent Garden
-  Guangzhou Concord New World Garden
-  Guangzhou Park Paradise

For project details, please refer to 'Major project profiles' starting from page 170)



Business Review

Guangzhou

Guangzhou – completion schedule

sq. m.

FY2006	Guangzhou Central Park-view Phase IIB	Residential, Commercial, Carpark	97,607
	Guangzhou Covent Garden Phase IIB	Residential, Carpark	45,148
	Guangzhou Park Paradise Phase IIB2	Residential	29,009
	Guangzhou Park Paradise Phase IIC	Residential, Commercial, Carpark	112,923
	Guangzhou Xintang New World Garden Phase III	Residential, Commercial	73,321
Total			358,008
FY2007	Guangzhou Dong Yi Garden Phase IV	Residential	76,871
	Guangzhou Concord New World Garden Phase II	Residential, Commercial, Carpark	52,657
	Guangzhou Park Paradise Phase IID2	Residential, Commercial, Carpark	41,247
	Guangzhou Xintang New World Garden Phase IVA	Residential, Commercial	34,925
Total			205,700
FY2008	Guangzhou Park Paradise Phase IID2 & IID3	Residential, Carpark	122,939
	Guangzhou Xintang New World Garden Phase IVB	Residential	12,709
Total			135,648





The municipal government's drive to develop Pearl River New City in Tianhe District into the city's new business hub has already taken shape with numerous new office and international brand name hotel projects due to complete in the next few years. Companies are showing more preference in committing their new offices in this area and likewise more urban population are taking up residence in the luxurious apartments within the area.

The Group's landmark luxurious residential project in Pearl River New City, Guangzhou Central Park-view, has witnessed a continuous surge in capital value. The project has also launched its service apartment, the New Gateway Apartment, in order to capture the growing expatriate population in Guangzhou. Many senior executives of multinational companies and consulate staffs are now residents of this prestige community, making it one of the more global neighbourhood in Guangzhou.

The Guangzhou Concord New World Garden Phase II in the traditional business area of Tianhe District launched for sale by the end of 2005 with tremendous success, all the about 500 high-rise apartment units launched had been sold out within just a few days.

Also located in Tianhe District is Guangzhou Dong Yi Garden, which is right adjacent to the scenic Tianhe Park. Phase IV was launched in several phases during the year under review. The over 600 apartment units were nearly completely sold out.

Guangzhou Park Paradise in Baiyun District, the largest residential community project of the Group in Guangzhou, continues to be the mainstay of residential supply in the area. The quality of air and lush landscaping are just some of the reasons the project has become the preferred choice of many highly educated home buyers. All Phase IIC has been sold out during the year under review.

The strategic development of the eastern part of Guangzhou by the municipal government has heated up the residential market in Xintang township. The Group's Xintang New World Garden has enjoyed enormous success during the past year with almost 80% of Phase III being sold. The development of Phase IV is well underway.

Business Review

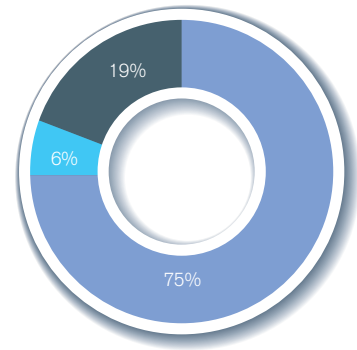
Guangzhou

PROPERTY PORTFOLIO

There are seven major property development projects with a total GFA of 3,728,542 sq. m.. A total saleable GFA of 208,099 sq. m., including residential space and office space were completed during the year. We expect to build 205,700 sq. m. GFA in FY2007, and a further 135,648 sq. m. GFA in FY2008.

Guangzhou – development properties for sale

Total GFA 3,728,542 sq. m.

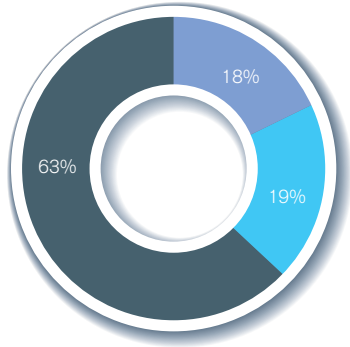


- Residential
- Commercial
- Others



Guangzhou – completed investment properties

Total GFA 283,099 sq. m.



- Residential
- Commercial
- Others

INVESTMENT PROPERTIES

There are six completed investment property projects with GFA of 283,099 sq. m. of commercial area.

Commercial area of Guangzhou New World Oriental Garden Phase I recorded full tenancy during the year under review.



Business Review

Pearl River Delta

Pearl River Delta

Area : 28,919 km²

Population: 11.9 million

Location : Guangdong Province



HIGHLIGHTS

Pearl River Delta (“PRD”) has always been the manufacturing powerhouse for Guangdong Province and even Mainland China. Following the continuous implementation of CEPA and Pan-Pearl River Delta regional economic and trade cooperation, PRD has begun its ambitious plan to serve as the leading district for the Pan-PRD 9+2 districts (nine provinces and two special administrative regions).

- Railway
- Highway
- 29 Guangzhou Xintang New World Garden
- 30 Shenzhen Xilihu Development
- 31 Shenzhen New World Yi Shan Garden
- 32 Shunde New World Centre
- 33 Huiyang Palm Island Resort
- 34 Zhaoqing New World Garden
- 35 Zhuhai New World Riviera Garden
- 36 Foshan Country Club
- 37 Huizhou Changhuyuan
- 49 Courtyard by Marriott Shunde

(For project details, please refer to 'Major project profiles' starting from page 170)



Pearl River Delta – completion schedule				sq. m.
FY2006	Shenzhen New World Yi Shan Garden Phase II	Residential, Commercial		6,609
Total				6,609
FY2007	Huiyang Palm Island Resort Phase V	Residential		27,912
	Zhuhai New World Riviera Garden Phase IIIA	Residential		35,188
Total				63,100
FY2008	Zhuhai New World Riviera Garden Phase III	Residential, Commercial, Office		48,957
	Huizhou Changhuyuan Phase IIB	Residential, Commercial, Carpark		74,930
Total				123,887

Business Review

Pearl River Delta



One of the main pieces of infrastructure to forge a closer tie among the nine cities including Hong Kong and Macau in the Greater PRD region is a 600-km railway network connecting these cities into a “one hour city circle”. The network essentially is an “A” shaped railway main line connecting Guangzhou to Shenzhen and Zhuhai and is scheduled to complete by the end of 2008. Other sub-lines extending from the main line will be built to reach the other cities in the region. Works for the Guangzhou New Railway Station, one of the four largest passenger railway hubs in China, were commenced last year.

Shenzhen New World Yi Shan Garden Phase II is the Group’s major residential project in Shenzhen. Over 80% of the mid-rise apartments have been sold during the year under review and planning for Phase III high-rise apartment is undergoing.

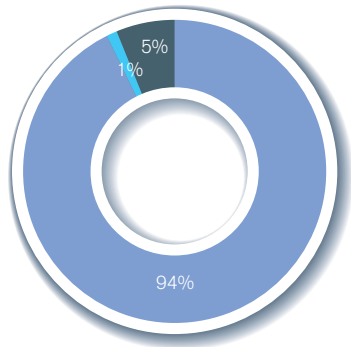
Around 65% of Huizhou Changhuyuan Phase IIA has been sold during the year under review. Huizhou has attracted the attention of many developers from outer provinces during the past two years, all have been drawn by the positive economic outlook of the city spurred by the US\$4.3 billion petro-chemical joint venture between Shell and China National Offshore Oil Corp.

Palm Island Resort in the city of Huiyang has well established its name as one of the best and most sought after international standard golf resorts in PRD. Besides the 27-hole golf course, other numerous facilities such as spa, organic farm, observatory and war game have made the place a truly family resort destination. The Resort’s exclusive waterfront villa and apartment, Jujube Trail Phase II has already stirred up tremendous interest among its club members and investors from Shenzhen even before its formal launch for sale.

Over 90% of launched units in Zhuhai New World Riviera Garden Phase II have been sold during the year under review. Construction of Phase III has already commenced and it is anticipated the apartments will also be well received by the market.

Pearl River Delta – development properties for sale

Total GFA 2,262,955 sq. m.



- Residential
- Commercial
- Others

PROPERTY PORTFOLIO

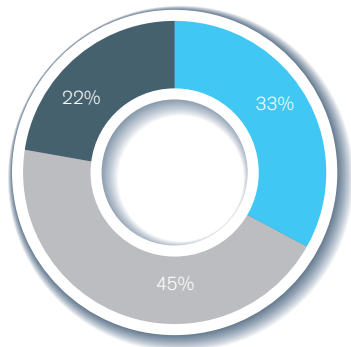
There are eight major property development projects with total GFA of 2,262,955 sq. m.. A saleable residential GFA of 3,510 sq. m. were completed during the year. We expect to build 63,100 sq. m. GFA in FY2007, and a further 123,887 sq. m. GFA in FY2008.

INVESTMENT PROPERTIES

There are three completed investment property projects with GFA of 81,012 sq. m..

Pearl River Delta – completed investment properties

Total GFA 81,012 sq. m.



- Commercial
- Hotel
- Others



Business Review

Haikou

Haikou

Area : 2,304 km²

Population: 1.6 million

Location : Hainan Province



HIGHLIGHTS

The Port of Haikou has begun an expansion this summer to enable it to handle international cruises. In June 2006, the city also announced its plan to start building a 300-km railway beyond 2006 along the eastern coast of Hainan Province to link up Haikou and Sanya (the renowned tropical resort city to the south), reducing the travelling time between the two cities from over three hours to around 80 minutes. These infrastructure undertakings will no doubt reinforce Haikou's tourism industry as the most favourite destination for travellers.

Haikou – completion schedule

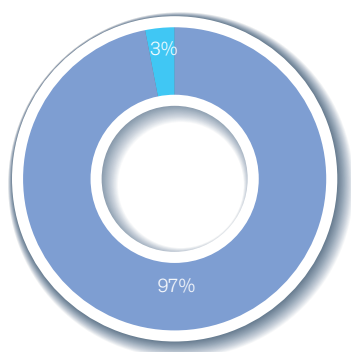
sq. m.

FY2007	Haikou New World Garden Phase II	Residential	77,716
Total			77,716

The Group's existing resort development has always been the top choice for mature local and outer province home buyers, apparently drawn by its resort lifestyle and professional property management service. The Group had also acquired a large parcel of coastal site in November 2005 earmarked to be developed into a natural extension to the city. Situated directly to the north of the city centre across the Haikou Bay and connected by the iconic six-lane Century Bridge to downtown, the site is about 2.2 sq. km. and is surrounded by the Qiongzhou Strait on three sides. The tentative master plan of the project calls for a substantial southern portion to be developed into a public tourist spot with attractions such as fisherman wharf, sightseeing tower, seaside promenade, marina, convention centre, hotel and catering district.

Haikou – development properties for sale

Total GFA 209,597 sq. m.



■ Residential
■ Others

PROPERTY PORTFOLIO

There is one property development project with GFA of 209,597 sq. m.. We expect to build 77,176 sq. m. of residential space in FY2007.



Business Review

Chengdu

Chengdu

Area : 12,390 km²

Population: 10.4 million

Location : Sichuan Province



HIGHLIGHTS

Reputed for its teahouse and laidback lifestyle, Chengdu, the capital city of Sichuan Province has turned around to witness a kind of break-neck growth not commonly associated with the city. Chengdu has become an ideal starting point for corporations doing business in the western region, thanks to central government's western development strategy. Big players like Microsoft and KPMG are setting up offices here, eyeing this energetic city which is spearheading the growth of the western provinces.

The Group had acquired a new site earlier in the year to develop a massive water themed residential community project in the southern edge of Chengdu, right next to the terminal station of the now under-construction Chengdu Subway Line No.1 which will due to open in 2010. This mega project comprises of a site area of almost one million sq. m. and its elongated site perimeter is fronted by the Fu River, a scenic and historic waterway passing through the city core of Chengdu. Phase I has already kicked off and comprises of multiple style of contemporary semi-detached villas, mid-rise and high-rise apartment towers.

Business Review

Changsha & Guiyang

HIGHLIGHTS

The Central Government has strategically planned to turn the six provinces of central China including Hunan into the next engine of national economic growth. The Ministry of Commerce aims to attract over 10,000 enterprises from overseas and the coastal region of the country to invest in this region in three years. The First Central China Trade and Investment Expo was successfully held in September 2006 in Changsha, the capital of Hunan Province, making it the national limelight.

During the year under review, the Group has acquired a new site in Yuhua District of Changsha, just off the Second Ring Road. The site area of the project is about 450,000 sq. m.. Earmarked for a comprehensive landmark community serving the city, the initial development plan calls for a water-themed design with a mixture of luxurious mid-rise and high-rise apartment towers in rhythmic groupings and other commercial facilities such as regional shopping centre and hotel.

HIGHLIGHTS

Since 2001, the city of Guiyang has begun its strategic development of Jinyang New District, some 6.5 km. to the north western part of the city. The aim is to ease the population density and development bottleneck of the existing city centre which is surrounded by hilly terrain on all sides. Jinyang New District will cover an area of 40 sq. km. by the year 2020 and will become a new pole of growth for Guiyang. At present, two major freeways are connecting the New District to the city centre and both the municipal government and provincial Guizhou University have already moved into the district. It is envisaged that the district's development will come into full force during the Eleventh Five Year Plan.

The Group has acquired a new development site in the Jinyang New District during the year under review. Covering a site area of about two million sq. m., it is by far the largest single parcel of land to be privately developed.

Changsha

Area : 11,800 km²

Population : 6 million

Location : Hunan Province



Guiyang

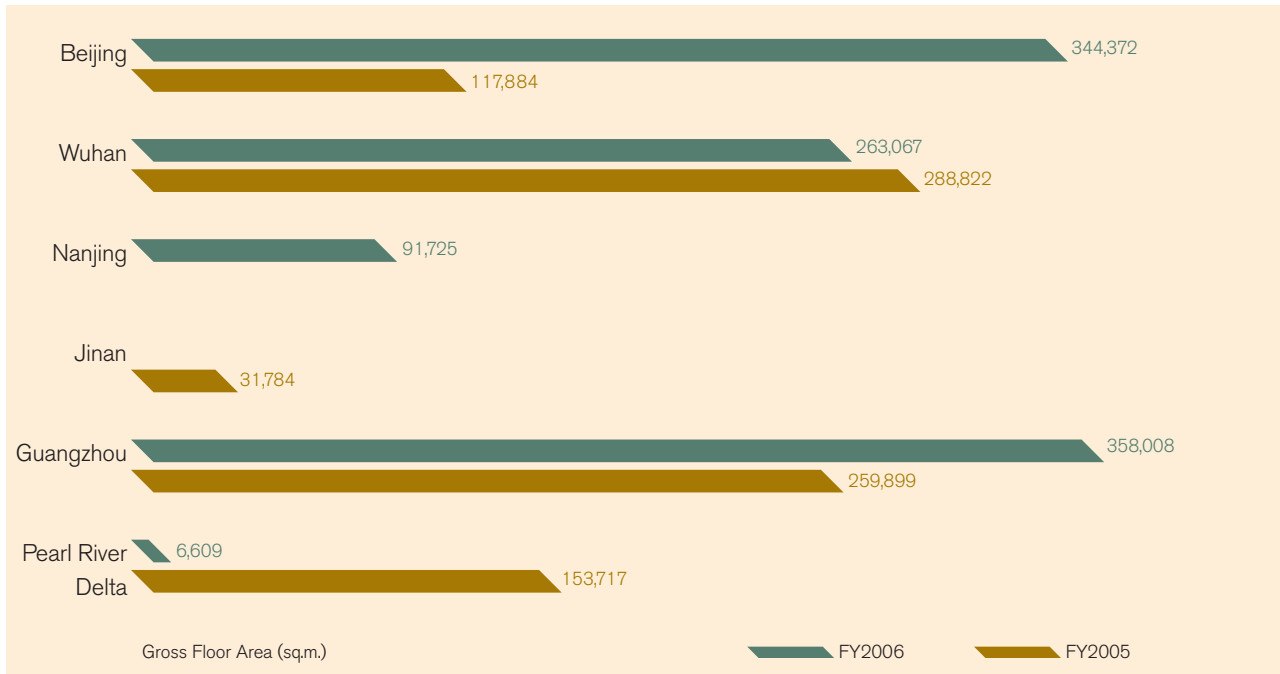
Area : 8,034 km²

Population : 3.4 million

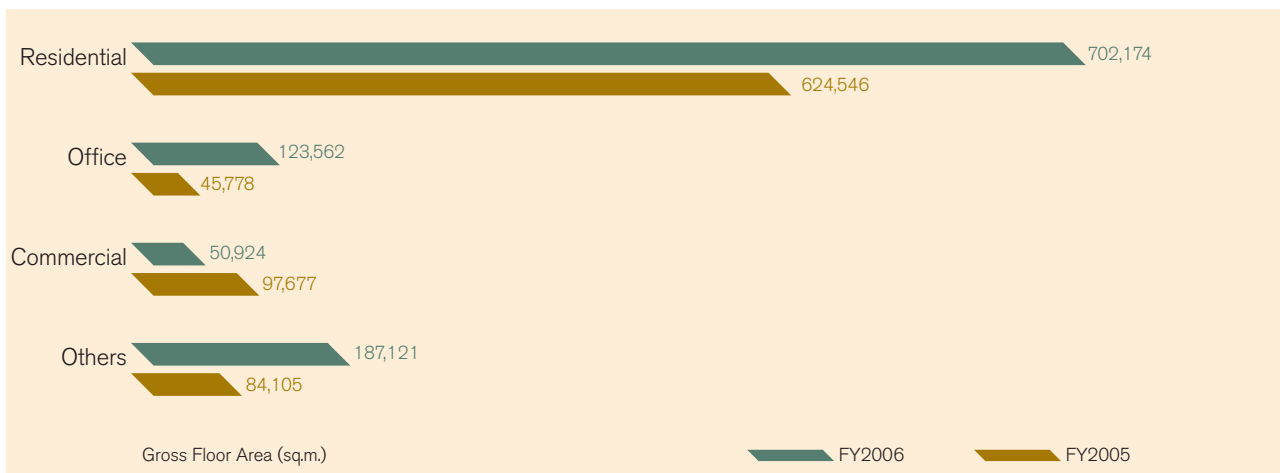
Location : Guizhou Province



Completion of Gross Floor Area by Location



Completion of Gross Floor Area by Usage



REVIEW OF FY2006 RESULTS

The Group has recorded a profit of HK\$741 million in FY2006, up 346% year-on-year. All three major operations, namely property sale, rental operation and hotel operation, achieved significant growth in AOP. Property sales recorded an AOP of HK\$224.9 million, 34% increase compared to last year. Rental operation achieved a significant contribution to the Group with an AOP of HK\$249.6 million, increased 66% year-on-year, and hotel operation recorded an AOP of HK\$23.3 million.

Analysis of Attributable Operating Profit ("AOP")

	Year ended 30th June	
	2006	2005
	HK\$'000	Restated HK\$'000
Property sale	224,853	167,211
Rental operation	249,596	150,650
Hotel operation	23,298	(34,843)
Property management services	(2,111)	(3,033)
Others	(2,027)	(1,575)
AOP before provisions and finance costs	493,609	278,410
Increase in fair value of investment properties	373,199	–
Excess of fair value of net assets acquired over cost of acquisition of interest in subsidiaries and jointly controlled entities	135,513	46,853
Provisions written back	47,569	93,970
Provisions	(7,018)	(54,956)
Tax indemnity	34,773	–
Impairment of goodwill	(26,955)	–
Finance costs – project loans	(157,246)	(108,106)
AOP	893,444	256,171
Finance costs – corporate loans	(91,280)	(31,249)
Corporate administrative expenses	(111,481)	(109,157)
Net foreign exchange losses	(62,015)	(204)
Bank and other interest income	111,844	50,464
Attributable profit to shareholders	740,512	166,025

Property sale and Rental operation

In FY2006, the Group has completed 707,043 sq.m. GFA, up 12% year-on-year, in five regions: Beijing, Guangzhou, Wuhan, Nanjing and Pearl River Delta.

During the year under review, 765,774 sq.m. GFA were sold to generate approximately HK\$4.2 billion gross sale proceeds. The total GFA sold in FY2006 was slightly increased compared to FY2005. Over 80% of the development properties completed during FY2006 were sold. The total inventory as at 30th June 2006 amounted to 384,796 sq.m. GFA.

With the increase in both completion and sales volume, the Group was able to achieve improvement in AOP. The average gross profit margin was maintained at steady level.

Development projects completed in FY2006	Usage	Total GFA (sq.m.)	NWCL's interest
Beijing Xin Cheng Commercial Building (北京新成文化大廈)	C, O	36,692	70%
Beijing Xin Yi Garden Phase I (北京新怡家園一期)	R, C, O	115,821	70%
Beijing New View Garden Phase II (北京新景家園二期)	R, C, O	94,453	70%
Wuhan Changqing Garden Phase VIA (武漢常青花園六期A)	R, C	67,111	60%
Wuhan Menghu Garden Phase IIA (武漢夢湖香郡二期A)	R	23,671	70%
Wuhan Xin Hua Garden Phase III (武漢新華家園三期)	R, C	85,562	60%
Nanjing New World Centre Phase II (南京新世界中心二期)	R	72,124	92%
Guangzhou Park Paradise Phase IIC (廣州嶺南新世界二期C)	R	90,722	60%
Guangzhou Park Paradise Phase IIB2 (廣州嶺南新世界二期B2)	R	6,789	100%
Guangzhou Covent Garden Phase IIB (廣州逸彩庭園二期B)	R	40,234	60%
Guangzhou Xintang New World Garden Phase III (廣州新塘新世界花園三期)	R	70,354	60%
Shenzhen New World Yi Shan Garden Phase II (深圳新世界倚山花園二期)	R	3,510	90%
Total		707,043	

R: Residential
C: Commercial
O: Office
P: Carpark

Management Discussion & Analysis

The Group's investment property portfolio has been increased by 356,738 sq.m. GFA in FY2006, mainly from the completion of remaining floors of Wuhan New World Trade Tower I, service apartment and shopping mall of Guangzhou Central Park-view.

The rental operation has maintained a steady AOP contribution to the Group during the year under review. Capitalised on the buoyant rental market in Beijing, our major investment property, Beijing New World Centre, provided growing contributions to the Group. Riding on the continuous demand for office space in Shanghai, Shanghai Hong Kong New World Tower achieved a satisfactory growth in the contribution. Furthermore, Wuhan New World Trade Tower started to provide positive contribution to the Group.

Investment properties completed in FY2006	Usage	Total GFA (sq.m.)	NWCL's interest
Beijing Xin Cheng Commercial Building (北京新成文化大廈)	P	8,313	70%
Beijing Xin Kang Garden Phase III (北京新康家園三期)	C, O, P	13,123	70%
Beijing Xin Yi Garden Phase I (北京新怡家園一期)	P	33,487	70%
Beijing New View Garden Phase II (北京新景家園二期)	C, P	42,483	70%
Wuhan New World Trade Tower I (武漢新世界國貿大廈一座)	O	60,366	100%
Wuhan Changqing Garden Phase VIB (武漢常青花園六期B)	O, P	14,405	60%
Wuhan Xin Hua Garden Phase III (武漢新華家園三期)	P	11,952	60%
Nanjing New World Centre Phase II (南京新世界中心二期)	P	19,601	92%
Guangzhou Central Park-view Phase II B (廣州凱旋新世界二期B)	R, C, P	97,607	91%
Guangzhou Park Paradise Phase IIC (廣州嶺南新世界二期C)	C, P	22,201	60%
Guangzhou Park Paradise Phase IIB2 (廣州嶺南新世界二期B2)	R	22,220	100%
Guangzhou Covent Garden Phase IIB (廣州逸彩庭園二期B)	P	4,914	60%
Guangzhou Xintang New World Garden Phase III (廣州新塘新世界花園三期)	C	2,967	60%
Shenzhen New World Yi Shan Garden Phase II (深圳新世界倚山花園二期)	C	3,099	90%
Total		356,738	

The Group plans to complete around one million sq.m. GFA of properties in FY2007. From July to September 2006, the Group sold and pre-sold 320,000 sq.m. GFA.

Properties to be completed in FY2007	Usage	Total GFA (sq.m.)	NWCL's interest
Beijing Xin Yi Garden Phase II (北京新怡家園二期)	R, C, P	76,669	70%
Beijing New View Garden Phase III (北京新景家園三期)	R, P	30,894	70%
Beijing Xin Yu Garden Phase II (北京新裕家園二期)	R, C, O, P	36,133	70%
Beijing Xin Kang Garden Phase III (北京新康家園三期)	R	6,790	70%
Tianjin Xin Chun Hua Yuan Phase III (天津新春花苑三期)	R, C	44,490	60%
Jinan Springs Plaza (濟南匯泉地王廣場)	C	20,893	51%
Wuhan New World Centre (武漢新世界中心)	R, C, O, P	239,479	100%
Wuhan Menghu Garden Phase III (武漢夢湖香郡三期)	R	26,663	70%
Wuhan Changqing Garden Phase VIB (武漢常青花園六期B)	R	61,237	60%
Nanjing New World Centre Phase II (南京新世界中心二期)	C	41,206	92%
Guangzhou Dong Yi Garden Phase IV (廣州東逸花園四期)	R	76,871	100%
Guangzhou Concord New World Garden Phase II (廣州協和•新世界二期)	R, C, P	52,657	40%
Guangzhou Park Paradise Phase IID2 (廣州嶺南新世界二期D2)	R, C, P	41,247	60%
Guangzhou Xintang New World Garden Phase IVA (廣州新塘新世界花園四期A)	R, C	34,925	60%
Huiyang Palm Island Resort Phase V (惠陽棕櫚島Resort五期)	R	27,912	59%
Zhuhai New World Riviera Garden Phase IIIA (珠海新世界海濱花園三期A)	R	35,188	100%
Haikou New World Garden Phase II (海口新世界花園二期)	R	77,716	60%
Total		930,970	

The 300,000 sq.m. Wuhan New World Centre at the bustling downtown commercial district will be completed in 2007. In addition, NWCL has two major projects in the pipeline. The first one is the 500,000 sq.m. Shanghai Hong Kong New World Garden located adjacent to the World Expo 2010 Shanghai China site. The second one is the 200,000 sq.m. Dalian New World Tower located in the downtown financial district of Dalian. NWCL will soon be running with full throttle.

Hotel Operation

Our hotel portfolio currently comprises 4 hotels providing 1,790 guest rooms. During the year under review, the achieved average room rates of Courtyard by Marriott Beijing and the occupancy rate of New World Mayfair Hotel Shanghai were improved significantly.

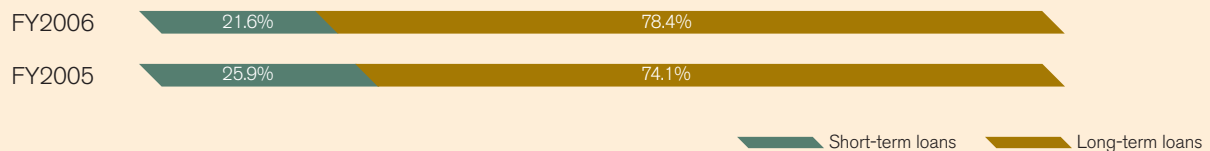
Hotel portfolio	Number of rooms
Courtyard by Marriott Beijing (北京萬怡酒店)	293
New World Mayfair Hotel Shanghai (上海巴黎春天大酒店)	860
New World Hotel Shenyang (瀋陽新世界酒店)	261
Courtyard by Marriott Shunde (順德新世界萬怡酒店)	376
Total	1,790

New World Hotel Shenyang has re-opened for business in September 2006. Two hotels in Wuhan and Dalian are under construction during the year under review. When all being completed in 2007, they will further enhance the Group's hotel portfolio.

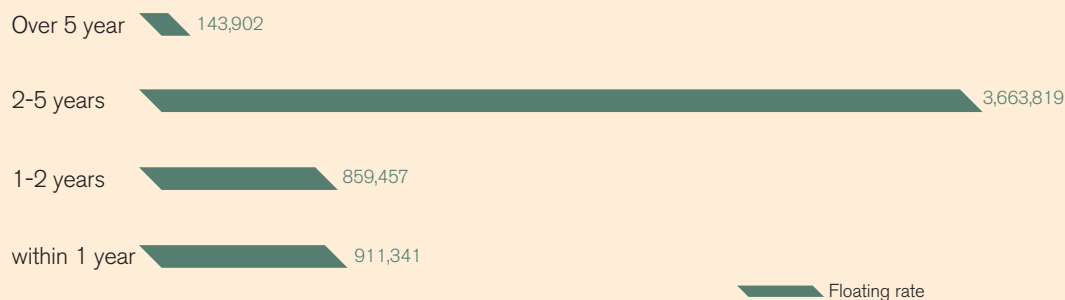
Increase in fair value of investment properties

The adoption of new accounting policy has resulted in the change in fair value of investment properties being recognised in the income statement. In FY2006, the total increase in fair value of investment properties amounted to HK\$861.9 million of which an aggregate amount of HK\$373.2 million, net of tax, was attributable to the Group. Wuhan New World Trade Tower I, Shanghai Hong Kong New World Tower and Beijing New World Centre are the major contributors to this gain.

SOURCE OF BORROWINGS



INTEREST RATE AND MATURITY PROFILE (HK\$'000)



Management Discussion & Analysis

CURRENCY PROFILE OF BORROWINGS



NATURE OF DEBT



Excess of fair value of net assets acquired over cost of acquisition of interest in subsidiaries and jointly controlled entities

In FY2006, the Group increased its interests in Huiyang Palm Island Resort and Foshan Country Club. The excess of fair value of the attributable net assets acquired over the consideration amount represented negative goodwill on acquisitions. The negative goodwill was increased from HK\$46.9 million in FY2005 to HK\$135.5 million in FY2006.

Net foreign exchange losses

The Renminbi has been experiencing appreciation since July 2005 when the net monetary assets in foreign currency held in Hong Kong dollar was exposed to immediate devaluation as the available fund resources converted to Renminbi for use in Group's operation in China would be diminished accordingly. The net exchange difference was realised as net foreign exchange losses which amounted to HK\$62.0 million in FY2006.

Finance Costs

Project finance costs increased by 45% to HK\$157.2 million in FY2006 due to the increase in interest rate and higher borrowing costs expensed resulting from increase in completed projects.

LIQUIDITY AND CAPITAL RESOURCES

As at 30th June 2006, the Group's cash and bank deposits amounted to HK\$2,851.9 million (30th June 2005: HK\$6,351.9 million). The drop in cash and bank deposits was mainly due to funding of increased working capital requirements in relation to expanding the land bank and property development portfolio to new regions including Chengdu, Changsha and Guiyang.

Gearing ratio as at 30th June 2006, calculated on the basis of net debts over total equity, increased moderately to 12.8% from zero as at 30th June 2005. The Group's consolidated net debt as at 30th June 2006 amounted to HK\$3,098.4 million (30th June 2005: Nil).

The Group's bank and other borrowings as at 30th June 2006 totaling HK\$5,950.2 million (30th June 2005 restated: HK\$5,319.3 million) of which 22%, 14%, 62% and 2% are repayable respectively within one year, one to two years, two to five years and over five years.

As at 30th June 2006, the Group's committed unutilised bank loan facilities amounted to HK\$1,002.6 million (30th June 2005: HK\$462.1 million).

The capital expenditure commitments of the Group as at 30th June 2006 were HK\$781,459,000 (30th June 2005: HK\$153,895,000), of which HK\$673,459,000 were contracted but not provided for and HK\$108,000,000 were authorised but not provided for in the balance sheet. The Group did not have any share of capital commitments of the jointly controlled entities (30th June 2005: Nil). The source of funding for capital commitments are internally generated resources and bank loan facilities.

FOREIGN CURRENCY EXPOSURE

The Group has net Renminbi ("RMB") exposure in the form of net monetary/non-monetary assets held and investment in PRC entities. As majority of the Group's net assets are denominated in RMB, the appreciation of RMB has a positive impact on the Group with an appreciation of net asset value by HK\$117.1 million.

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 2006, the Group has contingent liabilities of approximately HK\$1,279,322,000 (30th June 2005: HK\$2,057,808,000) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities. The drop in contingent liabilities reflects the Group's continuing effort to reduce reliance on debt generated from bank borrowings to finance its property projects.

As at 30th June 2006, the Group had issued performance 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 amounted to HK\$407,066,000 (2005: HK\$388,535,000).

DETAILS OF THE CHARGES ON GROUP'S ASSETS

As at 30th June 2006, the Group's property, plant and equipment, investment properties, land use rights, properties under development and bank deposits of HK\$534,049,000 (30th June 2005: HK\$588,792,000), HK\$1,651,688,000 (30th June 2005: HK\$767,186,000), HK\$139,900,000 (30th June 2005:

HK\$137,472,000), HK\$53,577,000 (30th June 2005: HK\$328,425,000) and HK\$489,671,000 (30th June 2005: HK\$817,517,000) respectively have been pledged as securities for short term and long term loans. As at 30th June 2005, properties held for development of HK\$974,721,000 had been pledged as security for a short term loan. The short term loan was fully repaid during the year.

EMPLOYEES AND REMUNERATION POLICY

As at 30th June 2006, the Group had 3,124 full-time employees. Total staff related costs incurred were HK\$141.5 million (2005 restated: HK\$129.7 million), of which retirement benefits was included. Remuneration of the employees is reviewed annually based on the assessment of individual performance. Discretionary year-end bonus was paid to employees based on individual performance.

MAJOR ACQUISITION AND DISPOSAL

During the year, the Group has acquired an effective interest of approximately 24.9% in Fortune Leader Overseas Chinese (Daiyawan) Real Estate Development Co. Ltd. ("Fortune Leader Real Estate") and 4.9% in Fortune Leader Overseas Chinese (Daiyawan) Investment Co. Ltd. ("Fortune Leader Investment"), for an aggregate consideration of approximately HK\$29.9 million. After the acquisitions, the Group effectively owns Fortune Leader Real Estate and Fortune Leader Investment as to approximately 59% and 39% respectively. Fortune Leader Real Estate is principally engaged in the development, sale and lease of residential properties in Palm Island Resort situated in Huiyang District, the PRC and Fortune Leader Investment is engaged in golf club operation of the Palm Island Resort.

On 20th March 2006, the Group acquired additional 65% of the equity interest and the related shareholder's loan in Wing Shan International Country Club Co., Ltd. ("Wing Shan"), a 27.5% owned investee company of the Group, for a consideration of HK\$456.6 million. Wing Shan, through its subsidiaries, is principally engaged in property development and operation of a golf club in Foshan, the PRC.

On 15th May 2006, the Group acquired 60% of the equity interest in Chengdu Xinyi Real Estate Development Co. Ltd., which holds land use rights of a development project in Chengdu City, for an aggregate consideration of approximately HK\$480.8 million.

Corporate Governance Report

Corporate governance is the cornerstone of the Company to achieve sustainable development and maintain high standard of business ethics. The Board will strive to adhere to the principles of corporate governance and adopt sound corporate governance practices to be in line with the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders.

The Company has complied throughout the year with the Code on Corporate Governance Practices (“the Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), except as mentioned in the paragraphs headed “Chairman and Managing Director” and “Model Code for Securities Transactions by Employees” below.

(A) DIRECTORS AND BOARD PRACTICES

Composition and responsibilities

The Company is headed by the Board which currently comprises twelve directors, including eight executive directors, one non-executive director and three independent non-executive directors. Their names, biographical details and relationship, if any, are set out on pages 64 to 67 of this annual report.

The Board, led by the Chairman, is responsible for oversight of the management, businesses, strategic directions and financial performance of the Group and is positioned to approve the interim and annual financial statements, annual budgets, business plans and other significant operational matters. The running of the day-to-day businesses of the Company is delegated by the Board to the management who is working under the leadership and supervision of the Managing Director and the Executive Committee. Management is responsible for the operational aspects of the businesses of the Group.

Chairman and Managing Director

Dr. Cheng Kar-shun, Henry is the Chairman and Managing Director of the Company. In his dual capacity as Chairman and Managing Director, Dr. Cheng Kar-shun, Henry is responsible for effective running of the Board and formulating business strategies. He also provides leadership for effective running of the Company's business and implementing the policies devised by the Board.

The Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the Board believes that Dr. Cheng Kar-shun, Henry, in his dual capacity as the Chairman and Managing Director, will provide strong and consistent leadership for the development of the Group.

Independent non-executive directors

Independent non-executive directors (“INED”) have a significant role in the Board by virtue of their independent judgement and their views carry significant weight in the Board's decisions. In particular, they bring an impartial view to bear on issues of the Company's strategy, performance and control.

During the year, the Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules regarding the appointment of sufficient number of INED and is having INED with relevant professional qualifications or accounting or relating financial management expertise. An annual confirmation of independence was received from each of the INED pursuant to Rule 3.13 of the Listing Rules and the Company considers each of the INED to be independent.

Appointment and re-election

Directors are appointed based on their merit and experiences relevant to the business of the Group and are subject to re-election by shareholders at regular intervals. In accordance with the Code provision, the articles of association of the Company were amended at the annual general meeting of the Company held on 29th November 2005 to the effect that all directors are subject to retirement by rotation at least once every three years and each newly appointed director is subject to re-election by the shareholders at the first general meeting after his/her appointment in accordance with the Company's articles of association.

The Code provides that non-executive director should be appointed for a specific term, subject to re-election. In this regard, the Company entered into service contracts with the non-executive directors of the Company whereby they are appointed for an initial term of three years commencing from 1st January 2006 subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the Company's articles of association.

Meetings

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications. Six full board meetings were convened in the year under review. The attendance of individual directors at these board meetings is set out in the following table:-

	Number of board meetings attended/held
Executive directors	
Dr. Cheng Kar-shun, Henry (<i>Chairman</i>)	6/6
Mr. Doo Wai-hoi, William (<i>Vice-Chairman</i>)	2/6
Mr. Cheng Kar-shing, Peter	6/6
Mr. Leung Chi-kin, Stewart	3/6
Mr. Chow Kwai-cheung	1/6
Mr. Chow Yu-chun, Alexander	6/6
Mr. Fong Shing-kwong, Michael	3/6
Ms. Ngan Man-ying, Lynda*	3/6
Non-executive director	
Mr. Fu Sze-shing	1/6
Independent non-executive directors	
Mr. Cheng Wai-chee, Christopher	6/6
Mr. Tien Pei-chun, James	6/6
Mr. Lee Luen-wai, John	6/6

* appointed on 17th January 2006

All directors are supplied with relevant materials relating to the matters brought before the meetings at least 3 days before the meeting. They have separated access to the senior management and the Company Secretary at all time and may seek independent professional advices at the Company's expense. All directors have the opportunity to include matters in the agenda for board meetings. Reasonable notices of board meetings are given to the directors and board procedures are compliant with the relevant rules and regulations.

Board committees

The Board has set up three committees, namely, the Executive Committee, the Audit Committee and the Remuneration Committee.

Executive committee

The Executive Committee serves as an executive arm of the Board in implementing the policies laid down by the Board and handling the day-to-day businesses of the Company. They are responsible for overseeing the management of the Company, considering issues regarding finance, investments, merger and acquisition, corporate governance and corporate communication matters. Members of the Executive Committee include Dr. Cheng Kar-shun, Henry as Chairman, Messrs. Doo Wai-hoi, William, Cheng Kar-shing, Peter and Chow Yu-chun, Alexander as members. Meetings of the Executive Committee are held frequently as and when required.

Audit committee

The Audit Committee is responsible for the review and supervision of the Group's financial reporting process, internal controls and review of the Company's financial statements. The Audit Committee meets regularly with the Company's external auditors to discuss the audit process and accounting issues. Their written terms of reference are in line with the Code provision and are available on the Company's website.

Members of the audit committee comprises Mr. Cheng Wai-chee, Christopher as Chairman, Messrs. Tien Pei-chun, James and Lee Luen-wai, John, the INED, as members.

The Audit Committee met three times during the fiscal year. During the meetings, the Audit Committee has reviewed the audit plans, internal control procedures and financial reporting system. They have also considered the interim and final results of the Group for the fiscal year as well as the report prepared by the external auditors relating to accounting issues and major findings in course of audit. Full minutes of the meetings are kept and sent to all members of the Committee.

Corporate Governance Report

The attendance of individual member of the Audit Committee at the meetings is set out in the following table:-

Members of Audit Committee	Number of meetings attended/held
Mr. Cheng Wai-chee, Christopher	3/3
Mr. Tien Pei-chun, James	3/3
Mr. Lee Luen-wai, John	3/3

Remuneration committee

The Remuneration Committee is responsible for making recommendations to the board on the Company's policy and structure for all remuneration of the directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy. Their written terms of reference are in line with the Code provision and are available on the Company's website.

Members of the Remuneration Committee comprises Mr. Cheng Wai-chee, Christopher as Chairman, Messrs. Tien Pei-chun, James, Lee Luen-wai, John and Chow Yu-chun, Alexander as members.

The Remuneration Committee met twice during the year. During the meetings, the Committee agreed upon the service contract of a newly appointed director. They have also considered and adopted the remuneration policy of the Company and made recommendation to the Board regarding the amount of directors' fees for the fiscal year.

The attendance of individual member of the Remuneration Committee at the meetings is set out in the following table:-

Members of Remuneration Committee	Number of meetings attended/held
Mr. Chow Yu-chun, Alexander	2/2
Mr. Cheng Wai-chee, Christopher	2/2
Mr. Tien Pei-chun, James	1/2
Mr. Lee Luen-wai, John	2/2

Remuneration

In recognition of their services with the Company, directors are paid directors' fees annually with the approval of the shareholders of the Company. Monthly salaries are also paid to directors commensurable with their duties in the Group. To provide an opportunity for the directors to participate in the equity of the Company as well as to motivate them to optimize their performance, executive directors have been granted share options to subscribe for shares of the Company under the share option schemes of the Company. In addition, all directors are covered by appropriate insurance on directors' liabilities from their risk exposure arising from the management of the Group.

Model code for securities transactions by directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has confirmed with the directors that they have complied with the standard set out in the Model Code during the year under review.

Model code for securities transactions by employees

The Code provision A.5.4 stipulates that there should be written guidelines on no less exacting terms than the Model Code for the relevant employees in respect of their dealing in the securities of the Company.

The Company has not established guidelines for employees as required under the Code provision, instead, the relevant provisions for insider dealing as set out in the Securities and Futures Ordinance have been included in the in-house "Human Resources & Administration Manual" so that the employees are reminded of their obligation under the Ordinance.

(B) FINANCIAL REPORTING AND INTERNAL CONTROL

Financial reporting

The Board, supported by the finance department, is responsible for the preparation of the financial statements of the Company and the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted together with the accounting standards issued by the Hong Kong Institute of Certified Public Accountants and appropriate accounting policies have been used and applied consistently.

The Board aims to present a clear, balanced and understandable assessment of the Group's performance in the annual and interim report to the shareholders, announcements and other financial disclosure. The annual and interim results are announced in timely manner within the limits of 4 months and 3 months respectively after the end of the relevant periods.

The reporting responsibilities of PricewaterhouseCoopers, the Company's external auditors, are stated in the Auditors' Report on page 98 of this annual report.

Internal control system

The Board is responsible for internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance of applicable laws, rules and regulations. The procedures provide reasonable assurance against material errors, losses or fraud. The key procedures involved are as follows:

- (1) A defined organisational structure has been set up with clear line of responsibility and authority. Division heads are assigned to the property projects in the PRC on regional basis to oversee and control the operational and financial aspects of the projects. Systems are in place to review, approve, and administer contract works, capital expenditures, sales and rental arrangement of the property projects.
- (2) A comprehensive management accounting system has been adopted to provide financial and operational performance indicators to the management in a timely manner. Proper controls are in place for the recording and verification of accounting data to provide accurate and timely management information.
- (3) The financial results of the property projects are measured against the annual operational and financial targets. Variances against the budgets are analysed and explained to identify area of improvement and appropriate corrective actions to be taken.
- (4) An internal audit department has been established to conduct audits of the Company, its subsidiaries, associated companies and jointly controlled entities. The internal audit department performs risk-based audits to review the effectiveness of the Group's material internal controls so as to provide assurance that key business and operational risks are identified and managed. The work carried out by the internal audit department will ensure the internal controls are in place and functioning as intended. The internal audit department reports to the Board with its findings and makes recommendations to improve the internal control of the Group. The department also sent their reports to the Audit Committee for review and discussion.

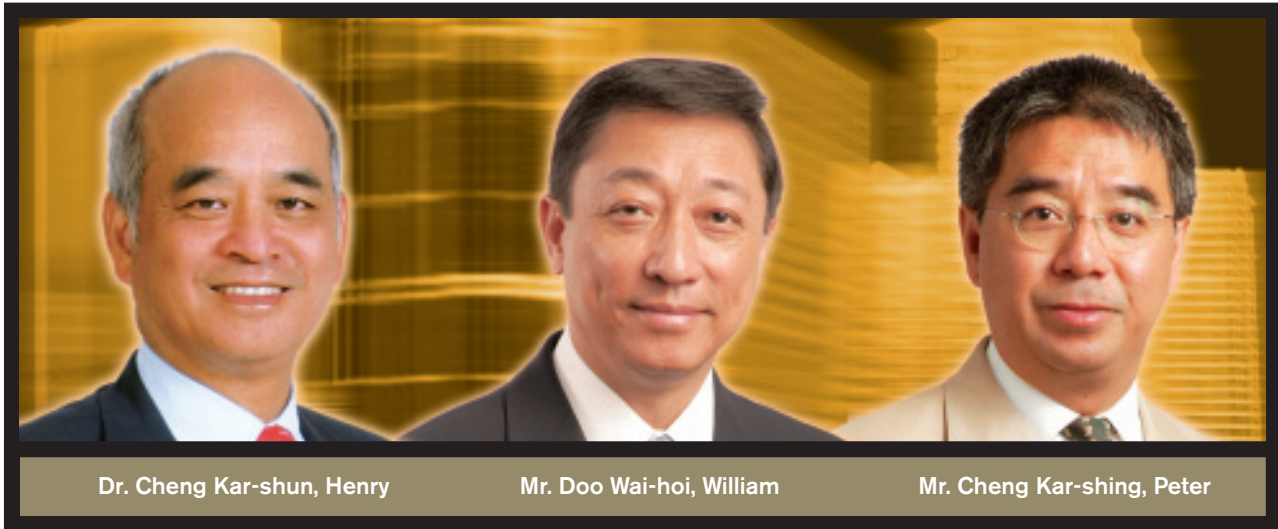
During the course of audit performed by the external auditors, they will report on the weaknesses in the Group's internal control and accounting procedures which have come to their notice. Results of their finding and recommendations will be reported back to the Board through the Audit Committee which will monitor the corrective action to be taken.

External auditors' remuneration

Fees for auditing services and non-auditing services amounting to HK\$5,384,000 and HK\$1,063,000 respectively were provided in the Group's consolidated income statement for the year ended 30th June 2006.

(C) COMMUNICATION WITH SHAREHOLDERS

The Company has established and maintained various channels of communication with the Company's shareholders and the public to ensure that they are kept abreast of the Company's latest news and development. Information relating to the Company's financial results, corporate details, notifiable transactions, property projects and major events are disseminated through publication of interim and annual report, press announcements, circulars, press release and newsletters. These publication can also be obtained from the Company's website. In addition, the Chairman, members of the Board and external auditors will attend the annual general meetings of the Company where the directors will answer questions raised by the shareholders on the performance of the Group. The Company also holds press and analysts conferences at least twice a year following the release of interim and full year results announcements at which the executive directors and senior management of the Group are available to answer questions regarding the performance of the Group. The Group has participated in a number of roadshows and meetings with investors and organised a number of site visits during the fiscal year 2006.



Dr. Cheng Kar-shun, Henry

Mr. Doo Wai-hoi, William

Mr. Cheng Kar-shing, Peter

CHAIRMAN AND MANAGING DIRECTOR

Dr. Cheng Kar-shun, Henry *GBS* (aged 59)

Dr. Cheng became the Chairman and Managing Director of New World China Land Limited in 1999. He is also the Managing Director of New World Development Company Limited, the Chairman of NWS Holdings Limited, Tai Fook Securities Group Limited, New World Mobile Holdings Limited and International Entertainment Corporation. He is the Managing Director of New World Hotels (Holdings) Limited and a Director of Cheng Yu Tung Family (Holdings) Limited, Centennial Success Limited, Chow Tai Fook Enterprises Limited, Easywin Enterprises Corporation Limited and HKR International Limited. He also acts as a Non-Executive Director of Lifestyle International Holdings Limited. Dr. Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation, a Committee Member of the Tenth Chinese People's Political Consultative Conference of the People's Republic of China. In 2001, Dr. Cheng was awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region. Dr. Cheng is the brother of Mr. Cheng Kar-shing, Peter and the brother-in-law of Mr. Doo Wai-hoi, William.

VICE-CHAIRMAN

Mr. Doo Wai-hoi, William *JP* (aged 62)

Mr. Doo was appointed the Vice-Chairman of New World China Land Limited in June 1999. He is currently the Deputy Chairman of NWS Holdings Limited and Tai Fook Securities Group Limited as well as the Vice-Chairman of New World Mobile Holdings Limited. He also acts as an Executive Director of Lifestyle International Holdings Limited, a Director of New World Hotels (Holdings) Limited and Fung Seng Diamond Company Limited. Mr. Doo has served as a Governor of the Canadian Chamber of Commerce in Hong Kong since 1995. In addition, he is a Member of the Executive Committee of the Tenth Chinese People's Political Consultative Conference in Shanghai, and the Convener of the Shanghai Committee in Hong Kong. In May 2005, he was appointed as the Honorary Consul of the Kingdom of Morocco in Hong Kong. Mr. Doo is the brother-in-law of Dr. Cheng Kar-shun, Henry and Mr. Cheng Kar-shing, Peter.

EXECUTIVE DIRECTORS

Mr. Cheng Kar-shing, Peter (aged 54)

Mr. Cheng was appointed an Executive Director of New World China Land Limited in June 1999. He is a Director of Cheng Yu Tung Family (Holdings) Limited, Centennial Success Limited, Chow Tai Fook Enterprises Limited, New World Development Company Limited, NWS Service Management Limited, New World Hotels (Holdings) Limited, Macao Water Supply Company Limited and Polytown Company Limited. Mr. Cheng is the brother of Dr. Cheng Kar-shun, Henry and the brother-in-law of Mr. Doo Wai-hoi, William.



Mr. Leung Chi-kin, Stewart

Mr. Chow Kwai-cheung

Mr. Chow Yu-chun, Alexander

Mr. Leung Chi-kin, Stewart (aged 67)

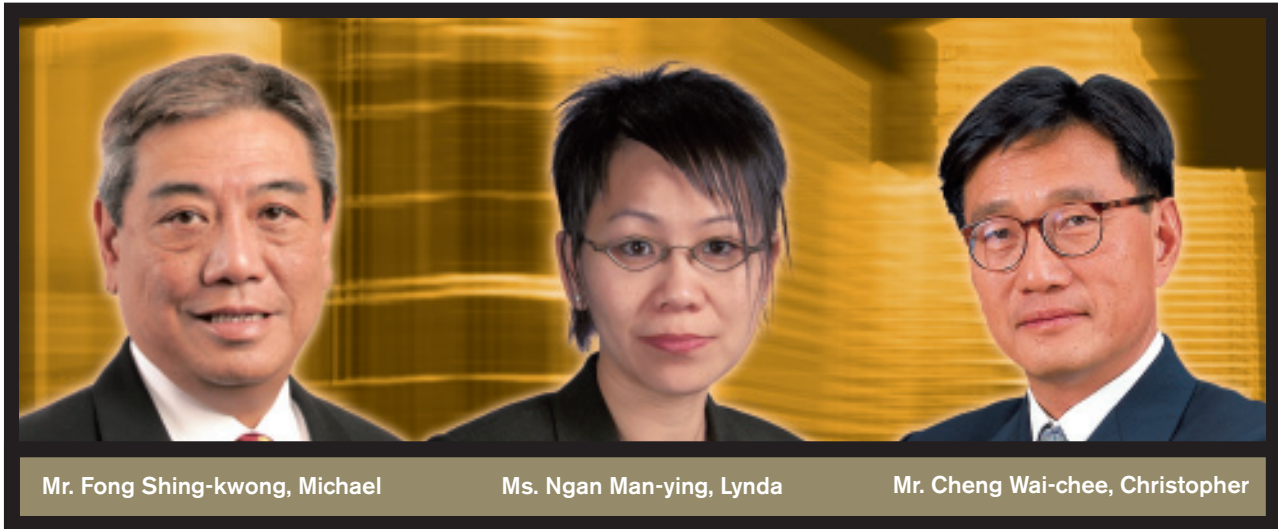
Mr. Leung was appointed an Executive Director of New World China Land Limited in June 1999. He is an Executive Director and the Group General Manager of New World Development Company Limited, a Director of New World Hotel Company Limited and Hip Hing Construction Company Limited. He also acts as the Vice-Chairman of the Executive Committee of The Real Estate Developers Association of Hong Kong.

Mr. Chow Kwai-cheung (aged 64)

Mr. Chow was appointed an Executive Director of New World China Land Limited in June 1999. He is currently a Director of New World Development Company Limited and Hip Hing Construction Company Limited. He has over 30 years experience in property development and investment businesses. Mr. Chow joined the New World Group in 1974 and is responsible for the construction and engineering operations of the Company and the New World Group.

Mr. Chow Yu-chun, Alexander (aged 59)

Mr. Chow was appointed an Executive Director of New World China Land Limited in June 1999. He is also a Director of New World Mobile Holdings Limited and Easywin Enterprises Corporation Limited. He is a fellow of the Chartered Association of Certified Accountants (UK) and a CPA of the Hong Kong Institute of Certified Public Accountants and has over 30 years of experience in property development and investment in Hong Kong. Mr. Chow joined the New World Group in 1973 and is responsible for the financial operations of the Company and the New World Group.



Mr. Fong Shing-kwong, Michael

Ms. Ngan Man-ying, Lynda

Mr. Cheng Wai-chee, Christopher

Mr. Fong Shing-kwong, Michael (aged 58)

Mr. Fong was appointed an Executive Director of New World China Land Limited in January 2003. He is currently a Director of NWS Service Management Limited, New World Hotels (Holdings) Limited, Kiu Lok Service Management Co. Ltd., Kiu Lok Property Services (China) Ltd. and Urban Property Management Limited and the Owner's Representative of CTF Hotel Holdings, Inc.. Mr. Fong joined the New World Group in 1978 and was appointed an Executive Director of New World Hotels International Limited from 1983 to 1997. He is responsible for hotel corporate management and project development of the Company and the New World Group. Besides his over 30 years experience in the hospitality industry, Mr. Fong has extensive experience in property development, asset & facility management and investment business in the PRC.

Ms. Ngan Man-ying, Lynda (aged 40)

Ms. Ngan was appointed an Executive Director of New World China Land Limited in January 2006. She is the Financial Controller and a committee member of the Group's Operation Committee responsible for overseeing the Group's financial accounting, treasury management and corporate governance monitoring. She joined the Group in 1999 with over 19 years of experience in auditing, accounting, business advisory and tax consultancy. Prior to joining the Company, she worked for an international accounting firm in Hong Kong and a tax consulting company in Australia. Ms. Ngan is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Chartered Association of Certified Accountants of United Kingdom. Ms. Ngan is the Company Secretary of New World China Land Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS**Mr. Cheng Wai-chee, Christopher GBS OBE JP (aged 58)**

Mr. Cheng was appointed an Independent Non-Executive Director of New World China Land Limited in June 1999. He is the Chairman of USI Holdings Limited and Winsor Properties Holdings Limited and a non-executive director of several listed and unlisted companies in Hong Kong, including NWS Holdings Limited, PICC Property and Casualty Company Limited, Eagle Asset Management (CP) Limited (as manager of Champion Real Estate Investment Trust), and DBS Bank (Hong Kong) Limited. Mr. Cheng plays an active role in the public services, particularly noteworthy are his efforts in promoting the development of Hong Kong as an international trade, commercial and financial center. He currently serves as a non-executive director of the Hong Kong Securities and Futures Commission and a member of the Exchange Fund Advisory Committee. He is also a former Chairman of the Hong Kong General Chamber of Commerce. Mr. Cheng has a keen interest in management of the public services and is acting as the Chairman of the Standing Committee on Judicial Salaries and Conditions of Service. He is also a Steward of the Hong Kong Jockey Club and serves on the Council of the University of Hong Kong. Mr. Cheng holds a BBA from the University of Notre Dame, Indiana, USA, and an MBA from Columbia University, New York.



Mr. Tien Pei-chun, James (aged 59)

Mr. Tien was appointed an Independent Non-Executive Director of New World China Land Limited in June 1999. He is the Chairman of Manhattan Holdings Ltd., Manhattan Garments (International) Ltd., Manhattan Realty Ltd. and a Director of a number of private companies. A Legislative Councillor since 1988, Mr. Tien is very active in the community and serves on government committees as well as non-government boards in Hong Kong. He is the Chairman of the Legislative Council Panel on Economic Services, Chairman of the Liberal Party, a Member of the Chinese People's Political Consultative Conference, General Committee Member of the Hong Kong General Chamber of Commerce and the Federation of Hong Kong Industries, a Court Member of the Hong Kong Polytechnic University and a Council Member of The Chinese University of Hong Kong.

Mr. Lee Luen-wai, John, JP (aged 57)

Mr. Lee was appointed an Independent Non-Executive Director of New World China Land Limited in December 2004. He is the managing director of Lippo Limited, a director of Lippo China Resources Limited, Hongkong Chinese Limited and Overseas Union Enterprise Limited as well as an independent non-executive director of New World Development Company Limited. He is a qualified accountant and was a partner of one of the leading international accounting firms in Hong Kong. He has extensive experience in corporate finance and capital markets. Mr. Lee serves as a member on a number of Hong Kong Government Boards and Committees including Hospital Authority, Council of the City University of Hong Kong and Solicitors Disciplinary Tribunal Panel. Mr. Lee is also the Chairman of the Queen Elizabeth Hospital Governing Committee.

NON-EXECUTIVE DIRECTOR

Mr. Fu Sze-shing (aged 57)

Mr. Fu was appointed a Non-Executive Director of New World China Land Limited in June 1999. He is a Director of New World TMT Limited, New World Development (China) Limited and a number of companies with investments in the PRC. He has over 20 years experience in PRC property development and investment businesses.

Senior Management Profile



Back from left to right: CHEONG Chak-lon, Allan / LAM Siu-fung, Eric / LAU Chung-chun, Desmond / LEUNG Wai-kai, William / CHAU Lam-cheung, Benjamin / AU Wai-chuen, Albert / GENG Shu-sen, Kenneth / PUN Lap-fu, Alex
 Front from left to right: FAN Chor-kwok, Ambrose / CHOW Yu-chun, Alexander / NGAN Man-ying, Lynda

FAN Chor-kwok, Ambrose (aged 62). Mr. Fan is an Assistant General Manager of the Group, whose primary responsibility is to oversee the Group's projects in Wuhan, Changsha and Chengdu. Mr. Fan graduated from the University of Hong Kong with a Bachelor Degree in Architecture and the University of Toronto with a Master Degree in Business Administration. Mr. Fan is a Registered Architect in Hong Kong, Member of The Royal Architectural Institute of Canada and The Hong Kong Institute of Architects. Mr. Fan has more than 35 years of experience in architecture, project management and property development and has held a number of senior positions in international consulting firms, property development companies and financial institutions. Mr. Fan joined the New World Group in 1992, appointed as a Director of New World Project Management Limited in 1993 and appointed as an Assistant General Manager of New World Development (China) Limited in September 1997.

CHOW Yu-chun, Alexander (aged 59). Mr. Chow was appointed an Executive Director of New World China Land Limited in June 1999. He is also a Director of New World Mobile Holdings Limited and Easywin Enterprises Corporation Limited. He is a fellow of the Chartered Association of Certified Accountants (UK) and a CPA of the Hong Kong Institute of Certified Public Accountants and has over 30 years of experience in property development and investment in Hong Kong. Mr. Chow joined the New World Group in 1973 and is responsible for the financial operations of the Company and the New World Group.

NGAN Man-ying, Lynda (aged 40). Ms. Ngan was appointed an Executive Director of New World China Land Limited in January 2006. She is the Financial Controller and a committee member of the Group's Operation Committee responsible for overseeing the Group's financial accounting, treasury management and corporate governance monitoring. She joined the Group in 1999 with over 19 years of experience in auditing, accounting, business advisory and tax consultancy. Prior to joining the Company, she worked for an international accounting firm in Hong Kong and a tax consulting company in Australia. Ms. Ngan is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Chartered Association of Certified Accountants of United Kingdom. Ms. Ngan is the Company Secretary of New World China Land Limited.

CHEONG Chak-lon, Allan (aged 44). Mr. Cheong is a Regional Executive of the Group who primarily oversees the Group's projects in Tianjin. Mr. Cheong graduated from the University of London with a Bachelor Degree in Engineering. Mr. Cheong has over 20 years of real estate development experience in Hong Kong and the PRC. Mr. Cheong joined the New World Group in 1994.

LAM Siu-fung, Eric (aged 35). Mr. Lam is a Regional Executive of the Group who primarily oversees the Group's projects in Zhuhai, Huizhou, Hefei and Haikou. Mr. Lam is a Director of a number of companies with investments in the PRC. Mr. Lam holds Bachelor Degree in Business Administration from Canada. Mr. Lam has over 10 years of experience in real estate development and finance in Hong Kong and the PRC. Mr. Lam joined the Group in 1994. Mr. Lam is the Committee Member of the Ninth Chinese People's Political Consultative Conference of Huizhou City, an advisor of the Sixth Zhuhai City Economic Committee of Chinese People's Political Consultative Conference and a Member of the Standing Committee of Zhuhai Youth Federation.

LAU Chung-chun, Desmond (aged 59). Mr. Lau is a Regional Executive of the Group who primarily oversees the Group's projects in Shenyang. Mr. Lau has over 20 years of experience in real estate development in Hong Kong and the PRC. Mr. Lau is a Model Worker of the City of Shenyang, an Honorary Citizen of the City of Shenyang, Committee Member of the 10th, 11th and 12th Chinese People's Political Consultative Conference of Shenyang and Vice-chairman of the Overseas Chinese Congress in Liaoning Province. Mr. Lau joined the Group in 1996.

LEUNG Wai-kai, William (aged 51). Mr. Leung is an Assistant to Managing Director of New World Development Company Limited and an Assistant General Manager of the Group. Mr. Leung graduated from the University of Minnesota with a Bachelor Degree in Architecture and from the Illinois Institute of Technology with a Master Degree in Architecture. Mr. Leung is a Registered Architect in the United States and has worked for architectural firms in both the United States and Hong Kong for nine years before joining the New World Group in 1986. Mr. Leung was also appointed a Director and the General Manager of New World Project Management Limited and has been responsible for the management and development of numerous property projects in Hong Kong, the PRC and Southeast Asia. Mr. Leung has started his career in Mainland China real estate sector since 1993 and was responsible for project planning and construction management of various projects in Beijing, Guangzhou, Dalian, Wuhan and Shenzhen with a total GFA of over 1 million sq. m.

CHAU Lam-cheung, Benjamin (aged 47). Mr. Chau is a Regional Executive of the Group who primarily oversees of the Group's projects in Shanghai. Mr. Chau holds a Bachelor Degree from Curtin University of Technology of Australia and is a CPA member of both CPA Australia and the Hong Kong Institute of Certified Public Accountants. Mr. Chau has over 20 years of experience in the international hotel business and real estate development. Mr. Chau joined the New World Group in 1989.

AU Wai-chuen, Albert (aged 59). Mr. Au is a Regional Executive of the Group who primarily oversees the Group's projects in Beijing and Jinan. Mr. Au has over 30 years of experience in real estate development and finance in Hong Kong and the PRC. Mr. Au is the Committee Member of the 10th Chinese People's Political Consultative Conference of Beijing, Executive Director of China Association of Enterprises with Foreign Investment and Executive Director of Beijing Association of Enterprises with Overseas Chinese Investment. Mr. Au joined the Group in 1995.

GENG Shu-sen, Kenneth (aged 43). Mr. Geng is a Regional Executive of the Group who primarily oversees the Group's projects in Guangzhou and Guiyang. Mr. Geng holds Bachelor and Master Degrees in Science and is also a certified engineer in both the PRC and Australia. Mr. Geng has over 20 years of experience in real estate development in Hong Kong and the PRC. Mr. Geng is Vice-chairman of Guangzhou Overseas Friendship Association. Mr. Geng joined the Group in 1999.

PUN Lap-fu, Alex (aged 45). Mr. Pun is Assistant General Manager of the Group. Mr. Pun joined the New World Group in 1984 and has worked as Financial Controller in the hotels under the New World Group. He was then appointed as an Assistant to Managing Director of New World Group in 1994. Mr. Pun is Executive Director of the Group's investment company in Shanghai and a number of companies with real estate investments in the PRC. Mr. Pun is currently the Committee Member of the 11th Chinese People's Political Consultative Conference of Luwan District of Shanghai, Council Member of Shanghai Luwan District Commerce Committee, Council Member of the Overseas Chinese Congress of Luwan and Changning District of Shanghai, Vice-chairman of the Overseas Chinese Congress of Zhaoqing and Founding Vice-chairman of Hong Kong Association of China Business. He is also a registered Real Estate Agent of China and has obtained HKSI Specialist Certificate – Asset Management. Mr. Pun graduated from the Oklahoma City University of the United States with a Master Degree in Business Administration.

New World China Land has always been actively engaged in all sorts of corporate citizenship activities. Our active participation in charity campaigns in many different regions of Mainland China demonstrate our commitment to embrace corporate social responsibility as our core value. Besides, we have also initiated and organized a wide range of social and cultural events, which have enriched community life and contributed to building a caring and harmonious society.

VOLUNTEER

Guangzhou

Following the footsteps of the successful corporate volunteer team of New World Group in Hong Kong, New World China Land (Guangzhou) formed its own corporate volunteer team in July 2006 with an aim to serve the needy in the local community.



Two volunteer events were organized within a month of setting up of the NWCL corporate volunteer team. They first visited the elderly home in Fangcun District and later on they organized a cruise along Guangzhou's Zhujiang River for 139 single elders who never have the chance to sightseeing on board.

CHARITY CAMPAIGN

Guangzhou

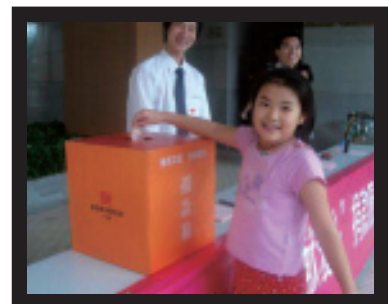
New World China Land (Guangzhou) and local staff donated RMB250,000 to the relief operations organized by Guangzhou Charity Association for the devastated southern Guangdong district which was hard hit by typhoon in August 2006.

Tianjin

New World China Land (Tianjin) organized "Charity Donation for the Disabled" event in May 2006 at Tianjin New World Garden. A sum of RMB one million was donated to the local Tianjin Disabled Person Union to fund their various rehabilitation programmes for the disabled.

Shunde

The staff of Shunde New World Centre organized the residents and retail tenants of the project to visit the local centre for disabled children of Shunde District, city of Foshan in Guangdong Province in late September 2006. The event not only brought smiles to the disabled children but also a sense of family and sharing.



Huiyang

Palm Island Resort organized an UNICEF Charity Golf Tournament in January 2006. A sum of HK\$250,000 has been raised to support UNICEF's various programmes in improving the welfare of underprivileged children in Mainland China.

Huizhou

Huizhou New World Long Lake Garden donated a total sum of RMB250,000 to the charity fund of Huizhou Municipal Charity Association in early 2006. At the same time, another RMB160,000 was donated to Huizhou Changhuyuan Elementary School to further improve its education facility.



Hong Kong

NWCL's corporate office in Hong Kong supported the "Dress Special Day" organized by the Community Chest of Hong Kong on 29th September 2006 to raise funds to improve and develop "Family and Child Welfare Services". Colleagues who donated for the event and dressed casually to work, showing their care to the needy.

COMMUNITY ACTIVITY

Beijing

New World China Land (Beijing) joined hands with residents of Beijing New View Garden in Chongwen District in organizing a Chinese New Year lantern evening gala to celebrate lunar new year in February 2006.

Guangzhou

With the support of New World China Land (Guangzhou office), residents from the Group's six residential communities in Guangzhou formed an arts performing group in January 2006. Through performing their own production of dances, plays, singing and other programmes, the performing group not only brings joy and harmony to the communities, but also creates a sense of belongings among the residents.



Children International Summer Village is an independent, non-political volunteer organization promoting peace education and cross-cultural friendship. Its International Summer Camp programme provides a range of unique, educational group activities for children at the age of 13 to 15 to develop cross-cultural understanding. The summer of 2006 marked their first summer camp in China and they have chosen NWCL's Guangzhou Park Paradise as their base camp to host the event. 15 families from NWCL's six communities in Guangzhou were chosen to provide boarding for 30 children of different nationalities from all over the world.

Contents

Financial Section

- 73** Report of the directors
- 98** Report of the auditors
- Financial statements
- 99** Consolidated income statement
- 100** Consolidated balance sheet
- 102** Balance sheet
- 103** Consolidated cash flow statement
- 104** Consolidated statement
of changes in equity
- 106** Notes to the financial statements
- 169** Financial summary

The directors have pleasure in presenting their annual report and financial statements for the year ended 30th June 2006.

Group activities

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries, associated companies and jointly controlled entities are shown in note 44 to the financial statements.

Financial statements

The results of the Group for the year ended 30th June 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 99 to 168.

Dividends

The directors have resolved to recommend a final dividend of HK\$0.04 per share (2005: HK\$0.03 per share) for the year ended 30th June 2006 to shareholders whose names appear on the register of members of the Company on 21st November 2006. The proposed final dividend will be paid on or about 22nd December 2006 subject to approval at the forthcoming annual general meeting of the Company.

Share capital

Details of the movements in share capital during the year are set out in note 29 to the financial statements.

Reserves

Details of the movements in reserves are set out in note 30 to the financial statements.

Purchase, sale or redemption of listed securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

Property, plant and equipment

Details of the movements in property, plant and equipment are set out in note 15 to the financial statements.

Donations

Donation made by the Group during the year amounted to HK\$274,000 (2005:HK\$3,479,000).

Directors

The directors of the Company during the year and up to the date of this report were:

Dr. Cheng Kar-shun, Henry
Mr. Doo Wai-hoi, William
Mr. Cheng Kar-shing, Peter
Mr. Leung Chi-kin, Stewart
Mr. Chow Kwai-cheung
Mr. Chow Yu-chun, Alexander
Mr. Fong Shing-kwong, Michael
Ms. Ngan Man-ying, Lynda (appointed on 17th January 2006)
Mr. Fu Sze-shing
Mr. Cheng Wai-chee, Christopher*
Mr. Tien Pei-chun, James*
Mr. Lee Luen-wai, John*

* Independent non-executive directors

In accordance with Article 116 of the Company's Articles of Association, Messrs. Cheng Kar-shing, Peter, Fong Shing-kwong, Michael and Cheng Wai-chee, Christopher will retire by rotation at the forthcoming annual general meeting, and being eligible, will offer themselves for re-election. The remaining current directors continue in office.

No director has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Pre-emptive rights

No pre-emptive rights exist in the Cayman Islands in respect of the Company's share capital.

Directors' interest in contracts

Save for contracts amongst group companies, no other contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its holding company or fellow subsidiaries is a party, and in which any director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected transactions

The Group has entered into the following connected transactions during the year and up to the date of this report:

A. Construction services

On 30th May 2005, a master service agreement was entered into between the Company and New World Development Company Limited ("NWD"), the Company's ultimate holding company, under which the Company agreed to engage the group of NWD to provide construction, engineering and project management services for the property development projects undertaken by the Group in the People's Republic of China ("PRC"), on non-exclusive basis and subject to tender procedures for selection of contractors, for a term of three years ending 30th June 2008.

Pursuant to the master service agreement, the fees payable to the NWD Group for provision of the aforesaid construction services will be determined by reference to the PRC government-prescribed price, failing which, the PRC government-guided prices, failing which, the market price and thereafter will be determined by the relevant parties based on reasonable costs plus reasonable profit margin. Details of the agreement were set out in the announcement of the Company dated 30th May 2005 and in a circular dated 10th June 2005.

The total amount paid to the NWD Group under the master service agreement for the construction, engineering and project management services was HK\$77,454,000 (2005: HK\$177,226,000), HK\$75,194,000 (2005: HK\$119,584,000) and HK\$21,298,000 (2005: Nil), respectively for the year ended 30th June 2006.

B. Tenancy agreements*(1) Office tenancy agreements*

On 30th June 2005, a tenancy agreement was entered into between New World Tower Company Limited (“NWT”), a wholly-owned subsidiary of NWD, as landlord, and the Company, as tenant, for the lease of office premises located at 9/F, New World Tower 1, 18 Queen’s Road Central, Hong Kong with gross floor area of 9,375 sq. ft. for a term of two years commencing from 1st July 2005 to 30th June 2007 at a monthly rental of HK\$253,125 together with monthly management fees and air-conditioning charges of HK\$32,813. The total amount paid under the tenancy agreement was HK\$3,432,000 for the year ended 30th June 2006 (2005: Nil).

On the same day, another tenancy agreement was entered into between NWT, as landlord, and the Company, as tenant, for the lease of a portion of 33/F, New World Tower 1, 18 Queen’s Road Central, Hong Kong with gross floor area of 1,296 sq. ft. for a term of two years commencing from 1st July 2005 to 30th June 2007 at a monthly rental of HK\$34,992 together with monthly management fees and air-conditioning charges of HK\$4,536. The total amount paid under the tenancy agreement was HK\$474,000 for the year ended 30th June 2006 (2005: Nil). Details of the two tenancy agreements were set out in the announcement of the Company dated 30th June 2005.

(2) Shenyang tenancy agreements

(a) On 15th August 1995, a tenancy agreement (“1995 Shenyang Tenancy Agreement”) was entered into between Shenyang New World Hotel Co., Ltd. (“Shenyang Hotel”), as landlord, and Shenyang New World Department Store Ltd. (“Shenyang Department Store”), as tenant, for lease of the shopping arcade on the first and second floors of the annex building of New World Hotel, Shenyang located at 2 Nanjingnan Street, Heping District, Shenyang, Liaoning Province, the PRC, with an area of 8,320 sq. m. for ten years. Shenyang Hotel was a 70% owned jointly controlled entity of the Group at the date of the 1995 Shenyang Tenancy Agreement which subsequently became a wholly-owned subsidiary of the Group since the Group acquired an additional 30% interest in Shenyang Hotel on 30th May 2003. Shenyang Department Store is an indirect wholly-owned subsidiary of NWD.

The annual rental is the higher of (i) RMB8,000,000, RMB9,000,000 and RMB10,000,000 for the years ended 14th August 1996, 14th August 1997 and 14th August 1998 respectively, increasing at a rate of 6% per annum in each of the seven years ending 14th August 2005; and (ii) 4% of the gross sales revenue earned by Shenyang Department Store, after value-added tax, for each of the three years ended 14th August 1998; and 5% of the gross sales revenue for each of seven years ending 14th August 2005. The rental received in aggregate under the 1995 Shenyang Tenancy Agreement was HK\$13,382,000 for the year ended 30th June 2006 (2005: HK\$13,320,000).

(b) On 8th November 2000, a tenancy agreement (“2000 Shenyang Tenancy Agreement”) was entered into between Shenyang Hotel, as landlord, and Shenyang Department Store, as tenant, for lease of the shopping arcade on the third floor of the annex building of New World Hotel, Shenyang with an area of 690 sq. m. for five years commencing from 1st December 2000 to 30th November 2005.

The annual rental was RMB987,000 for the first year ended 30th November 2001, increasing at a rate of 6% per annum in each of the four years ending 30th November 2005 with rent-free period from 1st December 2000 to 31st January 2001. The rental received in aggregate under the 2000 Shenyang Tenancy Agreement was HK\$1,315,000 for the year ended 30th June 2006 (2005: HK\$1,138,000).

Connected transactions *(continued)*

B. Tenancy agreements *(continued)*

(2) *Shenyang tenancy agreements (continued)*

(c) On 17th May 2006, a tenancy agreement ("2006 Shenyang Tenancy Agreement") was entered into between Shenyang Trendy Property Company Limited ("Shenyang Trendy"), an indirect wholly-owned subsidiary of the Company, as landlord, and Shenyang Department Store, as tenant, for the lease of a portion of the first to fourth floors of New World Hotel, Shenyang with an area of 13,976 sq. m. for an initial term of three years commencing from 1st May 2006 and is renewable for successive terms of three years upon its expiry. Details of the 2006 Shenyang Tenancy Agreement were set out in the announcement of the Company dated 17th May 2006.

The yearly rental, exclusive of any rate, management fee and maintenance charge, is the higher of (i) RMB18,000,000 for the year ending 30th April 2007, increasing at a rate of 3% per annum in the following years; and (ii) 5% of the gross sales revenue earned by Shenyang Department Store in the premises. Total amount received under the 2006 Shenyang Tenancy Agreement for the year ended 30th June 2006 was HK\$2,885,000 (2005: Nil).

(3) *Tianjin tenancy agreement*

On 15th March 2004, a tenancy agreement ("Tianjin Tenancy Agreement") was entered into between New World Anderson (Tianjin) Development Co. Ltd. ("New World Anderson"), an indirect wholly-owned subsidiary of the Company, as landlord, and Tianjin Trendy New World Plaza Co., Ltd. ("Tianjin Trendy"), an indirect wholly-owned subsidiary of NWD, as tenant, for lease of the first to fourth floors of Tianjin New World Shopping Centre located in Nankai District, Tianjin, the PRC with an area of 31,800 sq. m. for twenty years from 15th March 2004 to 14th March 2024.

The annual rental is the higher of (i) RMB26,375,000 per year from the first year to the tenth year; RMB27,090,000 per year from the eleventh year to the thirteenth year; RMB28,100,000 per year from the fourteenth year to the seventeenth year; RMB30,300,000 per year from the eighteenth year to the twentieth year; and (ii) 5% of the sale revenue of Tianjin Trendy, together with an annual management fee of RMB3,968,700. The rental and management fee received in aggregate amounted to HK\$29,177,000 for the year ended 30th June 2006 (2005: HK\$28,668,000).

(4) *Dalian tenancy agreement*

On 13th December 2003, Dalian New World Plaza International Co., Ltd. ("Dalian Plaza"), a 88% owned subsidiary of the Group, as landlord, entered into a tenancy agreement with Dalian New World Department Store Ltd. ("Dalian Department Store"), an indirect wholly-owned subsidiary of NWD, as tenant, for lease of the first to fifth floors and a portion of the sixth to seventh floors as well as the basement one of Dalian New World Plaza located in Tianjin Street, Zhongshan District, Dalian, the PRC, with an area of 26,845 sq. m. for twenty years commencing from 18th October 2002 to 17th October 2022.

The monthly rental is the higher of (i) RMB30 per sq. m. with effect from 1st January 2004, with an addition of 3% of the gross sales revenue ("GSR") earned by Dalian Department Store with effect from 1st January 2007; and (ii) 5% of the GSR, with rent-free period from 18th October 2002 to 31st December 2003.

On 26th November 2004, a supplemental agreement was entered into between Dalian Plaza and Dalian Department Store whereby both parties agreed to terminate the lease on the seventh floor of Dalian New World Plaza totaling 312 sq. m. and Dalian Department Store shall lease an additional area of 5,501.33 sq. m. on the sixth floor of Dalian New World Plaza. The rental payable in respect of the new leased area is the higher of either (i) basic rental which is RMB20 per sq. m. with effect from 15th March 2005, with an addition of 3% of the GSR arising from the operation of Dalian Department Store in the new leased area with effect from 1st January 2007; or (ii) 5% of the GSR, with rent-free period up to 14th March 2005. Details of the Dalian tenancy agreement and the supplemental agreement (collectively, the "Dalian Tenancy Agreement") were published in the Company's announcements dated 13th December 2003 and 26th November 2004.

The rental received in aggregate under the Dalian Tenancy Agreement was HK\$9,903,000 for the year ended 30th June 2006 (2005: HK\$9,287,000).

C. Corporate guarantees

- (1) On 25th July 2002, Shanghai Ramada Plaza Ltd. ("Shanghai Ramada"), then 57% owned subsidiary, was granted a loan facility of US\$10,000,000 and RMB300,000,000 by two banks for a term of 5 years to finance the construction of its property project and as general working capital. Upon granting of the loan facility, the Company provided guarantee in respect of the full obligation and liabilities of Shanghai Ramada under the loan facility as well as the completion of Shanghai Ramada Plaza and undertook that the funding requirement relating to the completion of its construction would be fulfilled. The aforesaid loan facility was extended for further three years up to 30th June 2010.

On 24th June 2003, Shanghai Ramada, then 61.75% owned subsidiary, obtained another loan facility of RMB100,000,000 from a bank for a term of 5 years to finance the construction cost of its property project. The obligation and liabilities of Shanghai Ramada under the aforesaid loan facility are also guaranteed by the Company.

On 15th December 2004, Shanghai Ramada, then 64.88% owned subsidiary, obtained a multi-currency loan facility up to an aggregate principal amount of HK\$80,000,000 for a term up to 31st July 2007 which will be utilised by Shanghai Ramada to re-finance an existing bank loan facility of HK\$10,000,000 and RMB74,000,000 obtained by Shanghai Mayfair Hotel Co., Ltd. which merged with Shanghai Ramada in June 2004.

At the date of this report, Shanghai Ramada is directly or indirectly owned as to 99.81% by Ramada Property Ltd. ("Ramada Property") which in turn is a 75% owned subsidiary of the Company. The other shareholders of Ramada Property had agreed to indemnify the Company in respect of its liability under the guarantees and pay to the Company a guarantee fee of 0.25% per annum on the amount of the loan facilities being utilised by Shanghai Ramada in proportion to their shareholdings in Ramada Property.

Stanley Enterprises Limited ("Stanley"), having 20% interest in Ramada Property, is a connected person of the Company by virtue of its being a substantial shareholder of certain subsidiaries of the Group, and is wholly-owned by a director of the Company, Mr. Doo Wai-hoi, William since 3rd December 2002. The provision of the guarantees by the Company in respect of the loan facilities and payment of the guarantee fee by Stanley constituted connected transactions of the Company and relevant details were published in the Company's announcements dated 25th July 2002, 3rd December 2002, 24th June 2003 and 15th December 2004.

- (2) Fortune Leader Overseas Chinese (Daiyawan) Real Estate Development Co., Ltd. ("Fortune Leader Real Estate") was granted a 4-year banking facility with principal amount of up to HK\$30,000,000 on 6th September 2002 and additional facility of HK\$40,000,000 on 17th July 2003 to finance the development cost of its property projects.

On 16th December 2005, Fortune Leader Real Estate was further granted a 4-year loan facility with principal amount of up to HK\$25,000,000 (the "HK\$25,000,000 Facility") to finance its working capital requirement.

At the date of this report, Fortune Leader Real Estate is 80% owned by Dragon Fortune Limited ("Dragon Fortune") and 20% owned by a wholly-owned subsidiary of the Company. Dragon Fortune is owned by the Company, Potassium Corp. ("Potassium"), Sun City Holdings Limited ("Sun City"), a 30.625% owned associated company, and independent third parties as to 42.54%, 7.09%, 20.33% and 30.04%, respectively. Effectively, the Group owns Dragon Fortune as to 48.77%.

The obligation and liabilities of Fortune Leader Real Estate under the banking facilities were guaranteed by the Company, Mr. Cheng Kar-shing, Peter, a director of the Company ("Personal Guarantor"), and certain independent shareholders of Dragon Fortune in the proportion of 39.20%, 30.64% and 30.16% respectively on several basis, which is determined with reference to their respective shareholding in Dragon Fortune and a shared portion of the guarantee amount not being provided by the minority shareholders of Dragon Fortune.

Potassium is wholly-owned by the Personal Guarantor. Sun City is a 30.625% owned associated company of the Company and is also a connected person of the Company by virtue of the deemed interest of the Personal Guarantor in more than one-third of its issued share capital. Accordingly, the provision of the guarantees by the Company in respect of the banking facilities to Fortune Leader Real Estate constituted connected transactions of the Company. Details of the guarantee being provided by the Company in respect of the HK\$25,000,000 Facility were published in the Company's announcement dated 16th December 2005.

Connected transactions (continued)**C. Corporate guarantees** (continued)

- (3) On 8th January 2003, Fortune Leader Overseas Chinese (Daiyawan) Investment Co., Ltd. ("Fortune Leader Investment") was granted a 4-year banking facility with principal amount of up to HK\$50,000,000 to finance the development of its property projects. Fortune Leader Investment was 80% owned by Dragon Fortune. The obligations and liabilities of Fortune Leader Investment under the facility were guaranteed by the Company, the Personal Guarantor and certain independent shareholders of Dragon Fortune in the proportion of 39.84%, 29.5% and 30.66% respectively on several basis.

On 16th December 2005, Fortune Leader Investment was further granted a 4-year loan facility with principal amount of up to HK\$5,000,000 ("HK\$5,000,000 Facility") to finance its working capital requirement. The obligation and liabilities of Fortune Leader Investment under the HK\$5,000,000 Facility were guaranteed by the Company, the Personal Guarantor and certain independent shareholders of Dragon Fortune in the proportion of 39.20%, 30.64% and 30.16% respectively on several basis, which is determined with reference to their respective shareholding in Dragon Fortune and a shared portion of the guarantee amount not being provided by the minority shareholders of Dragon Fortune.

By reason stated in paragraph C(2) above, the provision of the guarantees by the Company in respect of the banking facilities to Fortune Leader Investment constituted connected transactions of the Company. Details of the guarantee being provided by the Company in respect of the HK\$5,000,000 Facility were published in the Company's announcement dated 16th December 2005.

- (4) On 27th November 2003, Guangzhou Xin Yi Development Limited ("Xin Yi") was granted a 3-year term loan facility of up to RMB200,000,000 by a bank to finance its property development projects in which 90.5% of the loan facility was guaranteed by the Company. Xin Yi is indirectly owned by the Company and Chow Tai Fook Enterprises Limited ("CTF") as to 90.5% and 9.5% respectively.

Since CTF and its subsidiaries have interests in more than one-third in the issued share capital of NWD, CTF is deemed to be a connected person of the Company. Accordingly, the provision of the aforesaid guarantee by the Company constituted a connected transaction of the Company.

D. Property agency agreement

On 2nd June 2004, Beijing Lingal Real Estates Development Co., Ltd. ("Beijing Lingal"), an indirect wholly-owned subsidiary of the Company, entered into an agreement ("Property Agency Agreement") with Kiu Lok Property Services (China) Limited ("Kiu Lok"), an indirect wholly-owned subsidiary of NWS Holdings Limited which is a subsidiary of NWD, for the provision of property agency services by Kiu Lok to Beijing Lingal in connection with the promotion, sale and leasing of properties located in Chateau Regalia Beijing for three years commencing from 2nd June 2004 to 1st June 2007 and will continue for successive terms of one year until terminated by either party by not less than three months' notice. Details of the Property Agency Agreement were set out in the Company's announcements dated 2nd June 2004 and 11th August 2006.

The agency fee payable to Kiu Lok is calculated at: (a) for the provision of property agency services in connection with the sale of properties at Chateau Regalia Beijing: 2% of the actual selling price of each unit sold; (b) for the provision of property agency services in connection with the leasing of properties at Chateau Regalia Beijing: (i) 8.3333% of the total net rental receivable of each unit leased, subject to the maximum of one month's average net monthly rental ("ANMR"); or (ii) 50% of the ANMR, if the tenant is introduced by sub-agents and commission payable to the sub-agents is not less than 50% of the ANMR; or (iii) the difference between the ANMR and the commission payable to sub-agents, if the tenant is introduced by sub-agents and the commission payable to the sub-agents is less than 50% of the ANMR and (c) in connection with renewal of lease of properties at Chateau Regalia Beijing: 2.5% of the total net rental receivable during the extended term of tenancy, subject to the maximum of 30% of the ANMR receivable by Beijing Lingal in respect of the relevant premises. The fees paid to Kiu Lok under the Property Agency Agreement was HK\$1,981,000 for the year ended 30th June 2006 (2005: HK\$5,437,000).

E. Provision of shareholder's loan and capital

On 29th July 2005, New World Development (China) Limited ("NWDC"), a wholly-owned subsidiary, entered into a loan agreement with Shanghai Juyi Real Estate Development Co., Ltd. ("Juyi") under which a shareholder's loan in the principal amount of US\$10,000,000 will be provided by NWDC, the sole legal owner, to Juyi for a term of five years, subject to renewal, at an interest rate of 1.35% above the London Inter-bank Offered Rate per annum. Pursuant to a participation agreement dated 28th June 1995 and a supplemental agreement dated 14th March 2003, Stanley has a beneficial interest of 30% in Juyi and the loan amount under the loan agreement will be provided as to US\$7,000,000 by NWDC and US\$3,000,000 by Stanley in proportion to their respective beneficial interest in Juyi.

On 12th June 2006, NWDC entered into a capital contribution agreement with Stanley in respect of the increase in registered capital of Juyi from RMB350,000,000 to RMB765,000,000, whereby NWDC and Stanley agreed to make the capital contribution to Juyi in proportion to their respective beneficial interest in Juyi. Accordingly, Stanley agreed to contribute through payment to NWDC, RMB124,500,000, being 30% of the increased amount of the registered capital of Juyi, upon demand and at the instructions of NWDC from time to time.

The amount of loan and capital raised by Juyi under the aforesaid loan agreement and capital contribution agreement will be utilized to finance the development of Shanghai Hong Kong New World Garden located in Luwan District, Shanghai, the PRC.

By virtue of the interest of Stanley in Juyi and the fact that Stanley is a connected person of the Company by reason stated in paragraph C(1) above, the provision of the shareholder's loan and capital to Juyi constituted connected transactions of the Company. Details of the loan agreement and capital contribution agreement were set out in the announcements of the Company dated 29th July 2005 and 12th June 2006, respectively.

F. Acquisition of interests

(1) On 12th September 2005, NWDC entered into an agreement with Shun Hing China Investment Limited ("Shun Hing") whereby NWDC agreed to acquire and Shun Hing agreed to sell 100 shares, representing 10% interest, in the issued share capital of Ramada Property, together with the shareholder's loan in the sum of US\$9,719,074.15 and HK\$16,680,368.89 due and owing by Ramada Property to Shun Hing for a total consideration of US\$12,095,269.62 and HK\$17,014,050.74. After completion of the transaction on 13th September 2005, Ramada Property became a 75% owned subsidiary of the Group.

Ramada Property is an investment holding company having 99.81% interests in Shanghai Ramada, which holds the entire interest in Shanghai Ramada Plaza, a composite building comprising hotel, apartments, shopping arcade and car parks.

Shun Hing is a connected person of the Company by virtue of its interest in Ramada Property. Ramada Property is also 20% owned by a company wholly-owned by Mr. Doo Wai-hoi, William, a connected person of the Company. The acquisition therefore constituted a connected transaction of the Company. Relevant details relating to the acquisition was published in the announcement of the Company dated 12th September 2005.

(2) On 23rd December 2005, Fu Hong Investments Limited ("Fu Hong"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Stand Way Estate Limited ("Stand Way") relating to the acquisition of 50% equity interest in Guangzhou Ronghe Real Estate Co., Ltd. ("Guangzhou Ronghe") by Fu Hong from Stand Way for a consideration of RMB100,000,000, which is payable by instalments in accordance with the terms and conditions set out in the agreement. Upon completion of the registration procedures to effect the transfer, Guangzhou Ronghe will be owned as to 50%, 45% and 5% by Fu Hong, Stand Way and Guangzhou Sheng-xian Investments Co., Ltd. ("Guangzhou Sheng-xian"), respectively.

The principal asset of Guangzhou Ronghe is the holding of development rights in respect of a piece of land located at Lot Chen Jia Lin, Xindun and Nanan Cun, Xintang Town, Zengcheng, Guangdong Province, the PRC with a site area of 268,474.83 sq. m..

Stand Way is beneficially owned by Mr. Fu Sze-yin, a brother of Mr. Fu Sze-shing who is a non-executive director of the Company. Guangzhou Sheng-xian is beneficially owned as to 50% by Mr. Fu Sze-yin and 50% by Mr. Fu Sze-shing. By virtue of the interest of Mr. Fu Sze-yin in Stand Way, the agreement constituted a connected transaction of the Company, details of which were set out in the announcement of the Company dated 23rd December 2005.

Connected transactions *(continued)***F. Acquisition of interests** *(continued)*

- (3) On 8th May 2006, New World China Land Investments Company Limited ("NWCI"), a wholly-owned subsidiary, entered into an equity transfer agreement with Hainan Zhonghong Investments Company Limited ("Hainan Zhonghong"), Hunan Success Development Investment Company Limited ("Hunan Development"), Mr. Lan Guangming ("Mr. Lan") and Mr. Yan Chao ("Mr. Yan") relating to the acquisition of 90% and 10% equity interest in Hunan Success New Century Investment Company Limited ("Hunan Success") by NWCI and Hainan Zhonghong, respectively, from Hunan Development, Mr. Lan and Mr. Yan for a consideration of RMB652,212,000 and RMB72,468,000, respectively, which is payable by instalments in accordance with the terms and conditions set out in the equity transfer agreement.

The principal asset of Hunan Success is the ownership of the land use rights in respect of a piece of land located to the north of Laodong East Road, to the west of Huoxing Main Road, to the east of Dong Er Huan Road, and to the south of Guiyou Road, Changsha City, Hunan Province, the PRC, with a total area of approximately 671 mu (equivalent to approximately 447,333 sq. m.) with permitted area of development of approximately 1,070,000 sq. m..

Hainan Zhonghong is a connected person of the Company by virtue of its holding of 20% equity interest in a subsidiary of the Company. Accordingly, the equity transfer agreement constituted a connected transaction of the Company, details of which were set out in the announcement of the Company dated 10th May 2006 and in a circular dated 30th May 2006.

G. Cooperation agreement in respect of land development

On 8th May 2006, NWDC and Huamei Wealth (Beijing) Technology Co., Ltd. ("Huamei Technology"), both wholly-owned subsidiaries, entered into a cooperation agreement with Huamei Wealth (Beijing) International Property Investment Co., Ltd. ("Huamei International"), Mr. Zhang Changqing and Beijing Dongfang Huamei Real Estate Development Co., Ltd. ("Beijing Huamei"). Beijing Huamei is owned as to 75% and 25% by Huamei Technology and Huamei International, respectively.

Pursuant to the agreement, Beijing Huamei engaged Huamei International to conduct the exploration of development rights in respect of the property situated in Yuzhuang Village, Gaoliying Town, Shunyi District, Beijing, the PRC, which is approximately 1,590 mu (approximately 1,059,999 sq.m.) in size, for an aggregate consideration of RMB899,960,000. The consideration is determined by reference to the budgeted cost to undertake the development rights in respect of the aforesaid property such as the rights to organize the acquisition, compensation for and settlement of inhabitants, demolition of existing structures, levelling and construction of basic infrastructure. In addition, Huamei International will also be responsible to negotiate with the PRC authorities and endeavour, together with Huamei Technology, to obtain the land use rights in respect of the property for Beijing Huamei to invest, develop and construct on the aforesaid property for sale and/or leasing.

Huamei International is a connected person of the Company by virtue of its interest in Beijing Huamei. Accordingly, the cooperation agreement constituted a connected transaction for the Company, details of which were set out in the announcement of the Company dated 8th May 2006 and in a circular dated 29th May 2006.

H. Participation Agreement

On 11th September 2006, the Company entered into a participation agreement with Solar Leader Limited ("Solar Leader"), a wholly-owned subsidiary of NWD, and NWD pursuant to which the Company agreed to grant Solar Leader a participating interest, which is 50% of the total interest of the Group, in the property projects undertaken by the subsidiaries of the Group, namely (i) Guiyang New World Real Estate Co., Ltd.; (ii) Beijing Huamei; (iii) Chengdu Xinyi Real Estate Development Co., Ltd.; and (iv) Hunan Success, of which the Group owned 100%, 75%, 60% and 90% interests, respectively, in consideration for Solar Leader agreeing to share 50% of the costs payable by the Group in connection with the property projects undertaken by the aforesaid project companies in the PRC.

The participation agreement is conditional upon the approval being granted by the independent shareholders of the Company at the extraordinary general meeting convened to be held on 16th October 2006. Details of the agreement was set out in the announcement of the Company dated 11th September 2006 and in a circular dated 29th September 2006.

I. Other connected transaction

In July 1999, a deed of tax indemnity was entered into between NWD and the Group whereby NWD undertakes to indemnify the Group in respect of, inter alia, certain PRC income tax and land appreciation tax payable in consequence of the disposal of certain properties held by the Group as at 31st March 1999. During the year, tax indemnity amounting to HK\$34,773,000 (2005: Nil) was effected.

J. Annual review of the continuing connected transactions

The independent non-executive directors of the Company had reviewed the continuing connected transactions in respect of (i) the construction services (paragraph A above); (ii) the office tenancy agreements; the 2006 Shenyang Tenancy Agreement; and the Dalian Tenancy Agreement (paragraphs B(1), B(2)(c) and B(4) above); and (iii) the Property Agency Agreement (paragraph D above) for the financial year ended 30th June 2006 and confirmed that the transactions were:

- (a) entered into in the ordinary and usual course of business of the Group;
- (b) conducted on normal commercial terms; and
- (c) entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company had received a letter from the auditors in respect of the transactions mentioned above confirming that the transactions:

- (a) had received the approval of the board of directors of the Company;
- (b) were entered into in accordance with the relevant agreements; and
- (c) had not exceeded the caps disclosed in the previous announcements relating to the aforesaid transactions.

K. Conditional waivers

As stated in the Company's announcements dated 10th June 2003 and 15th March 2004, the Company was granted conditional waivers by the Stock Exchange from strict compliance with the disclosure requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in respect of the connected transactions arising from (i) the 1995 Shenyang Tenancy Agreement and the 2000 Shenyang Tenancy Agreement (paragraphs B(2)(a) and B(2)(b) above) for a period up to 30th November 2005; and (ii) the Tianjin Tenancy Agreement (paragraph B(3) above) for a period up to 30th June 2006.

The independent non-executive directors of the Company had reviewed the transactions arising from the abovementioned tenancy agreements for the year ended 30th June 2006 and confirmed that the transactions were:

- (a) entered into by the Group in the ordinary and usual course of business;
- (b) conducted on normal commercial terms or (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
- (c) entered into in accordance with the terms of the relevant tenancy agreements; and
- (d) within the annual amounts receivable pursuant to each of the relevant tenancy agreements and did not exceed 3% of the book value of the consolidated net tangible assets of the Group for the year ended 30th June 2006.

Connected transactions (continued)

K. Conditional waivers (continued)

The Company had received a letter from the auditors in respect of the transactions mentioned above confirming that the transactions:

- (a) had received the approval of the board of directors of the Company;
- (b) were entered into in accordance with the terms of the relevant tenancy agreements; and
- (c) the aggregate values of the transactions were within the annual amounts receivable pursuant to each of the relevant tenancy agreements and did not exceed 3% of the book value of the consolidated net tangible assets of the Group for the year ended 30th June 2006.

Save as disclosed above, a summary of significant related party transactions that do not constitute connected transactions made during the year was disclosed in note 42 to the financial statements.

Directors' rights to acquire shares or debentures

Save as disclosed under the section headed "Directors' interests in securities" below, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company, a party to any arrangement to enable the directors of the Company or chief executives or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in securities

As at 30th June 2006, the interests of the directors and their associates in shares, registered capital and underlying shares of the Company and its associated corporations as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

(A) Long position in shares

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital as at 30th June 2006
	Personal interests	Family interests	Corporate interests		
New World China Land Limited					
(Ordinary shares of HK\$0.10 each)					
Dr. Cheng Kar-shun, Henry	12,500,000	–	52,271,200 (note 1)	64,771,200	1.69
Mr. Doo Wai-hoi, William	8,750,000	–	59,050,000 (note 2)	67,800,000	1.77
Mr. Leung Chi-kin, Stewart	500,000	–	–	500,000	0.01
Mr. Chow Yu-chun, Alexander	6,250,000	–	–	6,250,000	0.16
Mr. Chow Kwai-cheung	650,126	–	–	650,126	0.02
Mr. Fong Shing-kwong, Michael	1,600,000	–	–	1,600,000	0.04
New World Development Company Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	–	300,000	–	300,000	0.01
Mr. Leung Chi-kin, Stewart	32,553	–	–	32,553	0.001
Mr. Chow Kwai-cheung	44,527	–	–	44,527	0.001

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital as at 30th June 2006
	Personal interests	Family interests	Corporate interests		
NWS Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	3,179,199	587,000	8,000,000 (note 1)	11,766,199	0.61
Mr. Doo Wai-hoi, William	2,006,566	–	3,130,000 (note 2)	5,136,566	0.26
Mr. Cheng Kar-shing, Peter	180,308	–	2,659,700 (note 3)	2,840,008	0.15
Mr. Leung Chi-kin, Stewart	3,526,630	–	–	3,526,630	0.18
Mr. Chow Kwai-cheung	507,000	–	–	507,000	0.03
Mr. Chow Yu-chun, Alexander	2,450,701	–	–	2,450,701	0.13
Mr. Fong Shing-kwong, Michael	2,356,051	–	–	2,356,051	0.12
Mr. Cheng Wai-chee, Christopher	703,288	–	–	703,288	0.04
Dragon Fortune Limited					
(Ordinary shares of US\$1.00 each)					
Mr. Cheng Kar-shing, Peter	–	–	15,869 (note 4)	15,869	27.41
Faith Yard Property Limited					
(Ordinary shares of US\$1.00 each)					
Mr. Doo Wai-hoi, William	–	–	1 (note 2)	1	50.00
Fortune Star Worldwide Limited					
(Ordinary shares of US\$1.00 each)					
Mr. Doo Wai-hoi, William	–	–	60 (note 2)	60	60.00
Fung Seng Estate Development (Shanghai) Co., Ltd.					
(Registered capital in US\$)					
Mr. Doo Wai-hoi, William	–	–	3,000,000 (note 5)	3,000,000	30.00
Grand Make International Limited					
(Ordinary shares of US\$1.00 each)					
Mr. Doo Wai-hoi, William	–	–	10 (note 2)	10	10.00
Guangzhou Ronghe Real Estate Co., Ltd.					
(Registered capital in RMB)					
Mr. Fu Sze-shing	–	–	4,666,500 (note 6)	4,666,500	5.00

Report of the Directors

Directors' interests in securities (continued)**(A) Long position in shares** (continued)

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital as at 30th June 2006
	Personal interests	Family interests	Corporate interests		
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
Mr. Chow Yu-chun, Alexander	16,335	–	–	16,335	1.63
Ramada Property Ltd.					
(Ordinary shares of US\$1.00 each)					
Mr. Doo Wai-hoi, William	–	–	200 (note 2)	200	20.00
Shanghai Juyi Real Estate Development Co., Ltd.					
(Registered capital in RMB)					
Mr. Doo Wai-hoi, William	–	–	229,500,000 (note 5)	229,500,000	30.00
Shanghai Trio Property Development Co. Ltd.					
(Registered capital in US\$)					
Mr. Doo Wai-hoi, William	–	–	28,350,000 (note 7)	28,350,000	52.50
Sun City Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-shing, Peter	–	80,000	3,570,000 (note 8)	3,650,000	45.63
Sun Legend Investments Limited					
(Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-shing, Peter	–	–	500 (note 9)	500	50.00
YE Holdings Corporation					
(Ordinary shares of HK\$1.00 each)					
Mr. Leung Chi-kin, Stewart	37,500	–	–	37,500	1.50
Zhaoqing New World Property Development Limited					
(Registered capital in US\$)					
Mr. Doo Wai-hoi, William	–	–	8,250,000 (note 10)	8,250,000	60.00
Zhaoqing New World Property Management Limited					
(Registered capital in HK\$)					
Mr. Doo Wai-hoi, William	–	–	300,000 (note 10)	300,000	60.00

Notes:

1. These shares are beneficially owned by a company wholly-owned by Dr. Cheng Kar-shun, Henry.
2. These shares are beneficially owned by companies wholly-owned by Mr. Doo Wai-hoi, William.
3. These shares are beneficially owned by a company wholly-owned by Mr. Cheng Kar-shing, Peter.
4. 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 is deemed to be interested in 45.63% of its issued share capital.
5. These represent the participating interests held by a company wholly-owned by Mr. Doo Wai-hoi, William.
6. The interest is beneficially owned by a company of which Mr. Fu Sze-shing has 50% interest.
7. These include 50% direct interest and 2.5% participating interest in the registered capital of Shanghai Trio Property Development Co. Ltd. being held by companies wholly-owned by Mr. Doo Wai-hoi, William.
8. These shares are held by a company of which Mr. Cheng Kar-shing, Peter owns an indirect interest of 48.18%.
9. Mr. Cheng Kar-shing, Peter is deemed to be interested in the shares of Sun Legend Investments Limited by virtue of his interests in Sun City.
10. Mr. Doo Wai-hoi, William is deemed to be interested in the registered capitals of these companies by virtue of his interest in Fortune Star Worldwide Limited, of which Mr. Doo Wai-hoi, William owns an indirect interest of 60%.

(B) Long position in underlying shares – share options*(1) The Company**(a) Under the 2000 share option scheme*

Under the share option scheme of the Company adopted on 18th December 2000, share options were granted to the undermentioned directors of the Company which entitled them to subscribe for shares of the Company and accordingly they are regarded as interested in the underlying shares of the Company. Details of the share options granted to them are as follows:

Name of director	Date of grant	Exercisable period (note 1)	Number of share options			
			Balance as at 1st July 2005	Exercised during the year	Balance as at 30th June 2006	Exercise price per share HK\$
Dr. Cheng Kar-shun, Henry	7th February 2001	8th March 2001 to 7th March 2006	12,500,000	(12,500,000) (note 2)	–	1.782
Mr. Doo Wai-hoi, William	8th February 2001	9th March 2002 to 8th March 2006	7,000,000	(7,000,000) (note 3)	–	1.782
Mr. Cheng Kar-shing, Peter	9th February 2001	10th March 2003 to 9th March 2006	3,550,000	(3,550,000) (note 4)	–	1.782
Mr. Chow Yu-chun, Alexander	8th February 2001	9th March 2001 to 8th March 2006	6,250,000	(6,250,000) (note 5)	–	1.782
Mr. Chow Kwai-cheung	9th February 2001	10th March 2005 to 9th March 2006	250,000	(250,000) (note 6)	–	1.782
Mr. Fong Shing-kwong, Michael	17th February 2001	18th March 2004 to 17th March 2006	1,000,000	(1,000,000) (note 7)	–	1.782
Total			30,550,000	(30,550,000)	–	

Directors' interests in securities (continued)

(B) Long position in underlying shares – share options (continued)

(1) The Company (continued)

(b) Under the 2002 share option scheme

Under the share option scheme of the Company adopted on 26th November 2002, the undermentioned director was interested in the share options which entitled her to subscribe for the shares of the Company, details as follows:

Name of director	Date of grant	Exercisable period	Number of share options		Exercise price per share HK\$
			Balance on date of appointment	Balance as at 30th June 2006	
Ms. Ngan Man-ying, Lynda (appointed on 17th January 2006)	14th July 2005	15th August 2006 to 14th August 2007	100,000	100,000	2,300

Notes:

- The share options were exercisable within five years commencing from one month after the dates of grant, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.
- The exercise date was 17th February 2006. On the trading date immediately before the exercise date, the closing price per share was HK\$3.375.
- The exercise dates were 13th December 2005, 20th December 2005, 24th January 2006, 3rd February 2006 and 16th February 2006 for options representing 1,000,000 shares, 1,000,000 shares, 2,000,000 shares, 1,000,000 shares and 2,000,000 shares, respectively. The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$3.493.
- The exercise dates were 15th July 2005, 29th July 2005, 11th August 2005 and 23rd November 2005 for options representing 350,000 shares, 350,000 shares, 500,000 shares and 2,350,000 shares, respectively. The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$2.841.
- The exercise dates were 10th October 2005 and 20th January 2006 for options representing 3,250,000 shares and 3,000,000 shares, respectively. The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$3.159.
- The exercise date was 20th February 2006. On the trading date immediately before the aforesaid exercise date, the closing price per share was HK\$3.375.
- The exercise date was 24th February 2006. On the trading date immediately before the aforesaid exercise date, the closing price per share was HK\$3.575.
- The cash consideration paid by each director for each grant of the share options is HK\$10.

(2) *New World Mobile Holdings Limited*

Under the share option scheme of a fellow subsidiary, New World Mobile Holdings Limited ("NWMH"), the following directors have personal interests in share options to subscribe for shares in NWMH and are accordingly regarded as interested in the underlying shares of NWMH. Details of the share options of NWMH granted to them are as follows:

Name of director	Date of grant	Exercisable period	Number of share options as at 30th June 2006	Exercise price per share HK\$
Dr. Cheng Kar-shun, Henry	28th January 2005	(note)	780,000	1.26
Mr. Doo Wai-hoi, William	28th January 2005	(note)	300,000	1.26
Mr. Chow Yu-chun, Alexander	28th January 2005	(note)	482,000	1.26

Note: Exercisable from 28th January 2005 to 31st December 2010.

During the year, no share options were exercised by the above directors under the share option scheme of NWMH. The cash consideration paid by the director for grant of the share options is HK\$1.00.

(3) *NWS Holdings Limited*

Under the share option scheme of a fellow subsidiary, NWS Holdings Limited ("NWS"), the following directors of the Company have personal interests in share options to subscribe for shares in NWS and are accordingly regarded as interested in the underlying shares of NWS. Details of the share options of NWS granted to them are as follows:

Name of director	Date of grant	Exercisable period	Number of share options			Balance as at 30th June 2006	Exercise price per share HK\$
			Balance as at 1st July 2005	Exercised during the year	Adjusted during the year (note 1)		
Dr. Cheng Kar-shun, Henry	21st July 2003	(note 2)	1,009,849	(1,009,849)	-	-	3.719
Mr. Doo Wai-hoi, William	21st July 2003	(note 2)	673,233	(673,233)	-	-	3.719
Mr. Cheng Kar-shing, Peter	21st July 2003	(note 2)	168,308	(168,308)	-	-	3.719
Mr. Leung Chi-kin, Stewart	21st July 2003	(note 3)	68,669	-	(68,669)	-	3.719
			-	-	68,820	68,820	3.711
Mr. Chow Yu-chun, Alexander	21st July 2003	(note 3)	134,647	-	(134,647)	-	3.719
			-	-	134,944	134,944	3.711
Mr. Fong Shing-kwong, Michael	21st July 2003	(note 2)	168,308	-	(168,308)	-	3.719
			-	(168,678)	168,678	-	3.711
Mr. Cheng Wai-chee, Christopher	21st July 2003	(note 2)	201,969	(201,969)	-	-	3.719

Notes:

- (1) The number of share options and exercise price were adjusted by NWS on 6th January 2006 and 13th June 2006 as a result of the issue of shares by NWS to its shareholders who have elected to receive shares in lieu of cash for their entitlement of dividends as declared and paid by NWS during the year.
- (2) Exercisable from 21st July 2005 to 20th July 2008.
- (3) Divided into 2 tranches exercisable from 21st July 2004 and 21st July 2005 to 20th July 2008, respectively.
- (4) The cash consideration paid by the director for each grant of the share options is HK\$10.

Save as disclosed above, as at 30th June 2006, none of the directors, chief executive or any of their associates had or deemed to have any interest 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 Model Code for Securities Transactions by Directors of Listed Companies.

Directors' interests in competing business

During the year, the following directors are considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

Name of director	Name of entity with competing business	Business activity of the entity	Nature of interest of director in the entity
Dr. Cheng Kar-shun, Henry	Hong Kong Jing-guang Development Limited	Hotel operation in Beijing	Director
	Huizhou New World Enterprises Development Co., Ltd.	Property development in Huizhou	Director
	Qingyuan New World Housing Development Ltd.	Property development in Qingyuan	Director
	Tianjin Tianzheng Property & Merchants Co., Ltd.	Land improvement in Tianjin	Director
	Wuhan New Eagle Development Co., Ltd.	Property investment in Wuhan	Director
	Wuxi Ramada Hotel Company Limited	Hotel operation in Wuxi	Director
Mr. Doo Wai-hoi, William	New Bei Fang Hotel Ltd.	Property investment	Director
	Tianjin Tianzheng Property & Merchants Co., Ltd.	Land improvement in Tianjin	Director
Mr. Cheng Kar-shing, Peter	Qingyuan New World Housing Development Ltd.	Property development in Qingyuan	Director
	Wuhan New Eagle Development Co., Ltd.	Property investment in Wuhan	Director
Mr. Chow Kwai-cheung	北京市天竺花園別墅發展有限公司	Property development in Beijing	Director
	Tianjin Tianzheng Property & Merchants Co., Ltd.	Land improvement in Tianjin	Director
	廣州金湖住宅發展有限公司	Property development in Guangzhou	Director
	廣州紅丰房地產有限公司	Property development in Guangzhou	Director
	增城永裕房地產有限公司	Property development in Guangzhou	Director

Name of director	Name of entity with competing business	Business activity of the entity	Nature of interest of director in the entity
Mr. Chow Yu-chun, Alexander	Beijing Fu Wah Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Beijing Niceline Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Grand New World Hotel Company Limited	Hotel operation in Xian	Director
	Guangzhou Metropolitan Properties Co., Ltd.	Property development in Guangzhou	Director
	Guangzhou New World Properties Development Co., Ltd.	Property development in Guangzhou	Director
	Huizhou New World Enterprises Development Co., Ltd.	Property development in Huizhou	Director
	New Bei Fang Hotel Ltd.	Property investment	Director
	Qingyuan New World Housing Development Ltd.	Property development in Qingyuan	Director
	Wuhan New Eagle Development Co., Ltd.	Property investment in Wuhan	Director
Mr. Fong Shing-kwong, Michael	Beijing Jing Guang Centre Co. Ltd.	Hotel operation in Beijing	Director
	Beijing Fu Wah Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Beijing Niceline Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Grand New World Hotel Company Limited	Hotel operation in Xian	Director
	Wuxi New City Development Co. Ltd.	Hotel operation in Wuxi	Director
Ms. Ngan Man-ying, Lynda	Beijing Fu Wah Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Beijing Niceline Real Estates Development Co., Ltd.	Property development in Beijing	Director

As the board of directors of the Company is independent from the boards of the aforesaid companies and none of the directors can control the board of the Company, the Group is capable of carrying its businesses independently of, and at arm's length from the businesses of such companies.

Report of the Directors

Substantial shareholders' interests in shares

As at 30th June 2006, the register of substantial shareholders maintained under Section 336 of the SFO shows that the following parties had interests in 5% or more of the issued share capital of the Company:

Name	Number of shares		Number of shares comprised in derivatives (note 4)		Total	Percentage to the issued share capital as at 30th June 2006
	Beneficial interests	Corporate Interests	Beneficial interests	Corporate Interests		
Cheng Yu Tung Family (Holdings) Limited ("CYTF") (note 1)	-	2,714,858,780	-	262,000,000	2,976,858,780	77.82
Centennial Success Limited ("CSL") (note 1)	-	2,714,858,780	-	262,000,000	2,976,858,780	77.82
Chow Tai Fook Enterprises Limited ("CTF") (note 2)	-	2,714,858,780	-	262,000,000	2,976,858,780	77.82
New World Development Company Limited ("NWD") (note 3)	2,537,632,731	177,226,049	-	262,000,000	2,976,858,780	77.82
Easywin Enterprises Corporation Limited ("Easywin")	113,351,879	-	262,000,000	-	375,351,879	9.81

Notes:

1. CYTF holds 51% interest in CSL which in turn holds the entire interests in CTF. Therefore, CYTF and CSL are deemed to have interests in the shares in which CTF is deemed to be interested by virtue of its interests in NWD as mentioned in note 2 below.
2. CTF and its subsidiaries have interests in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares in which NWD is interested or deemed to be interested.
3. The number of shares held under the corporate interests of NWD includes 22,508,064 shares held by Great Worth Holdings Limited, its 59% owned subsidiary, and 41,366,106 shares held by High Earnings Holdings Limited, its 54% owned subsidiary. As NWD holds 100% interest in Easywin, it is also deemed to have an interest in the shares held by Easywin in the Company.
4. Pursuant to certain option agreements all dated 30th May 2005, Easywin granted put options in respect of 262,000,000 shares of the Company to independent third parties which are exercisable at an initial exercise price of HK\$2.90 per share (subject to adjustment) on 25th May 2007 (subject to certain accelerating events as provided therein).

All the interests stated above represent long position. Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 336 of the SFO as at 30th June 2006.

Share option schemes

On 18th December 2000, the Company adopted a share option scheme ("2000 Share Option Scheme") pursuant to which employees, including executive directors of the Group, were given opportunity to obtain equity holdings in the Company. The 2000 Share Option Scheme was subsequently terminated at the annual general meeting of the Company held on 26th November 2002 whereby a new share option scheme ("2002 Share Option Scheme") was adopted in compliance with the new requirements of the Listing Rules. Any share options which were granted under the 2000 Share Option Scheme prior to such termination shall continue to be valid and exercisable in accordance with the terms of the 2000 Share Option Scheme.

A summary of the 2000 Share Option Scheme and the 2002 Share Option Scheme was set out as follows:

	2000 Share Option Scheme	2002 Share Option Scheme
Purpose of the schemes	As incentive to employees, including executive directors, of the Company or its subsidiaries	To provide an opportunity for the full-time or part-time employees, including directors, of the Group to participate in the equity of the Company as well as to motivate them to optimize their performance
Participants of the schemes	Full-time employees, including any directors, of the Company or its subsidiaries	Full-time or part-time employees, including directors, of the Company or its subsidiaries
Total number of shares available for issue under the schemes and percentage of issued share capital as at the date of this annual report	The Company had granted share options representing the rights to subscribe for 65,745,200 shares of the Company under the 2000 Share Option Scheme, together with share options representing 38,158,200 shares by way of adjustment on the number of share options as a result of the Company's issue of rights shares becoming unconditional on 8th April 2005. No further options will be granted under the 2000 Share Option Scheme	The Company had granted share options representing the rights to subscribe for 13,873,200 shares under the 2002 Share Option Scheme up to the date of this report, together with share options representing 6,465,900 shares by way of adjustment on the number of share options as a result of the Company's issue of rights shares becoming unconditional on 8th April 2005. The Company may further grant share options to subscribe for 91,850,329 shares of the Company, representing approximately 2.40% of the total issued share capital of the Company as at the date of this report
Maximum entitlement of each participant under the schemes	25% of the aggregate number of shares for the time being issued and issuable under the scheme	The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless the same is approved by shareholders in general meeting

Share option schemes *(continued)*

	2000 Share Option Scheme	2002 Share Option Scheme
The period within which the shares must be taken up under an option	At any time during a period to be notified by the Directors, which period not to exceed 5 years commencing on the expiry of 1 month after the date on which the option is accepted and expiring on the last day of the 5-year period	At any time during a period to be notified by the Directors, which period not to exceed 5 years commencing on the expiry of 1 month after the date on which the option is accepted and expiring on a date not later than the last day of the 5-year period
The minimum period for which an option must be held before it can be exercised	1 month	1 month
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK\$10 is to be paid as consideration for the grant of option within 28 days from the date of offer	HK\$10 is to be paid as consideration for the grant of option within 28 days from the date of offer
The basis of determining the exercise price	<p>The exercise price shall be determined by the Directors, being the higher of:</p> <p>(a) not less than 80% of the average closing price of shares on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of offer; or</p> <p>(b) nominal value of a share</p>	<p>The exercise price shall be determined by the Directors, being at least the higher of:</p> <p>(a) the closing price of shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of offer, which must be a business day; and</p> <p>(b) the average closing price of shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of offer</p>
The remaining life of the schemes	The 2000 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 18th December 2000	The 2002 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 26th November 2002

During the year ended 30th June 2006, movement of share options granted to the directors and employees of the Group under the 2000 Share Option Scheme and the 2002 Share Option Scheme was as follows:

- (A) Movement of share options to directors was disclosed under the heading "Directors' interests in securities" above.
- (B) Movement of share options to employees was as follows:

Under the 2000 Share Option Scheme

Date of grant	Number of share options (note 1)				Exercise price per share HK\$
	Balance as at 1st July 2005	Exercised during the year (note 4)	Lapsed during the year	Outstanding as at 30th June 2006	
5th February 2001 to 2nd March 2001	19,492,400	(19,196,800)	(295,600)	-	1.782
2nd May 2001 to 29th May 2001	560,000	(560,000)	-	-	2.375
29th June 2001 to 26th July 2001	3,195,000	(1,918,000)	-	1,277,000	2.910
31st August 2001 to 27th September 2001	947,000	(906,000)	-	41,000	2.170
26th March 2002 to 22nd April 2002	742,000	(295,600)	(112,400)	334,000	2.065
Total	24,936,400	(22,876,400)	(408,000)	1,652,000	

Share option schemes *(continued)*

(B) Movement of share options to employees was as follows: *(continued)*

Under the 2002 Share Option Scheme

Date of grant	Number of share options <i>(note 1)</i>						Exercise price per Share HK\$
	Balance as at 1st July 2005	Granted during the year <i>(note 3)</i>	Exercised during the year <i>(note 5)</i>	Re-classified as director's interest	Lapsed during the year	Outstanding as at 30th June 2006	
3rd January 2003 to 30th January 2003	1,210,200	-	(480,000)	-	-	730,200	1.212
12th May 2003 to 6th June 2003	2,659,700	-	(557,800)	-	(105,000)	1,996,900	0.912
28th October 2003 to 22nd November 2003	69,000	-	-	-	-	69,000	1.650
18th December 2003 to 14th January 2004	1,625,000 <i>(note 2)</i>	-	(1,625,000)	-	-	-	1.668
25th March 2004 to 21st April 2004	1,992,200	-	(158,200)	-	(294,800)	1,539,200	2.252
18th June 2004 to 15th July 2004	883,000	-	(290,800)	-	(277,800)	314,400	1.650
4th November 2004 to 1st December 2004	707,000	-	(171,200)	-	(279,000)	256,800	2.484
22nd December 2004 to 18th January 2005	1,234,000	-	(436,400)	-	-	797,600	2.689
13th July 2005 to 9th August 2005	-	817,600	(29,600)	-	-	788,000	2.300
13th July 2005 to 9th August 2005	-	1,400,000 <i>(note 2)</i>	(350,000)	(100,000)	-	950,000	2.300
7th November 2005 to 2nd December 2005	-	48,800	(9,600)	-	-	39,200	2.620
28th March 2006 to 24th April 2006	-	3,384,000	-	-	-	3,384,000	3.915
Total	10,380,100	5,650,400	(4,108,600)	(100,000)	(956,600)	10,865,300	

Notes:

1. The share options are exercisable within five years commencing from one month after the dates of grant, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of the share options granted together with any unexercised share options carried forward from the previous anniversary years, except otherwise specified in note 2.
2. The share options are exercisable within two years commencing from one month after the dates of grant, provided that the maximum number of share options that can be exercised during each year is 50% of the total number of the share options granted together with any unexercised share options carried forward from the previous anniversary year.
3. The closing price per share immediately before 13th July 2005, 7th November 2005 and 28th March 2006, the dates of grant, was HK\$2.300, HK\$2.650 and HK\$3.95, respectively.
4. 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\$3.234.
5. 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\$3.396.

The fair values of the share options granted during the year with exercise prices per share of HK\$2.300, HK\$2.620 and HK\$3.915 are estimated at HK\$0.630, HK\$1.045 and HK\$1.546 respectively using the Binomial pricing model. Values are estimated based on the risk-free rate ranging from 3.18% to 4.5% per annum with reference to the rate prevailing on the Exchange Fund Notes, a five-year period historical volatility of ranging from 52% to 53%, assuming no dividends and an expected option life of 2 and 5 years.

The Binomial pricing model required input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

Management contract

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major customers and suppliers

During the year, less than 30% of the Group's turnover and less than 30% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

Continuing obligations under Chapter 13 of the Listing Rules

(A) Advances and guarantees to entities

In accordance with the requirements under rule 13.20 of the Listing Rules the directors of the Company reported that none of the entities of which the Group made advances and guarantees individually exceeded 8% of the Company's total asset value as at 30th June 2006.

(B) Financial assistance and guarantees to affiliated companies

As at 30th June 2006, the Group had made loans and advances totalling HK\$8,463,292,000 to affiliated companies, guaranteed bank loans and other borrowing facilities for the benefit of affiliated companies in the amount of HK\$1,251,354,000. These amounts in aggregate exceeded 8% of the Company's total asset value as at 30th June 2006. In accordance with the requirement under rule 13.22 of the Listing Rules, a combined balance sheet of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 30th June 2006 are presented below:

	Combined balance sheet	Group's attributable interests
	HK\$'000	HK\$'000
Non-current assets	11,473,883	6,624,075
Current assets	16,057,913	13,985,189
Current liabilities	(7,635,357)	(4,672,703)
Non-current liabilities	(4,088,166)	(2,397,052)
Shareholders' loans and advances	(8,877,118)	(8,463,292)
	6,931,155	5,076,217

(C) Banking facilities with covenants relating to specific performance of the controlling shareholder

In accordance with the requirements under rule 13.21 of the Listing Rules, the directors of the Company reported below details of loan facilities, which exist at any time during the year and include conditions relating to specific performance of the controlling shareholder of the Company.

On 24th March 2005, Beijing Lingal Real Estates Development Co., Ltd. ("Beijing Lingal"), a wholly-owned subsidiary, was granted a 2-year term loan facility of RMB200,000,000 to finance its property project undertaken in the PRC. On 8th June 2006, New World China Land Investments Company Limited, a wholly-owned subsidiary, was granted a 3-year term facility of RMB300,000,000 to finance the capital investment in its property projects in the PRC.

On 3rd April 2006, 12th June 2006 and 13th June 2006, the Company was granted loan facilities of up to HK\$300,000,000, HK\$800,000,000 and HK\$300,000,000, respectively for a term of 3 to 4 years, to fund the general corporate funding requirement of the Company and its subsidiaries, including refinancing the Company's existing loans.

Upon the granting of the above loan facilities, the Company undertook to the lenders that New World Development Company Limited would retain an interest of at least 51% in the issued share capital of the Company, or would maintain 51% of the voting rights attached to the issued share capital of the Company throughout the terms of the facilities. Failure to perform the undertaking will constitute an event of default. If the event of default continues and has not been waived by the lenders, the outstanding liability under the loan facilities will become immediately due and payable and the loan facilities will be terminated.

Statement of public float sufficiency

Based on the information publicly available to the Company and within the knowledge of the directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

Auditors

The financial statements have been audited by Messrs. PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Dr. Cheng Kar-shun, Henry

Chairman and Managing Director

Hong Kong, 10th October 2006



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888

**REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
NEW WORLD CHINA LAND LIMITED**

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 99 to 168 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30th June 2006 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 10th October 2006

Consolidated Income Statement

For the year ended 30th June 2006

	Note	2006 HK\$'000	Restated 2005 HK\$'000
Turnover	6	1,691,320	1,618,023
Cost of sales		(1,162,175)	(1,181,078)
Gross profit		529,145	436,945
Other gains, net	7	296,478	197,066
Increase in fair value of investment properties		348,926	–
Selling expenses		(80,331)	(68,674)
Administrative expenses		(43,683)	(34,396)
Other operating expenses		(343,846)	(325,766)
Operating profit before financing	8	706,689	205,175
Finance costs	9	(187,275)	(97,636)
Share of results of			
Associated companies		121,921	42,945
Jointly controlled entities		305,349	61,074
Profit before taxation		946,684	211,558
Taxation charge	12	(190,266)	(44,976)
Profit for the year		756,418	166,582
Attributable to:			
Equity holders of the Company		740,512	166,025
Minority interests		15,906	557
		756,418	166,582
Dividend, final of HK\$0.04 (2005: HK\$0.03) per share	13	153,103	113,236
Earnings per share	14		
Basic		19.50 cents	8.38 cents
Diluted		19.48 cents	8.30 cents

Consolidated Balance Sheet

As at 30th June 2006

	Note	2006 HK\$'000	Restated 2005 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	943,200	1,398,250
Investment properties	16	4,371,152	2,886,030
Land use rights	17	319,790	416,066
Goodwill	18	73,720	–
Properties held for development	20	4,243,616	3,918,668
Associated companies	21	1,598,564	1,527,193
Jointly controlled entities	22	10,377,155	9,936,477
Other investments	23	–	115,876
Cash and bank balances, restricted	24	121,041	166,896
		22,048,238	20,365,456
Current assets			
Hotel inventories, at cost		1,117	1,392
Debtors, deposits and other receivables	25	2,905,135	838,547
Amounts due from group companies	26	97,578	31,234
Properties under development	27	4,927,245	2,614,492
Completed properties held for sale	28	1,291,986	1,567,735
Cash and bank balances, restricted	24	368,630	650,621
Cash and bank balances, unrestricted	24	2,362,227	5,534,354
		11,953,918	11,238,375
Total assets		34,002,156	31,603,831
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	29	382,578	376,825
Reserves	30	23,499,334	22,634,855
Proposed final dividend	30	153,103	113,236
		24,035,015	23,124,916
Minority interests		176,681	(17,051)
Total equity		24,211,696	23,107,865

	Note	2006 HK\$'000	Restated 2005 HK\$'000
LIABILITIES			
Non-current liabilities			
Long term borrowings	31	4,813,143	4,073,027
Long term payable	32	124,279	196,350
Deferred tax liabilities	33	507,152	311,712
		5,444,574	4,581,089
Current liabilities			
Creditors and accruals	34	1,342,327	1,124,247
Deposits received on sale of properties		862,040	387,107
Amounts due to group companies	26	328,746	481,991
Short term bank loans	35	371,742	567,153
Current portion of long term borrowings	31	911,341	810,394
Current portion of long term payable	32	77,757	72,440
Amounts due to minority shareholders	36	313,526	368,092
Taxes payable	37	138,407	103,453
		4,345,886	3,914,877
Total liabilities		9,790,460	8,495,966
Total equity and liabilities		34,002,156	31,603,831
Net current assets		7,608,032	7,323,498
Total assets less current liabilities		29,656,270	27,688,954

Dr. Cheng Kar-shun, Henry
Director

Mr. Doo Wai-hoi, William
Director

Balance Sheet

As at 30th June 2006

	Note	2006 HK\$'000	Restated 2005 HK\$'000
ASSETS			
Non-current assets			
Subsidiaries	19	21,418,798	16,893,368
Cash and bank balances, restricted	24	-	50,277
		21,418,798	16,943,645
Current assets			
Deposits and other receivables	25	67,490	27,957
Amounts due from group companies	26	53,606	19,755
Cash and bank balances, restricted	24	52,062	487,500
Cash and bank balances, unrestricted	24	375,511	3,586,150
		548,669	4,121,362
Total assets		21,967,467	21,065,007
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	29	382,578	376,825
Reserves	30	20,367,300	20,381,171
Proposed final dividend	30	153,103	113,236
Total equity		20,902,981	20,871,232
LIABILITIES			
Non-current liabilities			
Long term borrowings	31	492,320	-
Current liabilities			
Amounts due to group companies	26	538,173	162,750
Creditors and accruals	34	33,993	31,025
		572,166	193,775
Total liabilities		1,064,486	193,775
Total equity and liabilities		21,967,467	21,065,007

Dr. Cheng Kar-shun, Henry
Director

Mr. Doo Wai-hoi, William
Director

Consolidated Cash Flow Statement

For the year ended 30th June 2006

	Note	2006 HK\$'000	Restated 2005 HK\$'000
Operating activities			
Net cash used in operations	40(a)	(2,179,286)	(91,010)
Tax paid		(83,632)	(34,253)
Net cash used in operating activities		(2,262,918)	(125,263)
Investing activities			
Interest received		121,662	50,464
Dividend received from a jointly controlled entity		-	16,822
Additions to property, plant and equipment and investment properties		(214,706)	(106,323)
Increase in investments in associated companies		(243,348)	(155,204)
Increase in investments in jointly controlled entities		(1,789,883)	(511,874)
Decrease in investments in jointly controlled entities		1,076,695	546,643
Decrease in investments in associated companies		307,541	63,390
Acquisition of subsidiaries	40(c)	(469,366)	(121,522)
Acquisition of additional interest in a subsidiary		(19,176)	-
Disposal of property, plant and equipment		4,542	2,626
Net cash used in investing activities		(1,226,039)	(214,978)
Financing activities			
Interest paid		(138,847)	(125,925)
Increase in long term borrowings		1,012,494	768,022
Repayment of long term borrowings		(704,789)	(891,379)
Repayment of long term payables		(84,615)	-
Net (decrease)/increase in short term bank loans		(211,771)	165,284
Capital contribution from minority shareholders		46,040	-
(Decrease)/increase in loans from minority shareholders		(40,148)	84,262
Repayment of loans from group companies		(277,297)	(1,553,369)
Increase in loans from group companies		370,111	1,016,360
Issue of shares		105,258	6,338,093
Dividend paid		(113,553)	-
Decrease/(increase) in restricted bank balances		327,964	(743,389)
Net cash from financing activities		290,847	5,057,959
Net (decrease)/increase in cash and cash equivalents		(3,198,110)	4,717,718
Cash and cash equivalents at beginning of the year		5,534,354	817,166
Exchange differences on cash and cash equivalents		25,983	(530)
Cash and cash equivalents at end of the year		2,362,227	5,534,354

Consolidated Statement of Changes in Equity

For the year ended 30th June 2006

	Attributable to equity holders of the Company			Minority interests	Total equity
	Share capital	Reserves	Shareholders' funds		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 30th June 2005, as previously reported	376,825	22,899,937	23,276,762	-	23,276,762
Balance at 30th June 2005, as previously separately reported as minority interests	-	-	-	21,077	21,077
Effects of changes in accounting policies					
- HKAS 17	-	(19,143)	(19,143)	(980)	(20,123)
- HKAS 40	-	(21,931)	(21,931)	(1,032)	(22,963)
- HK-INT 2 & HKAS 16	-	(110,772)	(110,772)	(36,116)	(146,888)
Balance at 30th June 2005, as restated	376,825	22,748,091	23,124,916	(17,051)	23,107,865
Opening adjustments:					
- HKAS 39	-	(2,559)	(2,559)	-	(2,559)
Balance at 1st July 2005, as adjusted	376,825	22,745,532	23,122,357	(17,051)	23,105,306
Translation difference	-	117,071	117,071	2,932	120,003
Net income recognised directly in equity	-	117,071	117,071	2,932	120,003
Profit for the year	-	740,512	740,512	15,906	756,418
Total recognised income for the year	-	857,583	857,583	18,838	876,421
Issue of shares	5,753	99,517	105,270	-	105,270
Share issue expenses	-	(12)	(12)	-	(12)
Acquisition of subsidiaries	-	59,170	59,170	107,700	166,870
Capital contribution from minority interests	-	-	-	46,040	46,040
Acquisition of additional interests of subsidiaries	-	-	-	21,262	21,262
Disposal of interest in a subsidiary	-	-	-	(108)	(108)
Share-based payments	-	4,200	4,200	-	4,200
Dividend paid	-	(113,553)	(113,553)	-	(113,553)
	5,753	906,905	912,658	193,732	1,106,390
Balance at 30th June 2006	382,578	23,652,437	24,035,015	176,681	24,211,696

	Attributable to equity holders of the Company			Minority interests	Total equity
	Share capital HK\$'000	Reserves HK\$'000	Shareholders' funds HK\$'000	HK\$'000	HK\$'000
Balance at 30th June 2004, as previously reported	148,886	16,220,336	16,369,222	–	16,369,222
Balance at 30th June 2004, as previously separately reported as minority interests	–	–	–	(1,141)	(1,141)
Effects of changes in accounting policies					
– HKAS 17	–	(24,292)	(24,292)	(1,680)	(25,972)
– HKAS 40	–	(12,452)	(12,452)	(893)	(13,345)
– HK-INT 2 & HKAS 16	–	(62,218)	(62,218)	(6,673)	(68,891)
Balance at 30th June 2004, as restated	148,886	16,121,374	16,270,260	(10,387)	16,259,873
Release of reserve upon disposal of properties	–	10,099	10,099	–	10,099
Translation differences	–	179	179	423	602
Revaluation surplus					
Company and subsidiaries	–	121,098	121,098	(7,644)	113,454
Associated companies	–	98,329	98,329	–	98,329
Jointly controlled entities	–	69,410	69,410	–	69,410
Net income recognised directly in equity	–	299,115	299,115	(7,221)	291,894
Profit for the year	–	166,025	166,025	557	166,582
Total recognised income for the year	–	465,140	465,140	(6,664)	458,476
Issue of shares	227,939	6,133,520	6,361,459	–	6,361,459
Share issue expenses	–	(23,366)	(23,366)	–	(23,366)
Acquisition of subsidiaries	–	49,369	49,369	–	49,369
Share-based payments	–	2,054	2,054	–	2,054
	227,939	6,626,717	6,854,656	(6,664)	6,847,992
Balance at 30th June 2005, as restated	376,825	22,748,091	23,124,916	(17,051)	23,107,865

Notes to the Financial Statements

1. General information

New World China Land Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in investment and development of property projects in the People's Republic of China ("PRC").

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is P.O. Box 309, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The address of its principal place of business in Hong Kong is 9/F., New World Tower I, 18 Queen's Road Central, Hong Kong.

The Company is listed on The Stock Exchange of Hong Kong Limited.

The ultimate holding company is New World Development Company Limited ("NWD"), a company incorporated and listed in Hong Kong.

These financial statements have been approved for issue by the Board of Directors on 10th October 2006.

2. Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements are prepared under the historical cost convention, as modified by the revaluation of investment properties.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

Change in the accounting policies

For the year ended 30th June 2005, the Group early adopted HKFRS 3 "Business combinations", Hong Kong Accounting Standard ("HKAS") 36 "Impairment of assets" and HKAS 38 "Intangible assets". With effect from 1st July 2005, the Group adopted all the remaining new and revised HKFRS that are currently in issue and effective for the accounting periods commencing on or after 1st January 2005 and also early adopted the amendment to HKAS 21 "The effects of changes in foreign exchange rates – Net investment in a foreign operation" which is effective for the accounting periods commencing on or after 1st January 2006.

The following is a summary of the material changes in the principal accounting policies or presentation of the Group's consolidated financial statements as a result of the adoption of those new or revised HKFRS.

(i) *HKAS 1 Presentation of financial statements*

The adoption of HKAS 1 has affected the presentation of minority interests, share of net after-tax results of jointly controlled entities and associated companies and other disclosures.

(ii) *HKAS 17 Leases*

The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights from property, plant and equipment to operating leases. The upfront prepayments made for land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement.

In respect of properties held for/under development, the amortisation of land use rights is included as part of the costs of the properties under development in the course of property development. In all other cases, the amortisation charge is recognised in the income statement.

In previous years, land use rights were accounted for at cost or fair value less accumulated depreciation and impairment. This change in the accounting policy has been applied retrospectively.

(iii) *HKAS 32 Financial instruments: Disclosures and presentation*
HKAS 39 Financial instruments: Recognition and measurement

The adoption of HKAS 32 and 39 has resulted in a change in the accounting policy relating to the classification and measurement of loans and receivables and available-for-sale investment. HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis.

(iv) *HKAS 40 Investment properties*

The adoption of HKAS 40 has resulted in a change in the accounting policy in which the changes in fair value of investment properties are recognised in the income statement.

In previous years, increases in valuation of investment properties were credited to the investment properties revaluation reserve; decreases were first set off against earlier revaluation surpluses on a portfolio basis and thereafter charged to the income statement.

The Group has applied the relevant transitional provisions under HKAS 40 and elected to apply HKAS 40 from 1st July 2005 onwards. As a result, investment properties revaluation reserve as at 1st July 2005 has been transferred to the revenue reserve. Comparative information has not been restated.

In addition, HKAS 40 has removed the 15% benchmark for determining the significance of the portion of property held for own use. Accordingly, the property held for own use, previously recognised as investment properties, has been classified as property, plant and equipment and land use rights under HKAS 16 "Property, plant and equipment" and HKAS 17 "Leases" respectively. This change in the accounting policy has been applied retrospectively.

(v) *HK-Int 2 The appropriate accounting policies for hotel properties*

Hong Kong Interpretation 2 requires owner-operated hotel properties to be classified as property, plant and equipment in accordance with HKAS 16. The Group has adopted the cost model and the change in the accounting policy has been applied retrospectively. The land portion is accounted for in accordance with HKAS 17.

In previous years, hotel properties were stated at their open market value based on an annual professional valuation at the balance sheet date. No depreciation was provided on hotel properties held on leases of more than 20 years. Increases in valuation of hotel properties were credited to the hotel properties revaluation reserve; decreases were first set off against earlier revaluation surpluses and thereafter charged to the income statement.

(vi) *HK (SIC) – Int 21 Income taxes – Recovery of revalued non-depreciated assets*

The adoption of Hong Kong (SIC) Interpretation 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from the recovery of the carrying amount of that asset through use. In previous years, the carrying amount of that asset was expected to be recovered through sale.

(vii) *HKFRS 2 Share-based payments*

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 30th June 2005, the provision of share options to employees did not result in an expense in the income statement. Effective on 1st July 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options which were granted after 7th November 2002 and had not yet vested on 1st July 2005 was expensed retrospectively in the income statement for the respective periods.

Notes to the Financial Statements

2. Basis of preparation (continued)**Change in the accounting policies** (continued)

The estimated effects of the changes in the accounting policies on the results for the year ended 30th June 2006 are as follows:

	Increase/(decrease) in profit for the year						Total HK\$'000
	HKAS 1 HK\$'000	HKAS 17 HK\$'000	HKAS 39 HK\$'000	Effect of adopting HKAS 40 & HK(SIC)		HKFRS 2 HK\$'000	
				-Int 21 HK\$'000	HK-INT 2 & HKAS 16 HK\$'000		
Turnover	-	-	-	-	-	-	-
Cost of sales	-	3,676	-	-	(436)	-	3,240
Gross profit	-	3,676	-	-	(436)	-	3,240
Other gains, net	-	-	1,603	-	-	-	1,603
Increase in fair value of investment properties	-	-	-	348,926	-	-	348,926
Selling expenses	-	-	-	-	-	-	-
Administrative expenses	-	-	-	-	-	(4,200)	(4,200)
Other operating expenses	-	(1,522)	-	(1,557)	(60,941)	-	(64,020)
Operating profit before financing	-	2,154	1,603	347,369	(61,377)	(4,200)	285,549
Finance costs	-	-	-	-	-	-	-
Share of results of							
Associated companies	(73,565)	18	-	83,096	(5,057)	-	4,492
Jointly controlled entities	(91,913)	(280)	345	82,461	(8,470)	-	(17,857)
Profit before taxation	(165,478)	1,892	1,948	512,926	(74,904)	(4,200)	272,184
Taxation charge	165,478	-	-	(128,592)	-	-	36,886
Profit for the year	-	1,892	1,948	384,334	(74,904)	(4,200)	309,070
Attributable to:							
Equity holders of the Company	-	1,612	1,948	376,524	(60,849)	(4,200)	315,035
Minority interests	-	280	-	7,810	(14,055)	-	(5,965)
	-	1,892	1,948	384,334	(74,904)	(4,200)	309,070
Earnings per share (HK cents)							
Basic	-	0.04	0.05	9.91	(1.60)	(0.11)	8.29
Diluted	-	0.04	0.05	9.90	(1.60)	(0.11)	8.28

The estimated effects of the changes in the accounting policies on the consolidated balance sheet as at 30th June 2006 are summarised below:

	Increase/(decrease)					Total HK\$'000
	Effect of adopting					
	HKAS 17 HK\$'000	HKAS 40 HK\$'000	HKAS 32 HK\$'000	HKAS 39 HK\$'000	HK-Int 2 & HKAS 16 HK\$'000	
Property, plant and equipment	(115,570)	40,213	-	-	(589,017)	(664,374)
Investment properties	-	(59,005)	-	-	221,442	162,437
Land use rights	115,570	8,358	-	-	195,862	319,790
Properties held for development	(1,716)	-	-	-	-	(1,716)
Associated companies	(12)	(803)	-	-	(20,988)	(21,803)
Jointly controlled entities	(8,509)	(7,314)	-	(112)	(19,081)	(35,016)
Other non-current assets	-	-	(8,609)	-	-	(8,609)
Hotel inventories	-	-	-	-	(6,940)	(6,940)
Debtors, deposits and other receivables	-	-	-	(499)	-	(499)
Completed properties held for sale	(8,333)	-	-	-	-	(8,333)
	(18,570)	(18,551)	(8,609)	(611)	(218,722)	(265,063)
Long term borrowings	-	-	(7,681)	-	-	(7,681)
Current portion of long term borrowings	-	-	(928)	-	-	(928)
	-	-	(8,609)	-	-	(8,609)
Net assets	(18,570)	(18,551)	-	(611)	(218,722)	(256,454)
Reserves	(17,530)	(17,737)	-	(611)	(178,812)	(214,690)
Minority interests	(1,040)	(814)	-	-	(39,910)	(41,764)
Total equity	(18,570)	(18,551)	-	(611)	(218,722)	(256,454)

Notes to the Financial Statements

2. Basis of preparation (continued)**Change in the accounting policies** (continued)

The effects of the changes in the accounting policies on the results for the year ended 30th June 2005 are as follows:

	Increase/(decrease) in profit for the year					Total HK\$'000
	Effect of adopting					
	HKAS 1 HK\$'000	HKAS 17 HK\$'000	HKAS 40 HK\$'000	HK-Int 2 & HKAS 16 HK\$'000	HKFRS 2 HK\$'000	
Turnover	-	-	-	-	-	-
Cost of sales	-	6,213	-	(708)	-	5,505
Gross profit	-	6,213	-	(708)	-	5,505
Other gains, net	-	-	-	-	-	-
Selling expenses	-	-	-	-	-	-
Administrative expenses	-	-	-	-	(2,054)	(2,054)
Other operating expenses	-	(1,359)	(2,076)	(59,389)	-	(62,824)
Operating profit before financing	-	4,854	(2,076)	(60,097)	(2,054)	(59,373)
Finance costs	-	-	-	-	-	-
Share of results of						
Associated companies	(9,061)	16	(64)	(6,434)	-	(15,543)
Jointly controlled entities	(20,844)	647	(867)	(8,396)	-	(29,460)
Profit before taxation	(29,905)	5,517	(3,007)	(74,927)	(2,054)	(104,376)
Taxation charge	29,905	-	-	-	-	29,905
Profit for the year	-	5,517	(3,007)	(74,927)	(2,054)	(74,471)
Attributable to:						
Equity holders of the Company	-	5,149	(2,868)	(55,746)	(2,054)	(55,519)
Minority interests	-	368	(139)	(19,181)	-	(18,952)
	-	5,517	(3,007)	(74,927)	(2,054)	(74,471)
Earnings per share (HK cents)						
Basic	-	0.26	(0.15)	(2.81)	(0.10)	(2.80)
Diluted	-	0.26	(0.15)	(2.79)	(0.10)	(2.78)

The effects of the changes in the accounting policies on the consolidated balance sheet as at 30th June 2005 are summarised below:

	Increase/(decrease)				Total
	Effect of adopting				
	HKAS 17	HKAS 40	HKAS 32	HK-Int 2 & HKAS 16	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	(210,566)	29,761	–	(457,080)	(637,885)
Investment properties	–	(59,005)	–	146,728	87,723
Land use rights	210,566	10,500	–	195,000	416,066
Properties held for development	(1,347)	–	–	–	(1,347)
Associated companies	(30)	(738)	–	(15,932)	(16,700)
Jointly controlled entities	(8,230)	(6,737)	–	(10,612)	(25,579)
Other non-current assets	–	–	(2,229)	–	(2,229)
Hotel inventories	–	–	–	(6,504)	(6,504)
Completed properties held for sale	(10,516)	–	–	–	(10,516)
	(20,123)	(26,219)	(2,229)	(148,400)	(196,971)
Long term borrowings	–	–	(1,114)	–	(1,114)
Deferred tax liabilities	–	(3,256)	–	(1,512)	(4,768)
Current portion of long term borrowings	–	–	(1,115)	–	(1,115)
	–	(3,256)	(2,229)	(1,512)	(6,997)
Net assets	(20,123)	(22,963)	–	(146,888)	(189,974)
Reserves	(19,143)	(21,931)	–	(110,772)	(151,846)
Minority interests	(980)	(1,032)	–	(36,116)	(38,128)
Total equity	(20,123)	(22,963)	–	(146,888)	(189,974)

2. Basis of preparation (continued)

Standards, amendments and interpretations to published standards which are not yet effective

Certain new standards, amendments and interpretations to published standards that are mandatory for accounting periods beginning on or after 1st January 2006 or later periods but which the Group has not yet adopted, are as follows:

Effective for the year ending 30th June 2007

HKAS 19 Amendment	Employee benefits – Actuarial gains and losses, group plans and disclosures
HKAS 39 Amendment	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 Amendment	The fair value option
HKAS 39 Amendment and HKFRS 4	Financial instruments: Recognition and measurement and insurance contracts – Financial guarantee contracts
HKFRS 1 Amendment and 6	First-time adoption of Hong Kong Financial Reporting Standards and exploration for and evaluation of mineral resources
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS-Int 4	Determining whether an arrangement contains a lease
HKFRS-Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK (IFRIC)-Int 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment
HK (IFRIC)-Int 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK (IFRIC)-Int 8	Scope of HKFRS 2
HK (IFRIC)-Int 9	Reassessment of embedded derivatives

Effective for the year ending 30th June 2008

HKAS 1 Amendment	Capital disclosures
HKFRS 7	Financial instruments: disclosures

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

3. Principal accounting policies

(a) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all of its subsidiaries made up to 30th June, and include the Group's share of the results for the year and undistributed post-acquisition reserves of its associated companies and jointly controlled entities. The results of subsidiaries, associated companies and jointly controlled entities acquired or disposed of during the year are dealt with in the consolidated income statement from the effective dates of acquisition and up to the effective dates of disposal respectively.

(i) Subsidiaries

Subsidiaries are companies, including equity and co-operative joint ventures in the PRC, in which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the share of net assets attributable to the Group together with any goodwill carried in the balance sheet.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(ii) *Minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(iii) *Associated companies*

An associated company is a company other than a subsidiary and a jointly controlled entity, in which the interest of the Group is held for the long term and substantial and significant influence is exercised through representatives on the board of directors.

Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. Investments in associated companies include goodwill (net of any accumulated impairment loss) identified on acquisition.

The share of post acquisition profits or losses of associated companies is recognised in the income statement, and the share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the interest in the associated companies held by the Group. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. Principal accounting policies (continued)**(a) Consolidation (continued)***(iv) Joint ventures*

A jointly controlled entity is a joint venture established as a corporation, partnership or other entity in which the venturers have their respective interests and establish a contractual arrangement among them to define their joint control over the economic activity of the entity.

Interests in jointly controlled entities are stated at cost plus the share of post-acquisition results and reserves and goodwill on acquisition less provision for impairment losses. The share of post-acquisition results and reserves is based on the relevant profit sharing ratios which vary according to the nature of the jointly controlled entities explained as follows:

Equity joint ventures

Equity joint ventures are joint ventures in respect of which the capital contribution ratios of the venturers are defined in the joint venture contracts and the profit sharing ratios of the venturers are in proportion to the capital contribution ratios.

Co-operative joint ventures

Co-operative joint ventures are joint ventures in respect of which the profit sharing ratios of the venturers and share of net assets upon the expiration of the joint venture periods are not in proportion to their capital contribution ratios but are as defined in the joint venture contracts. Where the Group is not entitled to share the net assets of a co-operative joint venture at the end of the joint venture period, the cost of investment in such co-operative joint venture is amortised over the joint venture period.

Companies limited by shares

Companies limited by shares are limited liability companies in respect of which each shareholder's beneficial interests therein is in accordance with the amount of the voting share capital held thereby.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the jointly controlled entity that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from the jointly controlled entity that result from the purchase of assets from the jointly controlled entity until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

(b) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the attributable share of the net identifiable assets of the acquired subsidiaries, associated companies or jointly controlled entities at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies and jointly controlled entities is included in investments in associated companies and jointly controlled entities respectively. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of all or part of the entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(c) Assets under leases*(i) Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The finance charges are charged to the income statement over the lease periods.

Assets held under finance leases are depreciated on the basis described in note (f)(ii) below.

The investment properties acquired under finance leases are carried at their fair value.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

(d) Land use rights

The upfront prepayments made for the land use rights are expensed in the income statement on a straight-line basis over the period of the rights or when there is impairment, the impairment is expensed in the income statement.

(e) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is determined by professional valuation conducted as at the balance sheet date. Changes in fair values are recognised in the income statement.

3. Principal accounting policies (continued)

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Initial cost includes expenditure that is directly attributable to the acquisition of items. Subsequent costs are included in the carrying amount of the assets or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the income statement during the period in which they are incurred. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying value of an asset is greater than its estimated recoverable amount.

(i) Assets under construction

All direct and indirect costs relating to the construction of property, plant and equipment, including financing costs and foreign exchange differences on the related borrowed funds during the construction period are capitalised as the costs of the assets.

(ii) Depreciation

No depreciation is provided on assets under construction.

Depreciation of other property, plant and equipment is calculated to write off their cost or carrying value less accumulated impairment losses to their residual values over their estimated useful lives or, if shorter, the relevant finance lease periods, using the straight-line method. Estimated useful lives are summarised as follows:

Buildings	20 – 40 years
Leasehold improvement	5 – 10 years or over the relevant lease period
Furniture, fixtures and equipment	5 years
Motor vehicles	3 years

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at each balance sheet date.

(iii) Gain or loss on disposal

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(g) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised in the income statement for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped as cash-generating units for which there are separately identifiable cash flows.

(h) Investments

Following the adoption of HKAS 32 and 39, the Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities more than twelve months after the balance sheet date which are classified as non-current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are realised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

3. Principal accounting policies (continued)

(i) Properties held for/under development

Properties under development comprise prepayments for land use rights, development expenditure and borrowing costs capitalised. In the course of property development, the amortisation charge of land use rights is included as part of the costs of the property under development. In all other cases, the amortisation charge is recognised in the income statement.

(j) Completed properties held for sale

Completed properties held for sale are initially measured at the carrying amount of the property at the date of reclassification from properties under development. Subsequently, the prepaid leasehold land component is stated at cost less accumulated amortisation and impairment losses; the building component is carried at the lower of cost and net realisable value. The amortisation of land use rights is recognised in the income statement. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

(k) Hotel inventories

Hotel inventories comprise primarily food, beverages and operating supplies and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(l) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount of the assets and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated income statement.

(m) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less from date of investment and bank overdrafts.

(n) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(o) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(p) Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(q) Borrowing

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

(r) Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(s) Employee benefits*(i) Employee leave entitlements*

Employee entitlement to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

(ii) Pension obligations

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(iii) Share-based compensation

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions.

(t) Foreign currencies*(i) Functional and presentation currency*

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is Renminbi. The consolidated financial statements are presented in Hong Kong dollars to facilitate analysis of financial information by the holding company.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

3. Principal accounting policies (continued)

(t) Foreign currencies (continued)

(iii) Group companies

The results and financial position of all the entities of the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (2) income and expenses for each income statement are translated at average exchange rates; and
- (3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(u) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

In accordance with the internal financial reporting of the Group, the Group has determined that business segments be presented as the primary reporting. No geographical segment analysis is presented as the majority of the assets and operation of the Group are located in the PRC, which is considered as one geographical location in an economic environment with similar risk and returns.

(v) Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the Group and these benefits can be measured reliably on the following bases:

(i) Property sales

Revenue from sale of properties is recognised upon the transfer of risks and rewards of ownership. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.

(ii) Rental income

Rental income is recognised on a straight line accrual basis over the terms of lease agreements or on a specified basis according to the terms of lease agreements in respect of contingent rental income.

(iii) Hotel operations income

Hotel operations income is recognised when the services are rendered.

(iv) Project management fee income

Project management fee income in respect of management services provided to associated companies and jointly controlled entities engaged in property development during the development periods is deferred and recognised on the same basis as property sales (note (v) (i)) above.

(v) Property management services fee income

Property management services fee income is recognised when services are rendered.

- (vi) *Interest income*
Interest income is recognised on a time proportion basis using the effective interest method.

(w) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders/directors.

(x) Insurance contracts

The Group assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the income statement.

The Group regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers and guarantee provided to its related parties as insurance contracts.

4. Financial risk management and fair value estimation

(a) Financial risk management

The Group conducts its operation in the PRC and accordingly is subject to special consideration and risk exposure under an unique political, economic and legal environment. The Group's activities expose it to a variety of financial risks and the Group's overall risk management policy seeks to minimise potential adverse effects on the Group's financial performance. The Group continues to control financial risk in a conservative approach to safeguard the interest of shareholders.

(i) *Interest rate risk*

The interest rate risk of the Group relates principally to floating rate loans which will be affected by fluctuation of prevailing market interest rates. To mitigate the risk, the Group has maintained fixed and floating rate debts. The Group aims to minimise level of long term bank borrowings which exposes the Group to high interest rate risk. The Group has not used any derivative instruments to hedge its exposure to interest rate risk.

(ii) *Currency risk*

The currency risk of the Group is primarily attributable to the net investments in the PRC. The Group seeks to finance these investments by Renminbi borrowings. The Group monitors foreign exchange exposure and will consider to enter into forward foreign exchange contracts to reduce exposure should the market conditions require.

(iii) *Credit risk*

The credit risk of the Group mainly arises from rental receivables and receivables on sale of properties. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies in each of its core businesses.

(iv) *Liquidity risk*

It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities.

The Group also maintains undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements.

(b) Fair value estimation

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The carrying amounts less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, including debtors, deposits and other receivables, cash and cash equivalents, amounts due from/to group companies, trade and other payables and current portion of long term borrowings are assumed to approximate their fair values due to the short term maturities of these assets and liabilities.

5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on carrying amounts of assets and liabilities are as follows:

(a) Valuation of investment properties

The fair value of each investment property is individually determined at each balance sheet by independent valuers based on a market value assessment, on an existing use basis. The valuers have relied on the discounted cash flow analysis and the capitalisation of income approach as their primary methods, supported by the direct comparison method. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

(b) Provision for properties held for/under development and for sale

The Group assesses the carrying amounts of properties held for/under development and for sale according to their estimated to net realisable value based on the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(c) Income taxes

The Group is subject to income and other taxes in the PRC. Significant judgement is required in determining the provision for taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises taxes based on estimates of the likely outcome with reference to current tax laws and practices. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the provision for income and other taxes and deferred tax in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the management's expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

(d) Share-based payments

The fair value of options granted is estimated by independent professional valuers based on various assumptions on volatility, life of options, dividend paid out rate and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair value of the share options at the date of grant.

(e) Impairment of goodwill

The Group tests annually for impairment of goodwill in accordance with accounting policy as stated in note 3(g). The recoverable amounts of cash-generating units have been determined based on higher of the fair value and value in use calculation of the underlying assets, mainly properties. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

(f) Financial guarantees and tax indemnity

The Group assesses at each balance sheet date the liabilities under insurance contracts, using current estimates of future cash flows.

In respect of the financial guarantee contracts provided to property purchasers, the Group considers the net realisable value of the relevant properties against the outstanding mortgage principal and interest.

6. Turnover and segment information

- (a) The Group is principally engaged in investment and development of property projects in the PRC. Turnover comprises gross proceeds from sale of properties, revenue from rental and hotel operations, property management services fee income and project management fee income.

	2006 HK\$'000	2005 HK\$'000
Sale of properties	1,231,136	1,244,647
Rental income	240,174	190,961
Income from hotel operation	189,677	165,668
Property management services fee income	27,610	16,451
Project management fee income	2,723	296
	1,691,320	1,618,023

- (b) The Group is organised into four main business segments, comprising property sales, rental operation, hotel operation and property management services. There is no other significant identifiable separate business segment. Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, properties held for/under development, debtors, deposits and other receivables, and completed properties held for sale. They exclude cash and bank balances held at corporate office and prepayment for proposed development projects. Segment liabilities comprise mainly creditors and accruals, bank and other loans and other payable. They exclude other creditors and accruals, and short term and long term borrowings at corporate office.

Notes to the Financial Statements

6. Turnover and segment information (continued)

(b) (continued)

No geographical segment analysis is presented as the majority of the assets and operations of the Group are located in the PRC, which is considered as one geographical location in an economic environment with similar risks and returns.

	Property sales HK\$'000	Rental operation HK\$'000	Hotel operation HK\$'000	Property management services HK\$'000	Other operations HK\$'000	Total HK\$'000
Year ended						
30th June 2006						
Segment revenues	1,233,859	256,561	189,677	11,223	-	1,691,320
Segment results	387,705	365,233	17,825	(2,410)	(12)	768,341
Bank and other interest income						111,844
Corporate expenses						(173,496)
Operating profit before financing						706,689
Finance costs						(187,275)
Share of results of						
Associated companies	(2,198)	122,974	2,082	(937)	-	121,921
Jointly controlled entities	125,673	184,213	(3,240)	731	(2,028)	305,349
Profit before taxation						946,684
Taxation charge						(190,266)
Profit for the year						756,418
Capital expenditure	234,435	209,578	20,373	626	1,026	466,038
Depreciation and amortisation	16,403	36,696	62,955	677	1,551	118,282
Provision for/(write back of provision for) amounts due from jointly controlled entities, associated companies and an investee company	(57,525)	1,653	-	-	-	(55,872)
Provision for properties	2,664	-	-	-	-	2,664
Impairment of goodwill	-	8,629	18,326	-	-	26,955

	Property sales HK\$'000	Rental operation HK\$'000	Hotel operation HK\$'000	Property management services HK\$'000	Other operations HK\$'000	Total HK\$'000
Year ended 30th June 2005 (Restated)						
Segment revenues	1,244,943	186,147	180,125	6,808	–	1,618,023
Segment results	251,723	32,315	(17,696)	(348)	(1,922)	264,072
Bank and other interest income						50,464
Corporate expenses						(109,361)
Operating profit before financing						205,175
Finance costs						(97,636)
Share of results of						
Associated companies	5,466	41,551	(3,244)	(828)	–	42,945
Jointly controlled entities	(5,991)	73,561	(4,746)	(1,844)	94	61,074
Profit before taxation						211,558
Taxation charge						(44,976)
Profit for the year						166,582
Capital expenditure	3,870	93,040	20,997	1,217	2,250	121,374
Depreciation and amortisation	12,978	24,661	61,973	561	2,379	102,552
Provision for/(write back of provision for) amounts due from jointly controlled entities, associated companies and an investee company	(55,255)	1,994	(5,315)	–	–	(58,576)
Write back of provision for properties	(9,000)	–	–	–	–	(9,000)
Impairment loss on property, plant and equipment	–	–	6,154	–	–	6,154

Notes to the Financial Statements

6. Turnover and segment information (continued)

(b) (continued)

	Property sales HK\$'000	Rental operation HK\$'000	Hotel operation HK\$'000	Property management services HK\$'000	Other operations HK\$'000	Total HK\$'000
As at 30th June 2006						
Segment assets	15,157,755	4,877,082	960,077	55,040	6,839	21,056,793
Associated companies and jointly controlled entities	5,836,334	5,783,071	351,587	(7,898)	12,625	11,975,719
Unallocated assets						969,644
Total assets						34,002,156
Segment liabilities	5,071,960	1,093,364	915,398	31,142	3,193	7,115,057
Unallocated liabilities						2,675,403
Total liabilities						9,790,460
	Property sales HK\$'000	Rental operation HK\$'000	Hotel operation HK\$'000	Property management services HK\$'000	Other operations HK\$'000	Total HK\$'000
As at 30th June 2005 (Restated)						
Segment assets	10,220,324	3,550,533	964,597	27,546	4,878	14,767,878
Associated companies and jointly controlled entities	5,961,915	5,139,407	362,807	(10,611)	10,152	11,463,670
Unallocated assets						5,372,283
Total assets						31,603,831
Segment liabilities	4,523,988	1,883,189	874,086	18,461	5,490	7,305,214
Unallocated liabilities						1,190,752
Total liabilities						8,495,966

7. Other gains, net

	2006 HK\$'000	Restated 2005 HK\$'000
Bank and other interest income	155,345	90,115
Write back of provision for amount due from an investee company	60,545	66,632
Excess of fair value of net assets acquired over cost of acquisition of subsidiaries and jointly controlled entities	135,513	46,853
Impairment of goodwill	(26,955)	–
Loss on disposal of a subsidiary	(6,411)	–
Tax indemnity from the ultimate holding company (note 12)	34,773	–
Net foreign exchange losses	(48,995)	(1,324)
(Provision for)/write back of provision for properties under development and completed properties held for sale	(2,664)	9,000
Write back of provision for amount due by an associated company	–	5,315
Impairment loss on property, plant and equipment	–	(6,154)
Provision for investments in/amounts due by jointly controlled entities	(4,673)	(13,371)
	296,478	197,066

8. Operating profit before financing

	2006 HK\$'000	Restated 2005 HK\$'000
Operating profit before financing is arrived at after crediting:		
Gross rental income from investment properties	119,572	78,465
and after charging:		
Cost of properties sold	921,229	972,875
Staff costs (note 10)	141,511	129,699
Depreciation of property, plant and equipment	111,244	95,299
Amortisation of land use rights (note)	7,038	7,253
Outgoings in respect of investment properties	45,090	43,742
Rental for leased premises	36,618	34,726
Loss on disposal of property, plant and equipment	2,457	11,694
Auditors' remuneration	5,384	4,184

Note: Amortisation of land use rights is stated after deduction of amount capitalised in properties held for development, properties under development and assets under construction of HK\$32,911,000 (2005: HK\$22,389,000), HK\$25,417,000 (2005: HK\$12,738,000) and HK\$6,600,000 (2005: HK\$3,198,000) respectively.

There is no contingent rent included in rental income for both years.

Notes to the Financial Statements

8. Operating profit before financing (continued)

	2006 HK\$'000	2005 HK\$'000
The future minimum rental payments receivable under non-cancellable operating leases are as follows:		
Within one year	154,080	133,401
Between two and five years	336,450	301,129
Beyond five years	779,293	857,231
	1,269,823	1,291,761

Generally the Group's operating leases are for terms of two to five years except for six (2005: seven) long term leases which are beyond five years.

9. Finance costs

	2006 HK\$'000	2005 HK\$'000
Interest on bank borrowings		
– wholly repayable within five years	139,712	127,471
– not wholly repayable within five years	17,519	–
Interest on loans from fellow subsidiaries wholly repayable within five years	118,298	43,261
Interest on loans from minority shareholders not wholly repayable within five years	5,199	4,803
Interest on short term borrowings	9,963	16,517
	290,691	192,052
Amount capitalised in properties held for/under development and assets under construction	(85,032)	(76,353)
Reimbursement from an associated company	(18,384)	(18,063)
	187,275	97,636

10. Staff costs

	2006 HK\$'000	Restated 2005 HK\$'000
Wages, salaries and other benefits	133,250	123,920
Pension costs – defined contribution plans (note)	4,061	3,725
Share-based payments	4,200	2,054
	141,511	129,699

Staff costs include directors' emoluments other than benefit-in-kind from the exercise of share options.

Note: The Group has established a defined contribution retirement scheme under the Occupational Retirement Scheme Ordinance for all employees in Hong Kong since September 1999. The contributions to the scheme are based on a percentage of the employees' salaries ranging from 5% to 10%, depending upon the length of service of the employees. The Group's contributions to the scheme are expensed as incurred and are not forfeited in respect of those employees who leave the scheme prior to vesting fully in the contributions.

With the implementation of the Mandatory Provident Fund ("MPF") Scheme Ordinance on 1st December 2000, the Group established a new MPF Scheme. Except for employees who commenced employment after 1st October 2000, all the existing employees were given an option to select between the existing defined contribution retirement scheme and the MPF Scheme. The employees who commenced employment after 1st October 2000 are required to join the MPF Scheme. The Group's contributions to the MPF Scheme are based on fixed percentages of members' salary, ranging from 5% of MPF relevant income to 10% of the basic salary. Members' mandatory contributions are fixed at 5% of MPF relevant income.

The Group also contributes to retirement plans for its employees in the PRC at a percentage in compliance with the requirements of the respective municipal governments in the PRC.

The assets of all retirement schemes are held separately from those of the Group in independently administered funds. The total pension costs charged to the consolidated income statement for the year amounted to HK\$4,061,000 (2005: HK\$3,725,000).

11. Directors' and senior management remuneration

(i) Details of the directors' emoluments are as follows:

For the year ended 30th June 2006

Name of director	Fees	Other emoluments	Retirement benefits	Share option benefits (note)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dr. Cheng Kar-shun, Henry	50	-	-	19,913	19,963
Mr. Doo Wai-hoi, William	50	1,000	-	11,451	12,501
Mr. Cheng Kar-shing, Peter	50	-	-	3,824	3,874
Mr. Leung Chi-kin, Stewart	50	-	-	-	50
Mr. Chow Kwai-cheung	50	-	-	411	461
Mr. Chow Yu-chun, Alexander	50	-	-	8,713	8,763
Mr. Fong Shing-kwong, Michael	50	240	12	1,768	2,070
Ms. Ngan Man-ying, Lynda	50	1,290	69	-	1,409
Mr. Fu Sze-shing	50	-	-	-	50
Mr. Cheng Wai-chee, Christopher	100	-	-	-	100
Mr. Tien Pei-chun, James	100	-	-	-	100
Mr. Lee Luen-wai, John	100	-	-	-	100
	750	2,530	81	46,080	49,441

Notes to the Financial Statements

11. Directors' and senior management remuneration (continued)

(i) (continued)

For the year ended 30th June 2005

Name of director	Fees	Other emoluments	Share option benefits (note)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dr. Cheng Kar-shun, Henry	50	–	–	50
Mr. Doo Wai-hoi, William	50	1,000	–	1,050
Mr. Cheng Kar-shing, Peter	50	–	1,074	1,124
Mr. Leung Chi-kin, Stewart	50	–	435	485
Mr. Chow Kwai-cheung	50	–	668	718
Mr. Chow Yu-chun, Alexander	50	–	–	50
Mr. Fong Shing-kwong, Michael	50	–	–	50
Mr. Fu Sze-shing	50	–	–	50
Mr. Lo Hong-sui	50	–	–	50
Mr. Cheng Wai-chee, Christopher	100	–	–	100
Mr. Tien Pei-chun, James	100	–	–	100
Mr. Lee Luen-wai, John	100	–	–	100
Mr. Chan Kam-ling	–	–	99	99
	750	1,000	2,276	4,026

None of the directors has waived his right to receive his emoluments (2005: Nil).

Note: Share option benefits represent the aggregate difference between the exercise prices and the market prices of share options exercised at the dates of exercise.

(ii) The five individuals whose emoluments were the highest in the Group for the year include three (2005: Nil) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2005: five) individuals during the year are as follows:

	2006 HK\$'000	2005 HK\$'000
Salaries, discretionary bonus, other allowances and other benefits in kind	3,809	8,321
Share option benefits	10,830	5,330
Contribution to retirement benefit scheme	299	603
	14,938	14,254

The emoluments fall within the following bands:

	Number of individuals	
	2006	2005
HK\$2,000,001 – HK\$2,500,000	-	1
HK\$2,500,001 – HK\$3,000,000	-	3
HK\$3,500,001 – HK\$4,000,000	-	1
HK\$5,000,001 – HK\$5,500,000	1	-
HK\$9,500,001 – HK\$10,000,000	1	-
	2	5

12. Taxation charge

	2006	Restated
	HK\$'000	2005
		HK\$'000
PRC income tax – current	102,522	16
PRC income tax – deferred		
Origination and reversal of temporary differences	(40,848)	44,960
Revaluation of investment properties	128,592	-
	190,266	44,976

Share of taxation of associated companies and jointly controlled entities for the year ended 30th June 2006 of HK\$73,565,000 (2005: HK\$9,061,000) and HK\$91,913,000 (2005: HK\$20,844,000) respectively are included in the consolidated income statement as share of results of associated companies and jointly controlled entities.

Notes to the Financial Statements

12. Taxation charge (continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the rate of taxation prevailing in the PRC in which the Group operates as follows:

	2006 HK\$'000	Restated 2005 HK\$'000
Profit before taxation	946,684	211,558
Share of results of		
Associated companies	(121,921)	(42,945)
Jointly controlled entities	(305,349)	(61,074)
	519,414	107,539
Calculated at a taxation rate of 33% (2005: 33%)	171,407	35,488
Income not subject to taxation	(120,338)	(43,908)
Expenses not deductible for taxation purposes	129,591	53,003
Tax losses not recognised	46,032	54,347
Utilisation of previously unrecognised tax losses	(15,886)	(24,100)
Temporary differences not recognised	(20,540)	(29,854)
Taxation charge	190,266	44,976

No provision for Hong Kong profits tax has been made within the Group as the Group has no assessable profits in Hong Kong for the year (2005: Nil). PRC income tax has been provided on the estimated assessable profits of subsidiaries, associated companies and jointly controlled entities operating in the PRC at 33% (2005: 33%).

In July 1999, a deed of tax indemnity was entered into between NWD, the ultimate holding company and the Company whereby the ultimate holding company undertakes to indemnify the Group in respect of, inter alia, certain PRC income tax ("IT") and Land Appreciation Tax ("LAT") payable in consequence of the disposal of certain properties held by the Group as at 31st March 1999. During the year, tax indemnity amounting to HK\$34,773,000 (2005: Nil) was effected.

13. Dividend

	2006 HK\$'000	2005 HK\$'000
Final dividend proposed of HK\$0.04 (2005: HK\$0.03) per share	153,103	113,236

At a meeting held on 10th October 2006, the directors recommended a final dividend of HK\$0.04 per share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of contributed surplus for the year ending 30th June 2007.

14. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$740,512,000 (2005 restated: HK\$166,025,000) and the weighted average of 3,797,947,714 shares (2005: 1,980,770,048 shares) in issue during the year.

Diluted earnings per share is based on profit attributable to shareholders of HK\$740,512,000 (2005 restated: HK\$166,025,000) divided by 3,801,355,330 (2005: 1,999,832,094) shares which is the weighted average number of shares in issue of 3,797,947,714 (2005: 1,980,770,048) shares plus the weighted average of 3,407,616 (2005: 19,062,046) potential shares deemed to be issued at no consideration assuming all outstanding share options had been exercised.

15. Property, plant and equipment

	Group					Total HK\$'000
	Other properties HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Assets under construction HK\$'000	
For the year ended						
30th June 2006						
Cost						
At 1st July 2005, as restated	653,505	222,851	403,965	34,945	499,716	1,814,982
Translation difference	18,451	6,325	11,570	980	14,415	51,741
Additions	28,886	2,472	9,858	7,292	213,817	262,325
Acquisition of subsidiaries	100,166	-	3,385	1,027	-	104,578
Disposals/write off	(35,112)	(10,564)	(4,547)	(2,330)	-	(52,553)
Disposal of a subsidiary	-	-	(233)	(395)	-	(628)
Reclassification	16,929	-	-	-	(727,948)	(711,019)
At 30th June 2006	782,825	221,084	423,998	41,519	-	1,469,426
Accumulated depreciation and impairment						
At 1st July 2005, as restated	69,289	97,203	226,174	24,066	-	416,732
Translation difference	2,536	2,754	6,431	607	-	12,328
Charge for the year	35,707	23,557	48,748	3,232	-	111,244
Disposals/write off	(2,498)	(5,429)	(3,832)	(1,758)	-	(13,517)
Disposal of a subsidiary	-	-	(206)	(355)	-	(561)
At 30th June 2006	105,034	118,085	277,315	25,792	-	526,226
Net book value						
At 30th June 2006	677,791	102,999	146,683	15,727	-	943,200

Notes to the Financial Statements

15. Property, plant and equipment (continued)

	Group					
	Other properties HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Assets under construction HK\$'000	Restated Total HK\$'000
For the year ended 30th June 2005 (Restated)						
Cost						
At 1st July 2004, as restated	585,607	226,093	449,123	34,266	–	1,295,089
Additions	21,117	1,064	1,199	2,421	75,606	101,407
Acquisition of subsidiaries	–	–	238	32	–	270
Transfer from property under development/deposits	28,589	–	–	–	683,122	711,711
Disposals/write off	–	(4,306)	(46,595)	(1,774)	–	(52,675)
Reclassification	18,192	–	–	–	(259,012)	(240,820)
At 30th June 2005	653,505	222,851	403,965	34,945	499,716	1,814,982
Accumulated depreciation and impairment						
At 1st July 2004, as restated	51,942	74,747	204,682	22,263	–	353,634
Charge for the year	11,193	24,298	56,751	3,057	–	95,299
Impairment charge	6,154	–	–	–	–	6,154
Disposals/write off	–	(1,842)	(35,259)	(1,254)	–	(38,355)
At 30th June 2005	69,289	97,203	226,174	24,066	–	416,732
Net book value						
At 30th June 2005	584,216	125,648	177,791	10,879	499,716	1,398,250

As at 30th June 2006, certain other properties and furniture, fixtures and equipment with the carrying amount of HK\$534,049,000 (2005: HK\$588,792,000) were pledged as securities for the Group's long term borrowings.

16. Investment properties

	Group	
	2006	Restated
	HK\$'000	2005
		HK\$'000
At valuation		
At the beginning of the year, as restated	2,886,030	2,364,359
Additions	285	22,895
Translation difference	83,886	–
Transfer from properties under development	139,393	22,245
Transfer from assets under construction/land use rights	912,632	290,000
Increase in fair value	348,926	186,531
	4,371,152	2,886,030

The investment properties were revaluated at 30th June 2006 on an open market value basis by Knight Frank Petty Limited, independent professional valuers, and are held in the PRC under the following leases:

	Restated	
	2006	2005
	HK\$'000	HK\$'000
Leases of over 50 years	63,510	25,093
Leases of between 10 to 50 years	4,307,642	2,860,937
	4,371,152	2,886,030

As at 30th June 2006, certain investment properties with the carrying value of HK\$1,651,688,000 (2005: HK\$767,186,000) were pledged as securities for the Group's long term borrowings.

Notes to the Financial Statements

17. Land use rights

	Group	
	2006 HK\$'000	Restated 2005 HK\$'000
At the beginning of the year, as restated	416,066	217,146
Translation differences	12,003	–
Transfer from deposits	–	257,192
Acquisition of a subsidiary	105,450	–
Amortisation	(5,516)	(5,894)
Capitalised in assets under construction	(6,600)	(3,198)
Reclassification	(201,613)	(49,180)
	319,790	416,066

The Group's interests in land use rights represent prepaid operating lease payments and are held in the PRC under the following leases:

	2006 HK\$'000	2005 HK\$'000
Leases of over 50 years	3,694	4,189
Leases of between 10 to 50 years	316,096	411,877
	319,790	416,066

As at 30th June 2006, land use rights with the carrying amount of HK\$139,900,000 (2005: HK\$137,472,000) were pledged as securities for the Group's bank borrowings.

18. Goodwill

	Group	
	2006 HK\$'000	2005 HK\$'000
At the beginning of the year	–	–
Acquisitions of subsidiaries	60,237	–
Acquisitions of additional interest in a subsidiary company	40,438	–
Impairment	(26,955)	–
	73,720	–

Goodwill is allocated to the Group's cash generating units identified according to business segment. As at 30th June 2006, goodwill of HK\$60,237,000, HK\$4,316,000 and HK\$9,167,000 is allocated to the segments of property sales, rental operation and hotel operation respectively.

The recoverable amount of goodwill is determined based on value-in-use calculations. The key assumptions used in the value-in-use calculations are based on the best estimate of growth rates and discount rates.

19. Subsidiaries

	2006 HK\$'000	2005 HK\$'000
Unlisted shares, at cost (2006 and 2005: HK\$10)	-	-
Amounts due by subsidiaries, net of provision	21,418,798	17,043,436
Amounts due to subsidiaries	-	(150,068)
	21,418,798	16,893,368

Details of principal subsidiaries are given in note 44.

20. Properties held for development

	2006 HK\$'000	Group Restated 2005 HK\$'000
Land use rights	1,658,887	1,282,528
Development and incidental costs	2,492,731	2,482,799
Interest capitalised	91,998	153,341
	4,243,616	3,918,668

The analysis of the carrying value of land use rights held in the PRC included in the properties held for development is as follows:

	2006 HK\$'000	2005 HK\$'000
Leases of over 50 years	1,207,374	816,199
Leases of between 10 to 50 years	451,513	466,329
	1,658,887	1,282,528

As at 30th June 2005, the aggregate carrying value of properties held for development were pledged as securities for long term borrowings amounts to HK\$974,721,000.

Notes to the Financial Statements

21. Associated companies

	Group	
	2006	Restated
	HK\$'000	2005
		HK\$'000
Group's shares of net assets	330,955	195,324
Amounts due by associated companies, net of provision (note (i))	1,452,215	1,417,727
Amounts due to associated companies (note (i))	(184,606)	(85,858)
	1,598,564	1,527,193

(i) The amounts receivable and payable are unsecured, interest free and have no specific repayment terms except for an amount receivable of HK\$269,231,000 (2005: HK\$286,604,000) which carries interest at 6.12% (2005: 5.76%) per annum and is repayable by instalments up to 2016.

(ii) The Group's share of revenues, results, assets and liabilities of Group's associated companies are as follows:

	2006	2005
	HK\$'000	HK\$'000
Revenues	179,074	154,404
Profit for the year	121,921	42,945
Non-current assets	2,331,959	2,163,646
Current assets	472,231	194,089
Total assets	2,804,190	2,357,735
Non-current liabilities	(1,954,240)	(1,706,405)
Current liabilities	(518,995)	(456,006)
Total liabilities	(2,473,235)	(2,162,411)

(iii) Details of principal associated companies are given in note 44.

22. Jointly controlled entities

	2006 HK\$'000	Group Restated 2005 HK\$'000
Equity joint ventures		
Group's share of net assets	72,418	113,744
Amounts due by jointly controlled entities		
Interest bearing (note (i))	76,621	120,634
Non-interest bearing (note (ii))	67,537	85,523
Amounts due to jointly controlled entities (note (ii))	(45,821)	(44,991)
	170,755	274,910
Co-operative joint ventures		
Cost of investments	4,776,128	3,705,069
Goodwill	12,704	12,704
Share of undistributed post-acquisition results and reserves	(345,246)	(440,052)
	4,443,586	3,277,721
Amounts due by jointly controlled entities, net of provision		
Interest bearing (note (iii))	5,576,028	5,896,364
Non-interest bearing (note (ii))	348,040	543,099
Amounts due to jointly controlled entities (note (ii))	(709,107)	(261,240)
	9,658,547	9,455,944
Companies limited by shares		
Group's share of net liabilities	(31,514)	(270,676)
Amounts due by jointly controlled entities, net of provision		
Interest bearing (note (iv))	122,437	162,777
Non-interest bearing (note (ii))	581,248	313,522
Amounts due to jointly controlled entities (note (ii))	(182,010)	-
	490,161	205,623
Deposits for proposed joint ventures (note (v))	57,692	-
	10,377,155	9,936,477

Notes:

- (i) The amount receivable is unsecured, carries interest at 10% (2005: ranging from 5.85% to 5.94%) per annum and has repayment terms as specified in the relevant loan agreements.
- (ii) The amounts receivable and payable are unsecured, interest free and have repayment terms as specified in the joint venture contracts.
- (iii) The amounts receivable are unsecured, carry interest ranging from 1% over London Interbank Offered Rate ("LIBOR") to 12% (2005: 1% over LIBOR to 12%) per annum and have repayment terms as specified in the joint venture contracts.

Notes to the Financial Statements

22. Jointly controlled entities (continued)

- (iv) The amounts receivable are unsecured, carry interest at 1.5% above Hongkong Interbank Offered Rate ("HIBOR") (2005: 1.5% above HIBOR) per annum and have repayment terms as specified in the joint venture contracts.
- (v) The balances represented payments on account of proposed joint ventures for which the agreement is pending the approval from the relevant government authority. Upon the completion of registration of the joint venture company, the relevant amount will be reclassified to joint venture balance.
- (vi) The Group's share of revenues, results, assets and liabilities of Group's jointly controlled entities are as follows:

	2006 HK\$'000	2005 HK\$'000
Revenues	2,520,541	1,567,705
Profit for the year	305,349	61,074
Non-current assets	4,292,176	5,405,372
Current assets	13,539,797	7,114,765
Total assets	17,831,973	12,520,137
Non-current liabilities	(9,204,270)	(6,298,253)
Current liabilities	(4,155,917)	(3,113,799)
Total liabilities	(13,360,187)	(9,412,052)

- (vii) Details of principal jointly controlled entities are given in note 44.

23. Other investments

	Group 2006 HK\$'000	2005 HK\$'000
Investment securities		
Unlisted shares, at cost (note)	-	350
Amount due from an investee company, net of provision	-	115,526
	-	115,876

Note: In March 2006, the Group acquired 65% additional equity interest in the investee company which became a subsidiary of the Group since then.

24. Cash and bank balances

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Restricted balances included under non-current assets	121,041	166,896	-	50,277
Restricted balances included under current assets	368,630	650,621	52,062	487,500
Unrestricted balances	2,362,227	5,534,354	375,511	3,586,150
	2,851,898	6,351,871	427,573	4,123,927

The effective interest rate on short-term bank deposits was ranging from 1.38% to 5.08% (2005: 1.62% to 3.33%), these deposits have an average maturity of 3 to 7 days.

The carrying amount of the cash and bank balances of the Group are denominated in the following currencies:

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Hong Kong dollar	291,151	4,753,784	259,039	3,625,186
Renminbi	1,436,857	704,105	-	-
United States dollar	1,123,890	893,982	168,534	498,741
	2,851,898	6,351,871	427,573	4,123,927

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

25. Debtors, deposits and other receivables

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Trade debtors (note a)	212,208	195,925	-	-
Deposits, prepayments and other receivables (note b)	2,692,927	642,622	67,490	27,957
	2,905,135	838,547	67,490	27,957

Notes to the Financial Statements

25. Debtors, deposits and other receivables (continued)

- (a) Trade debtors mainly include sales proceed receivables, rental receivables and property management fee receivables. Sales proceed receivables in respect of sales of properties are settled in accordance with the instalment schedules as stipulated in the sale and purchase agreements. Monthly rental in respect of rental properties are payable in advance by tenants in accordance with the lease agreements. Monthly property management fee are payable in advance in accordance with the agreements. The ageing analysis of trade debtors is as follows:

	Group	
	2006 HK\$'000	2005 HK\$'000
0 to 30 days	74,265	111,234
31 to 60 days	28,318	11,175
61 to 90 days	50,296	5,737
Over 90 days	59,329	67,779
	212,208	195,925

The carrying amounts of the trade debtors of the Group are mainly denominated in Renminbi.

- (b) Deposits, prepayments and other receivables include utility and other deposits, interest and other receivables and prepayment for the land cost and proposed development projects. The carrying amounts of deposits, prepayments and other receivables of the Group and the Company are mainly denominated in Renminbi.

26. Amounts due from/to group companies

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Amounts due from group companies (note a)	97,578	31,234	53,606	19,755
Amounts due to group companies (note b)	(328,746)	(481,991)	(538,173)	(162,750)
	(231,168)	(450,757)	(484,567)	(142,995)

- (a) The amounts due from group companies are unsecured, interest free and repayable within 30 days.

The carrying amounts of amounts due from group companies are denominated in the following currencies:

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Hong Kong dollar	-	-	53,606	19,755
Renminbi	97,578	31,234	-	-
	97,578	31,234	53,606	19,755

(b) The amounts due to group companies are unsecured, interest free and repayable on demand.

The carrying amounts of amounts due to group companies are denominated in the following currencies:

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Hong Kong dollar	(25,454)	(133,438)	(538,173)	(162,750)
Renminbi	(303,292)	(348,553)	-	-
	(328,746)	(481,991)	(538,173)	(162,750)

27. Properties under development

	Group	
	2006 HK\$'000	Restated 2005 HK\$'000
Land use rights	1,601,155	583,696
Development and incidental costs	3,123,878	2,112,657
Interest capitalised	238,031	117,918
	4,963,064	2,814,271
Less: provision	(35,819)	(199,779)
	4,927,245	2,614,492

The analysis of the carrying value of land use rights held in the PRC included in the properties under development is as follows:

	2006 HK\$'000	2005 HK\$'000
Leases of over 50 years	956,493	217,246
Leases of between 10 to 50 years	644,662	366,450
	1,601,155	583,696

The aggregate carrying value of properties under development were pledged as securities for long term loans amounts to HK\$53,577,000 (2005: HK\$328,425,000).

Notes to the Financial Statements

28. Completed properties held for sale

	2006	Restated
	HK\$'000	2005
		HK\$'000
Land use rights	100,278	201,995
Development cost	1,132,827	1,305,316
Interest capitalised	58,881	60,424
	1,291,986	1,567,735

The analysis of the carrying value of land use rights held in the PRC included in the completed properties held for sale is as follows:

	2006	2005
	HK\$'000	HK\$'000
Leases of over 50 years	98,522	199,516
Leases of between 10 to 50 years	1,756	2,479
	100,278	201,995

29. Share capital

	2006	2005
	HK\$'000	HK\$'000
Authorised: 8,000,000,000 shares of HK\$0.1 each	800,000	800,000
Issued and fully paid: 3,825,783,832 shares of HK\$0.1 each (2005: 3,768,248,832 shares of HK\$0.1 each)	382,578	376,825

Details of the movement in the issued share capital of the Company are summarised as follows:

	Number of shares of HK\$0.1 each	HK\$'000
At 30th June 2004	1,488,862,294	148,886
Exercise of share options (note (i))	24,092,000	2,409
Rights issue (note (ii))	2,255,294,538	225,530
At 30th June 2005	3,768,248,832	376,825
Exercise of share options (note (i))	57,535,000	5,753
At 30th June 2006	3,825,783,832	382,578

Notes:

- (i) Pursuant to the share option schemes adopted on 18th December 2000 and 26th November 2002, the Company may grant options to executive directors and employees of the Company to subscribe for shares in the Company. The movements in the number of share options granted during the year and the balance outstanding at 30th June 2006 are as follows:

Date of offer to grant	Exercise price per share HK\$ (note 1)	Number of shares				At 30th June 2006
		At 1st July 2005	Granted during the year	Exercised during the year	Lapsed during the year	
5th February 2001	1.782	50,042,400	–	(49,746,800)	(295,600)	–
2nd May 2001	2.375	560,000	–	(560,000)	–	–
29th June 2001	2.910	3,195,000	–	(1,918,000)	–	1,277,000
31st August 2001	2.170	947,000	–	(906,000)	–	41,000
26th March 2002	2.065	742,000	–	(295,600)	(112,400)	334,000
3rd January 2003	1.212	1,210,200	–	(480,000)	–	730,200
12th May 2003	0.912	2,659,700	–	(557,800)	(105,000)	1,996,900
28th October 2003	1.650	69,000	–	–	–	69,000
18th December 2003	1.668	1,625,000	–	(1,625,000)	–	–
25th March 2004	2.252	1,992,200	–	(158,200)	(294,800)	1,539,200
18th June 2004	1.650	883,000	–	(290,800)	(277,800)	314,400
4th November 2004	2.484	707,000	–	(171,200)	(279,000)	256,800
22nd December 2004	2.689	1,234,000	–	(436,400)	–	797,600
13th July 2005	2.300	–	2,217,600	(379,600)	–	1,838,000
7th November 2005	2.620	–	48,800	(9,600)	–	39,200
28th March 2006	3.915	–	3,384,000	–	–	3,384,000
		65,866,500	5,650,400	(57,535,000)	(1,364,600)	12,617,300

Notes:

- (1) Except for the 1,400,000 share options with exercise price per share of HK\$2.300 which are divided into 2 tranches and exercisable within a period of 2 years commencing on the expiry of one month after the dates on which the options were accepted, all the share options are divided into 5 tranches and exercisable within a period of 5 years commencing on the expiry of one month after the dates on which the options were accepted.
- (2) Fair value of options and assumptions
The fair value of options granted during the year determined using the Binomial Model was HK\$6,917,000. The significant inputs to the model was share price ranging from HK\$2.300 to HK\$3.875 at the grant dates, exercise prices ranging from HK\$2.300 to HK\$3.915, volatility of the share of ranging from 52% to 53%, expected life of options of 2 and 5 years, expected dividend yield of 0%, risk-free interest rate ranging from 3.18% to 4.50% and suboptimal exercise factor of 1.55 times of the exercise prices (which accounts for the early exercise behaviour of the option holders). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of the Company over the past 5 years.
- (ii) For the year ended 30th June 2005, 2,255,294,538 shares of HK\$0.1 each were issued at HK\$2.8 per share by way of rights issue on the basis of three rights shares for every two existing shares.

Notes to the Financial Statements

30. Reserves
Group

	Contributed surplus HK\$'000	Share premium HK\$'000	Investment properties revaluation reserve HK\$'000	Hotel properties revaluation reserve HK\$'000	Other reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
As at 30th June 2005, as previously reported	14,722,334	7,404,883	902,257	19,054	49,369	-	14,226	(212,186)	22,899,937
Effects of changes in accounting policies									
- HKAS 17	-	-	-	-	-	-	-	(19,143)	(19,143)
- HKAS 40	-	-	(6,611)	-	-	-	-	(15,320)	(21,931)
- HKFRS 2	-	-	-	-	-	2,625	-	(2,625)	-
- HK-Int 2 & HKAS 16	-	-	26,246	(19,054)	-	-	-	(117,964)	(110,772)
As at 30th June 2005, as restated	14,722,334	7,404,883	921,892	-	49,369	2,625	14,226	(367,238)	22,748,091
Opening adjustments:									
- HKAS 39	-	-	-	-	-	-	-	(2,559)	(2,559)
- HKAS 40	-	-	(921,892)	-	-	-	-	921,892	-
As at 1st July 2005, as restated	14,722,334	7,404,883	-	-	49,369	2,625	14,226	552,095	22,745,532
Profit for the year	-	-	-	-	-	-	-	740,512	740,512
Premium on issue of shares	-	99,517	-	-	-	-	-	-	99,517
Share issue expenses	-	(12)	-	-	-	-	-	-	(12)
Acquisition of subsidiaries	-	-	-	-	58,968	-	-	202	59,170
Share-based payments	-	-	-	-	-	4,200	-	-	4,200
Transfer of reserve upon exercise and lapse of share options	-	1,427	-	-	-	(2,107)	-	680	-
Dividend paid	(113,553)	-	-	-	-	-	-	-	(113,553)
Translation differences	-	-	-	-	-	-	117,071	-	117,071
As at 30th June 2006 before proposed final dividend	14,608,781	7,505,815	-	-	108,337	4,718	131,297	1,293,489	23,652,437
Representing:									
As at 30th June 2006 after proposed final dividend	14,455,678	7,505,815	-	-	108,337	4,718	131,297	1,293,489	23,499,334
2006 proposed final dividend	153,103	-	-	-	-	-	-	-	153,103
	14,608,781	7,505,815	-	-	108,337	4,718	131,297	1,293,489	23,652,437

Group

	Contributed surplus HK\$'000	Share premium HK\$'000	Investment properties revaluation reserve HK\$'000	Other reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
As at 30th June 2004, as previously reported	14,722,334	1,294,729	622,956	-	-	14,047	(433,730)	16,220,336
Effects of changes in accounting policies								
- HKAS 17	-	-	-	-	-	-	(24,292)	(24,292)
- HKAS 40	-	-	-	-	-	-	(12,452)	(12,452)
- HKFRS 2	-	-	-	-	571	-	(571)	-
- HK-Int 2 & HKAS 16	-	-	-	-	-	-	(62,218)	(62,218)
As at 30th June 2004, as restated	14,722,334	1,294,729	622,956	-	571	14,047	(533,263)	16,121,374
Profit for the year	-	-	-	-	-	-	166,025	166,025
Premium on issue of shares	-	6,133,520	-	-	-	-	-	6,133,520
Share issue expenses	-	(23,366)	-	-	-	-	-	(23,366)
Release of reserve upon disposal of properties	-	-	10,099	-	-	-	-	10,099
Revaluation surplus								
Company and subsidiaries	-	-	121,098	-	-	-	-	121,098
Associated companies	-	-	98,329	-	-	-	-	98,329
Jointly controlled entities	-	-	69,410	-	-	-	-	69,410
Acquisition of subsidiaries	-	-	-	49,369	-	-	-	49,369
Share-based payments	-	-	-	-	2,054	-	-	2,054
Translation differences	-	-	-	-	-	179	-	179
As at 30th June 2005 before proposed final dividend	14,722,334	7,404,883	921,892	49,369	2,625	14,226	(367,238)	22,748,091
Representing:								
As at 30th June 2005 after proposed final dividend	14,609,098	7,404,883	921,892	49,369	2,625	14,226	(367,238)	22,634,855
2005 proposed final dividend	113,236	-	-	-	-	-	-	113,236
	14,722,334	7,404,883	921,892	49,369	2,625	14,226	(367,238)	22,748,091

Notes to the Financial Statements

30. Reserves (continued)
Company

	Contributed surplus HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
As at 30th June 2005, as previously reported	14,742,495	7,404,883	-	-	(1,652,971)	20,494,407
Effect of changes in accounting policies: - HKFRS 2	-	-	-	2,625	(2,625)	-
As at 30th June 2005, as restated	14,742,495	7,404,883	-	2,625	(1,655,596)	20,494,407
Premium on issue of shares	-	99,517	-	-	-	99,517
Share issue expenses	-	(12)	-	-	-	(12)
Loss for the year	-	-	-	-	(536,194)	(536,194)
Share-based payments	-	-	-	4,200	-	4,200
Transfer of reserve upon exercise and lapse of share options	-	1,427	-	(2,107)	680	-
Dividend paid	(113,553)	-	-	-	-	(113,553)
Translation differences	-	-	572,038	-	-	572,038
As at 30th June 2006 before proposed final dividend	14,628,942	7,505,815	572,038	4,718	(2,191,110)	20,520,403
Representing: As at 30th June 2006 after proposed final dividend	14,475,839	7,505,815	572,038	4,718	(2,191,110)	20,367,300
2006 proposed final dividend	153,103	-	-	-	-	153,103
	14,628,942	7,505,815	572,038	4,718	(2,191,110)	20,520,403
As at 30th June 2004, as previously reported	14,742,495	1,294,729	-	-	(1,561,375)	14,475,849
Effect of changes in accounting policies: - HKFRS 2	-	-	-	571	(571)	-
As at 30th June 2004, as restated	14,742,495	1,294,729	-	571	(1,561,946)	14,475,849
Premium on issue of shares	-	6,133,520	-	-	-	6,133,520
Share issue expenses	-	(23,366)	-	-	-	(23,366)
Share-based payments	-	-	-	2,054	(2,054)	-
Loss for the year	-	-	-	-	(91,596)	(91,596)
As at 30th June 2005	14,742,495	7,404,883	-	2,625	(1,655,596)	20,494,407
Representing: As at 30th June 2005 after proposed final dividend	14,629,259	7,404,883	-	2,625	(1,655,596)	20,381,171
2005 proposed final dividend	113,236	-	-	-	-	113,236
	14,742,495	7,404,883	-	2,625	(1,655,596)	20,494,407

The contributed surplus of the Company represents the excess of the consolidated net asset value of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange thereof as a result of a reorganisation that took place in 1999.

31. Long term borrowings

	Group		Company	
	2006 HK\$'000	Restated 2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Bank loans (note (i))				
Secured	1,679,603	1,217,031	-	-
Unsecured	958,927	778,934	492,320	-
Loans from fellow subsidiaries (note (ii))	2,939,989	2,756,161	-	-
Loans from minority shareholders (note (iii))	145,965	131,295	-	-
	5,724,484	4,883,421	492,320	-
Current portion included in current liabilities	(911,341)	(810,394)	-	-
	4,813,143	4,073,027	492,320	-

Notes:

- (i) The bank loans are repayable as follows:

	Secured		Group Unsecured		Total	Company Unsecured	
	2006 HK\$000	Restated 2005 HK\$000	2006 HK\$000	Restated 2005 HK\$000		2006 HK\$000	2005 HK\$000
Within one year	294,317	191,536	24,039	130,841	318,356	322,377	-
Between one and two years	239,250	405,316	250,000	264,916	489,250	670,232	-
Between two and five years	1,002,134	458,185	684,888	355,140	1,687,022	813,325	492,320
After five years	143,902	161,994	-	28,037	143,902	190,031	-
	1,679,603	1,217,031	958,927	778,934	2,638,530	1,995,965	492,320

Included in bank loans of the Group is an amount of HK\$269,231,000 (2005: HK\$286,604,000) which is repayable by instalments up to December 2016 and has been on-lent to an associated company on the same terms of the bank loan (note 21).

Notes to the Financial Statements

31. Long term borrowings (continued)

- (ii) The loans from fellow subsidiaries are repayable as follows:

	2006 HK\$'000	Group 2005 HK\$'000
Within one year	592,985	488,017
Between one and two years	370,207	2,268,144
Between two and five years	1,976,797	–
	2,939,989	2,756,161

The loans from fellow subsidiaries are unsecured and bear interest ranging from 0.5% above three months HIBOR to 1% above London Interbank Offered Rate ("LIBOR") (2005: three months HIBOR to 1% above LIBOR) per annum.

- (iii) The loans from minority shareholder are unsecured, bear interest at 5% to 5.85% (2005: 5% to 5.76%) per annum and have repayment terms as specified in the joint venture contracts.
- (iv) The effective interest rates of borrowings are as follows:

	2006			2005		
	Hong Kong dollar	Renminbi	United States dollar	Hong Kong dollar	Renminbi	United States Dollar
Bank borrowings	5.14%	5.76%	6.14%	2.27%	5.34%	5.31%
Loans from fellow subsidiaries	4.68%	–	5.95%	3.32%	–	3.95%
Loans from minority shareholders	5.00%	5.78%	–	5.00%	5.76%	–

- (v) The carrying amounts of bank borrowings, loans from fellow subsidiaries and loans from minority shareholders approximate their fair values.
- (vi) The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Hong Kong dollar	2,482,788	2,051,487	492,320	–
Renminbi	2,011,708	1,677,884	–	–
United States dollar	1,229,988	1,154,050	–	–
	5,724,484	4,883,421	492,320	–

- (vii) Except for the loans from minority shareholders of HK\$145,965,000 (2005: HK\$131,295,000) which reprice in more than five years, the rest of the borrowings reprice or mature (whichever is earlier) in one year or less.

32. Long term payable

Long term payable is repayable as follows:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Within one year	77,757	72,440
Between one and two years	124,279	72,986
Between two and five years	-	123,364
	202,036	268,790

The long term payable is denominated in Renminbi and the carrying amount approximates its fair value.

33. Deferred tax liabilities

Deferred taxation is provided in full, using the liability method, on temporary differences using the rate of taxation prevailing in the PRC in which the Group operates.

The movement in deferred tax assets and liabilities during the year is as follows:

Group

Deferred tax assets/(liabilities)

	Accelerated tax depreciation	Revaluation of properties	Recognition of income from sale of properties	Fair value adjustment arising from acquisition	Tax losses	Provisions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30th June 2004, as restated	(97,878)	(92,824)	(38,742)	-	86,291	8,010	(135,143)
(Charged)/credited to income statement	(29,991)	-	(42,198)	-	20,431	6,798	(44,960)
Charged to investment properties revaluation reserve	-	(47,913)	-	-	-	-	(47,913)
Acquisition of subsidiaries	-	-	-	(83,696)	-	-	(83,696)
At 30th June 2005, as restated	(127,869)	(140,737)	(80,940)	(83,696)	106,722	14,808	(311,712)
Exchange differences	(3,689)	(4,062)	(2,335)	(2,414)	1,722	427	(10,351)
(Charged)/credited to income statement	(4,997)	(128,592)	41,560	-	4,285	-	(87,744)
Acquisition of subsidiaries	-	-	-	(97,345)	-	-	(97,345)
At 30th June 2006	(136,555)	(273,391)	(41,715)	(183,455)	112,729	15,235	(507,152)

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised tax losses of HK\$470,587,000 (2005: HK\$398,326,000) to carry forward against future taxable income.

These tax losses will expire at various dates up to and including 2011 (2005: 2010).

Notes to the Financial Statements

34. Creditors and accruals

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Trade creditors (note a)	665,901	726,320	-	-
Other creditors and accruals (note b)	676,426	397,927	33,993	31,025
	1,342,327	1,124,247	33,993	31,025

(a) The ageing analysis of trade creditors is as follows:

	Group	
	2006 HK\$'000	2005 HK\$'000
0 to 30 days	257,390	232,733
31 to 60 days	96,282	23,212
61 to 90 days	41,472	88,074
Over 90 days	270,757	382,301
	665,901	726,320

The carrying amounts of the trade creditors of the Group are mainly denominated in Renminbi as at 30th June 2006 and 2005.

(b) Other creditors and accruals included retention payables of construction costs, other payables and various accruals. The carrying amounts of other creditors and accruals of the Group and the Company are mainly denominated in Renminbi and Hong Kong dollar respectively.

35. Short term bank loans

	Group	
	2006 HK\$'000	2005 HK\$'000
Short term bank loans		
Secured	288,462	557,807
Unsecured	83,280	9,346
	371,742	567,153

The effective interest rate of the short term bank loans ranges from 4.7% to 5.02% (2005: 5.02% to 6.14%). Their carrying amounts approximate their fair values.

The short term bank loans are denominated in Renminbi as at 30th June 2006 and 2005.

36. Amounts due to minority shareholders

The amounts due to minority shareholders are unsecured, interest free and repayable on demand. The carrying amounts of the balances are mainly denominated in Renminbi as at 30th June 2006 and 2005 and approximate their fair values.

37. Taxes payable

	Group	
	2006	2005
	HK\$'000	HK\$'000
Income tax payable	34,178	6,161
Withholding tax payable	86,849	74,967
Other PRC taxes payable	17,380	22,325
	138,407	103,453

38. Contingent liabilities**(i) Corporate guarantees for banking facilities***Group*

The Group has contingent liabilities of approximately HK\$1,279,322,000 (2005: HK\$2,057,808,000) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities. As at 30th June 2006, the Group's attributable portion of the outstanding amount under these bank loan facilities granted to the associated companies and jointly controlled entities was approximately HK\$918,985,000 (2005: HK\$1,440,955,000).

Company

The Company has contingent liabilities relating to corporate guarantees given in respect of bank loan facilities extended to certain subsidiaries, associated companies and jointly controlled entities of approximately HK\$1,785,083,000 (2005: HK\$1,489,966,000), HK\$1,039,629,000 (2005: HK\$242,894,000) and HK\$239,693,000 (2005: HK\$1,814,914,000) respectively.

(ii) Guarantees in respect of mortgage facilities

As at 30th June 2006, 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 and the outstanding mortgage loans under these guarantees amounted to HK\$407,066,000 (2005: HK\$388,535,000). Pursuant to the terms of the 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.

Notes to the Financial Statements

39. Commitments

(i) Capital expenditure commitments

(a) The capital expenditure commitments of the Group are as follows:

	Group	
	2006 HK\$'000	2005 HK\$'000
Authorised but not contracted for Purchase consideration for a proposed development project	108,000	–
Contracted but not provided for Property, plant and equipment	7,870	153,895
Purchase consideration for proposed development projects	665,589	–
	673,459	153,895
	781,459	153,895

(b) The Group did not have any share of capital commitments of the jointly controlled entities (2005: Nil).

(ii) Lease commitments

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000

As at 30th June 2006, future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

The first year	37,429	35,815	3,906	3,457
The second to fifth years	134,278	133,790	–	3,457
After five years	352,872	375,742	–	–
	524,579	545,347	3,906	6,914

40. Notes to consolidated cash flow statement

(a) Reconciliation of operating profit before financing to net cash used in operations

	2006 HK\$'000	Restated 2005 HK\$'000
Operating profit before financing	706,689	205,175
Interest income	(155,345)	(90,115)
Depreciation and amortisation	118,282	102,552
Share-based payments	4,200	2,054
Loss on disposal of property, plant and equipment	2,457	11,694
Provision for investments in/amounts due by jointly controlled entities	4,673	13,371
Excess of fair value of net assets acquired over cost of acquisition of interests in subsidiaries and jointly controlled entities	(135,513)	(46,853)
Tax indemnity from the ultimate holding company	(34,773)	–
Provision for/(write back of provision for) properties under development and completed properties held for sale	2,664	(9,000)
Write back of provision for amount due by an associated company	–	(5,315)
Impairment loss on property, plant and equipment	–	6,154
Impairment of goodwill	26,955	–
Loss on disposal of a subsidiary	6,411	–
Write back of provision for amount due from an investee company	(60,545)	(66,632)
Increase in fair value of investment properties	(348,926)	–
Net foreign exchange losses	48,995	1,324
Operating profit before working capital changes	186,224	124,409
Increase in properties held for/under development and completed properties held for sale	(849,713)	(79,572)
Increase in debtors, deposits and other receivables	(1,955,399)	(185,257)
Decrease in balances with group companies	(202,958)	(87,995)
Increase in deposits received on sale of properties	474,933	142,332
Increase/(decrease) in creditors and accruals	167,627	(4,927)
Net cash used in operations	(2,179,286)	(91,010)

Notes to the Financial Statements

40. Notes to consolidated cash flow statement (continued)

(b) Acquisition of subsidiaries

	2006 HK\$'000	2005 HK\$'000
Net assets acquired		
Property, plant and equipment	104,578	270
Land use rights	105,450	–
Properties held for development	1,477,853	–
Properties under development	–	743,925
Completed properties held for sale	25,735	–
Debtors, deposits and other receivables	42,109	96
Cash and bank balances	46,779	3,895
Creditors and accruals	(50,456)	(93,231)
Balances with group companies	(289,395)	(2,660)
Deferred tax liabilities	(97,345)	(83,696)
Taxes payable	(5,975)	(110)
Long term bank borrowings	(259,615)	–
Minority interests	(107,700)	(33)
	992,018	568,456
Interest originally held by the Group as jointly controlled entities and available-for-sale financial assets	(503,972)	(127,396)
	488,046	441,060
Goodwill	60,237	–
Excess of fair value of net assets acquired over cost of acquisition of subsidiaries	(32,138)	(46,853)
	516,145	394,207
Consideration satisfied by:		
Cash	516,145	125,417
Other payable	–	268,790
	516,145	394,207

(c) Analysis of net outflow of cash and cash equivalents in respect of acquisition of subsidiaries

	2006 HK\$'000	2005 HK\$'000
Cash consideration	(516,145)	(125,417)
Cash and bank balances acquired	46,779	3,895
Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries	(469,366)	(121,522)

(d) Disposal of a subsidiary

	2006 HK\$'000	2005 HK\$'000
Net assets disposed		
Property, plant and equipment	67	-
Properties under development	12,257	-
Debtors, deposits and other receivables	324	-
Amount due to minority shareholder	(6,129)	-
Minority interests	(108)	-
	6,411	-
Loss on disposal of a subsidiary	(6,411)	-
	-	-
Consideration satisfied by cash	-	-

Notes to the Financial Statements

41. Business combinations

- (a) In January 2006, the Group acquired additional 8% equity interest in Jinan New World Sunshine Development Limited which is engaged in property development for a total consideration of HK\$21,119,000. Details of net liabilities acquired and goodwill are as follows:

	2006 HK\$'000
Purchase consideration	21,119
Fair value of net liabilities acquired	(10,298)
Goodwill	31,417

The assets and liabilities arising from the acquisition are as follows:

	Fair value HK\$'000	Acquirees' carrying amount HK\$'000
Property, plant and equipment	2,280	2,280
Properties held for development	880,738	771,116
Debtors, deposits and other receivables	28,438	28,438
Completed properties held for sale	25,735	25,735
Cash and bank balances	36,259	36,259
Creditors and accruals	(45,812)	(45,812)
Balances with group companies	(289,395)	(289,395)
Deferred tax liabilities	(36,175)	-
Taxes payable	(5,975)	(5,975)
Long term borrowings	(259,615)	(259,615)
	<u>336,478</u>	<u>263,031</u>
Minority interests	(52,853)	
Interest originally held by the Group as jointly controlled entities	(293,923)	
Net liabilities acquired	<u>(10,298)</u>	

The acquired subsidiary contributed revenue of approximately HK\$2,860,000 and incurred net loss of approximately HK\$666,000 for the period since the date of acquisition. If the acquisition had occurred on 1 July 2005, the Group's revenue would have been HK\$1,711,175,000, and profit for the year would have been HK\$755,316,000.

The goodwill can be attributable to the anticipated profitability of the acquired business.

- (b) In March 2006, the Group acquired additional 65% of the equity interest and the related shareholder's loan of Wing Shan International Country Club Co., Ltd. ("Wing Shan"), a 27.5% owned investee company of the Group, for a consideration of HK\$456,555,000. Wing Shan, through its subsidiaries, is principally engaged in property development and operation of a golf club in Foshan, the PRC. Details of net assets acquired and the excess of fair value of net assets acquired over cost of acquisition are as follows:

	2006 HK\$'000
Purchase consideration	456,555
Fair value of net assets acquired	488,693
Excess of fair value of net assets acquired over cost of acquisition of subsidiaries	32,138

The assets and liabilities arising from the acquisition are as follows:

	Fair value HK\$'000	Acquirees' carrying amount HK\$'000
Property, plant and equipment	102,298	102,298
Land use rights	105,450	101,001
Properties held for development	597,115	416,201
Debtors, deposits and other receivables	1,966	1,966
Cash and bank balances	446	446
Creditors and accruals	(4,535)	(4,535)
Deferred tax liabilities	(61,170)	-
	741,570	617,377
Minority interest	(42,828)	
Interest originally held by the Group as available-for-sale financial assets	(210,049)	
Net assets acquired	488,693	

The acquired subsidiaries contributed revenue of approximately HK\$3,741,000 and incurred net loss of approximately HK\$2,199,000 for the period since the date of acquisition. If the acquisition had occurred on 1 July 2005, the Group's revenue would have been HK\$1,702,544,000, and profit for the year would have been HK\$749,821,000.

Excess of fair value of net assets acquired over the cost of acquisition of subsidiaries was resulted since the business combination had been accomplished through a debt restructure exercise for Wing Shan's subsidiaries. The Group was able to actively involve in the exercise and through which enabled the Group to sustain a better position in respect of ascertaining more favourable terms for the cost of acquisitions, majority of which was determined by debt restructuring cost.

Notes to the Financial Statements

41. Business combinations (continued)

- (c) In May 2006, the Group acquired 75% equity interest in Beijing Dongfang Huamei Real Estate Development Co., Ltd. which is engaged in land development, for a consideration of HK\$38,471,000. Details of net assets acquired and goodwill are as follows:

	2006 HK\$'000
Purchase consideration	38,471
Fair value of net assets acquired	9,651
Goodwill	28,820

The assets and liabilities arising from the acquisition are as follows:

	Fair value HK\$'000	Acquirees' carrying amount HK\$'000
Debtors, deposits and other receivables	11,705	11,705
Cash and bank balances	10,074	10,074
Creditors and accruals	(109)	(109)
	21,670	21,670
Minority interests	(12,019)	
Net assets acquired	9,651	

The acquired subsidiary contributed net loss of approximately HK\$944,000 for the period since the date of acquisition. If the acquisition had occurred on 1 July 2005, the Group's profit would have been HK\$755,474,000.

The goodwill can be attributable to the anticipated profitability of the acquired business.

42. Related party transactions

(i) Transactions with related parties

The following is a summary of significant related party transactions during the year carried out by the Group in the normal course of its business:

	Note	2006 HK\$'000	2005 HK\$'000
Interest on loans from fellow subsidiaries	(a)	118,298	43,261
Rental for leased premises to a fellow subsidiary	(b)	3,906	3,366
Rental for leased premises to an associated company	(b)	29,808	28,972
Property agency fee to a fellow subsidiary	(c)	1,981	5,437
Underwriting commission to the ultimate holding company	(d)	–	20,516
Interest income from jointly controlled entities	(e)	(36,738)	(41,827)
Estate management fee income from a fellow subsidiary and jointly controlled entities	(f)	(9,958)	(8,354)
Rental income from fellow subsidiaries	(g)	(56,661)	(52,896)
Rental income from an associated company	(g)	(5,769)	(5,607)

Notes:

- (a) Interest is charged at rates as specified in note 31(ii) on the outstanding balances due to certain fellow subsidiaries.
- (b) The rental is charged at fixed monthly or annual fees in accordance with the terms of the tenancy agreements.
- (c) The property agency fee is charged by the fellow subsidiary in accordance with the terms of the property agency agreement.
- (d) The underwriting commission was charged at 1% of the total issue price of shares issued from rights issue underwritten by the ultimate holding company.
- (e) This represents interest income in respect of loan financing provided to jointly controlled entities. These loans are unsecured and carry interest at rates as specified in note 22.
- (f) The estate management fees are charged at fixed amounts to a fellow subsidiary and certain jointly controlled entities as specified in the management contracts.
- (g) The rental income is charged at fixed monthly fees in accordance with the terms of the tenancy agreements.
- (h) Total fees for the provision of project management, construction and engineering consultancy services in respect of certain of the Group's property projects and payable to certain fellow subsidiaries amount to HK\$173,946,000 (2005: HK\$296,810,000). Such fees are charged at fixed amounts in accordance with the terms of the respective contracts.
- (i) A deed of tax indemnity was entered into between the ultimate holding company and the Group whereby the ultimate holding company undertakes to indemnify the Group in respect of IT and LAT payable in consequence of the disposal of certain properties. During the year, tax indemnity amounting to HK\$34,773,000 (2005: Nil) was effected (note 12).

(ii) Key management compensation

	2006 HK\$'000	2005 HK\$'000
Salaries and other short-term employee benefits	17,519	14,811
Pension costs	1,062	989
Share option benefits	63,672	8,198
	82,253	23,998

Key management includes directors, financial controller, regional executives and assistant general managers of the Group.

(iii) Balances with related parties

Balances with associated companies, jointly controlled entities and group companies are disclosed in notes 21, 22 and 26 respectively.

Notes to the Financial Statements

43. Post balance sheet event

On 11th September 2006, the Company entered into a participation agreement with a fellow subsidiary and the ultimate holding company whereby the Company agreed the participation of the fellow subsidiary in 50% of the total interest in the property projects undertaken by several subsidiaries of the Group. The fellow subsidiary agreed to share 50% of the costs payable by the Group in connection with the property projects totalling approximately HK\$5,910 million. The participation agreement is conditional upon the approval by the independent shareholders of the Company.

44. Particulars of principal subsidiaries, associated companies and jointly controlled entities

Details of the principal subsidiaries, associated companies and jointly controlled entities which materially affect the results for the year and/or assets of the Group as at 30th June 2006 are set out below:

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note)				Principal activities
		By the Company		By the Group		
		2006	2005	2006	2005	
Subsidiaries						
<i>Incorporated and operating in Hong Kong</i>						
Billion Huge (International) Limited	HK\$950,001 950,001 ordinary shares of HK\$1 each	–	–	100%	100%	Investment holding
Billion Park Investment Limited	HK\$1,000,000 1,000,000 ordinary shares of HK\$1 each	–	–	78.6%	78.6%	Investment holding
China Joy International Limited	HK\$2 2 ordinary shares of HK\$1 each	–	–	100%	100%	Investment holding
Dragon Joy (China) Limited	HK\$1 1 ordinary share of HK\$1	–	–	100%	–	Investment holding
Lingal Limited	HK\$2,000 1,800 ordinary shares of HK\$1 each 200 non-voting deferred shares of HK\$1 each	–	–	100%	100%	Investment holding
Max Charm Investment Limited	HK\$2 2 ordinary shares of HK\$1 each	–	–	100%	100%	Investment holding
New World Development (China) Limited	HK\$4 2 ordinary shares of HK\$1 each 2 non-voting deferred shares of HK\$1 each	100%	100%	100%	100%	Investment holding
Sunny Trend Development Limited	HK\$2 2 ordinary shares of HK\$1 each	–	–	100%	100%	Investment holding

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note)				Principal activities
		By the Company		By the Group		
		2006	2005	2006	2005	
Trend Island Limited	HK\$2 2 ordinary shares of HK\$1 each	–	–	100%	100%	Investment holding
Wing Shan International Country Club Co. Limited	HK\$1,000,000 1,000,000 ordinary shares of HK\$1 each	–	–	92.50%	–	Investment holding
<i>Incorporated in the British Virgin Islands</i>						
Banyan Developments Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
Conful Enterprises Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
Ever Brisk Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
Fu Hong Investments Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
Hinto Developments Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
Keep Bright Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
Lucky Win Development Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
Magic Chance Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
Radiant Glow Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
Sparkling Rainbow Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
Stand Fame Enterprises Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
Sweet Prospects Enterprises Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
Triumph Hero International Limited	US\$1 1 share of US\$1	–	–	100%	–	Investment holding
True Blue Developments Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
Twin Glory Investments Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding

Notes to the Financial Statements

44. Particulars of principal subsidiaries, associated companies and jointly controlled entities (continued)

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note)				Principal activities
		By the Company		By the Group		
		2006	2005	2006	2005	
Subsidiaries (continued)						
<i>Incorporated and operating in the PRC</i>						
Beijing Dongfang Huamei Real Estate Development Co., Ltd.	RMB50,000,000	–	–	75%	–	Land development
Beijing Lingal Real Estates Development Co., Ltd.	US\$13,000,000	–	–	100%	100%	Property development
Chengdu Xinyi Real Estate Development Co., Ltd.	RMB30,000,000	–	–	60%	–	Property development
Dalian New World Hotel Co., Ltd.	RMB217,000,000	–	–	100%	100%	Hotel investment
Dalian New World Plaza International Co., Ltd.	RMB58,000,000	–	–	88%	88%	Property investment and development
Dalian New World Tower Co., Ltd.	RMB55,200,000	–	–	100%	100%	Property investment and development
Fung Seng Estate Development (Shanghai) Co., Ltd.	US\$10,000,000	–	–	70%	70%	Property development
Guangzhou Xin Hua Chen Real Estate Co., Ltd.	RMB200,000,000	–	–	100%	100%	Property development
Guangzhou Xin Hua Jian Real Estate Co., Ltd.	RMB244,000,000	–	–	100%	100%	Property development
Guangzhou Xin Sui Tourism Centre Ltd.	HK\$100,000,000	–	–	100%	100%	Property development
Guangzhou Xin Yi Development Limited	HK\$286,000,000	–	–	90.5%	90.5%	Property investment and development
Guiyang New World Real Estate Co., Ltd.	US\$33,000,000	–	–	100%	–	Property development
Foshan Country Club Co., Ltd.	US\$52,923,600	–	–	78.62%	–	Golf club operation and property development
Huamei Wealth (Beijing) Technology Co., Ltd.	RMB40,000,000	–	–	100%	–	Investment holding
Jinan New World Real Estates Limited	US\$9,700,000	–	–	100%	–	Investment holding
Jinan New World Sunshine Development Ltd.	US\$29,980,000	–	–	73%	–	Property development
Nanjing Huawei Real Estate Development Co., Ltd.	US\$12,000,000	–	–	92%	92%	Property development

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note)				Principal activities
		By the Company		By the Group		
		2006	2005	2006	2005	
New World Anderson (Tianjin) Development Co., Ltd.	US\$10,000,000	–	–	100%	100%	Property investment and development
New World China Land Investments Company Limited	US\$30,000,000	–	–	100%	100%	Investment holding
New World China Land (Haikou) Limited	US\$100,000,000	–	–	100%	–	Property development
New World Development (Wuhan) Co., Ltd.	US\$16,000,000	–	–	100%	100%	Property investment and development
New World (Shenyang) Property Development Limited	RMB97,720,000	–	–	90%	90%	Property development
New World (Shenyang) Property Development No. 2 Limited	RMB97,720,000	–	–	90%	90%	Property development
New World (Shenyang) Property Development No. 3 Limited	RMB164,600,000	–	–	90%	90%	Property development
New World (Shenyang) Property Development No. 4 Limited	RMB97,720,000	–	–	90%	90%	Property development
New World (Shenyang) Property Development No. 5 Limited	RMB99,320,000	–	–	90%	90%	Property development
New World (Shenyang) Property Development No. 6 Limited	RMB97,720,000	–	–	90%	90%	Property development
Shanghai Heyu Properties Co., Ltd.	US\$12,000,000	–	–	–	64%	Property development
Shanghai Juyi Real Estate Development Co., Ltd.	RMB418,862,780	–	–	70%	70%	Property development
Shanghai Ramada Plaza Ltd.	US\$42,000,000	–	–	75%	65%	Property investment and hotel operation
Shenyang New World Hotel Co., Ltd.	RMB229,400,000	–	–	100%	100%	Hotel operation
Shenzhen Topping Real Estate Development Co., Ltd.	HK\$182,000,000	–	–	90%	90%	Property development
Shenyang Trendy Property Company Limited	US\$27,880,000	–	–	100%	–	Property investment
Wuhan New Eagle Properties Co., Limited	US\$2,830,000	–	–	95%	95%	Property investment
Wuhan Xinhan Development Co., Ltd.	US\$16,000,000	–	–	70%	70%	Property development
Zhuhai New World Housing Development Limited	US\$8,000,000	–	–	100%	100%	Property development

Notes to the Financial Statements

44. Particulars of principal subsidiaries, associated companies and jointly controlled entities (continued)

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note)				Principal activities
		By the Company		By the Group		
		2006	2005	2006	2005	
Associated companies						
<i>Incorporated and operating in Hong Kong</i>						
Global Perfect Development Limited	HK\$1,000,000 1,000,000 ordinary shares of HK\$1 each	–	–	50%	50%	Investment holding
Sun City Holdings Limited	HK\$8,000,000 8,000,000 ordinary shares of HK\$1 each	–	–	30.6%	30.6%	Investment holding
<i>Incorporated in the British Virgin Islands</i>						
Faith Yard Property Limited	US\$2 2 shares of US\$1 each	–	–	50%	50%	Property investment
Fortune Star Worldwide Limited	US\$100 100 shares of US\$1 each	–	–	40%	40%	Investment holding
Grand Make International Limited	US\$100 100 shares of US\$1 each	–	–	45%	45%	Investment holding
<i>Incorporated and operating in the PRC</i>						
Shanghai New World Huai Hai Property Development Co., Ltd.	US\$108,500,000	–	–	44.1%	44.1%	Property investment
Zhaoqing New World Property Development Limited	US\$13,750,000	–	–	40%	40%	Property development

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note)				Principal activities
		By the Company		By the Group		
		2006	2005	2006	2005	
Jointly controlled entities						
<i>Incorporated in the British Virgin Islands</i>						
Concord Properties Holding (Guangzhou) Limited	US\$10 10 shares of US\$1 each	–	–	40%	40%	Investment holding
<i>Incorporated and operating in the PRC</i>						
Beijing Chong Wen – New World Properties Development Co., Ltd	US\$192,100,000	–	–	70%	70%	Property investment and development
Beijing Chong Yu Real Estate Development Co., Ltd	US\$171,840,000	–	–	70%	70%	Property investment and development
Beijing Xin Kang Real Estate Development Co., Ltd	US\$12,000,000	–	–	70%	70%	Property investment and development
Beijing Xin Lian Hotel Co., Ltd.	US\$12,000,000	–	–	55%	55%	Hotel operation
China New World Electronics Ltd.	US\$57,200,000	–	–	70%	70%	Property investment and development
Fortune Leader Overseas Chinese (Daiyawan) Investment Co. Ltd.	US\$16,950,000	–	–	39%	34.1%	Golf club and resort operation
Fortune Leader Overseas Chinese (Daiyawan) Real Estate Development Co. Ltd.	US\$13,880,000	–	–	59%	34.1%	Property development
Guangzhou Bosson Real Estate Co., Ltd.	RMB20,003,000	–	–	60%	60%	Property development
Guangzhou Fong Chuen New World Property Development Co., Ltd	RMB330,000,000	–	–	60%	60%	Property development
Guangzhou Fucheng Property Development Co., Ltd	HK\$80,000,000	–	–	60%	60%	Property development
Guangzhou Hemsell Real Estate Development Co., Ltd.	RMB79,597,000	–	–	60%	60%	Property development
Guangzhou Jixian Zhuang New World City Garden Development Limited	US\$24,000,000	–	–	60%	60%	Property development

Notes to the Financial Statements

44. Particulars of principal subsidiaries, associated companies and jointly controlled entities (continued)

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note)				Principal activities
		By the Company		By the Group		
		2006	2005	2006	2005	
Jointly controlled entities (continued)						
<i>Incorporated and operating in the PRC (continued)</i>						
Haikou New World Housing Development Limited	US\$8,000,000	–	–	60%	60%	Property development
Huizhou New World Housing Development Limited	RMB80,000,000	–	–	62.5%	62.5%	Property development
Jinan New World Sunshine Development Ltd.	US\$29,980,000	–	–	–	65%	Property development
Tianjin New World Housing Development Co., Ltd	RMB80,000,000	–	–	60%	60%	Property development
Tianjin New World Properties Development Co., Ltd.	US\$12,000,000	–	–	70%	70%	Property development
Wuhan New World Housing Development Limited	RMB96,000,000	–	–	60%	60%	Property development
Wuhan Wuxin Hotel Co. Ltd.	US\$13,500,000	–	–	60%	60%	Hotel investment

Note:

Represent equity interest in case of companies incorporated outside the PRC or the percentage of equity interest in case of equity joint ventures or profit sharing ratio in accordance with the joint venture contracts in case of co-operative joint ventures in the PRC.

45. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation of the current year.

Financial Summary

Results

	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	1,691,320	1,618,023	2,521,784	545,584	939,376
Operating profit/(loss) after finance costs	519,414	107,539	77,934	(1,334,921)	135,238
Share of results of					
Associated companies	121,921	42,945	24,799	(99,443)	(3,557)
Jointly controlled entities	305,349	61,074	108,867	(410,194)	1,327
Profit/(loss) before taxation	946,684	211,558	211,600	(1,844,558)	133,008
Taxation charge	(190,266)	(44,976)	(44,788)	2,727	(30,388)
Profit/(loss) for the year	756,418	166,582	166,812	(1,841,831)	102,620
Attributable to:					
Equity holders of the company	740,512	166,025	127,346	(1,705,562)	127,199
Minority interests	15,906	557	39,466	(136,269)	(24,579)
	756,418	166,582	166,812	(1,841,831)	102,620

Assets and liabilities

	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Property, plant and equipment, investment properties and land use rights	5,634,142	4,700,346	3,616,762	4,442,443	3,703,088
Properties held for development	4,243,616	3,918,668	3,947,225	3,743,306	3,268,128
Associated companies	1,598,564	1,527,193	1,298,372	1,198,248	1,407,537
Jointly controlled entities	10,377,155	9,936,477	9,970,007	8,350,748	9,596,179
Goodwill	73,720	-	-	-	-
Other investments	-	115,876	49,132	1,758,573	1,973,041
Deferred tax assets	-	-	-	2,932	2,728
Other non-current assets	121,041	166,896	34,831	50,293	50,311
Net current assets	7,608,032	7,323,498	1,638,147	934,022	2,191,954
Total assets less current liabilities	29,656,270	27,688,954	20,554,476	20,480,565	22,192,966
Long term borrowings and payable	(4,937,422)	(4,269,377)	(4,046,484)	(4,383,506)	(4,334,097)
Deferred tax liabilities	(507,152)	(311,712)	(139,911)	(110,097)	(74,992)
	24,211,696	23,107,865	16,368,081	15,986,962	17,783,877

Notes: Certain comparatives have been restated for the year ended 2005 as a result of the adoption of Hong Kong Financial Reporting Standards. The comparatives for 2004, 2003 and 2002 have not been restated since the directors consider that this would involve undue delay and expense.

Major project profiles

Ref	Project Name	Form of Investment	NWCL's Accounting Classification	NWCL's Attributable Interests	Site Area (sq. m.)
MAJOR DEVELOPMENT FOR SALE PROJECTS					
1	Chateau Regalia Beijing	CJV	Subsidiary	100%	173,352
2	Beijing New World Garden Phase I	CJV	JCE	70%	16,300
	Beijing New World Garden Phase I	CJV	JCE	70%	17,424
	Beijing Xin Yang Commercial Building				4,565
	Beijing Xin Cheng Commercial Building				6,477
3	Beijing Xin Yi Garden Phase I	CJV	JCE	70%	36,100
	Beijing Xin Yi Garden Phase II				46,219
4	Beijing New View Garden Phase I	CJV	JCE	70%	13,920
	Beijing New View Garden Phase IIA				110,356
	Beijing Liang Guang Road Blocks 5, 6 & 7				41,063
	Beijing New View Garden Remaining Phases				5,300
	Beijing New View Commercial Centre				9,935
5	Beijing Xin Yu Commercial Centre	CJV	JCE	70%	20,672
	Beijing Liang Guang Road Block 2				12,239
	Beijing Xin Yu Garden				380,528
6	Beijing Xin Kang Garden Phase III	CJV	JCE	70%	101,894
7	Tianjin Xin An Garden Phase I	WFE	Subsidiary	100%	17,148
8	Tianjin New World Garden Phase I & II	JCE	JCE	60%	46,469
9	Tianjin Xin Chun Hua Yuan Phase II	JCE	JCE	60%	72,800
	Tianjin Xin Chun Hua Yuan Phase III				
	Tianjin Xin Chun Hua Yuan Phase IV				
10	Jinan Sunshine Garden Phase I	EJV	JCE	73%	37,600
	Jinan Sunshine Garden Phase II				6,000
	Jinan Sunshine Garden Phase III				78,300
11	Jinan Springs Plaza	EJV	JCE	51%	90,349
12	Shenyang New World Garden Phase IC	CJV	Subsidiary	90%	38,000
	Shenyang New World Garden Phase ID				53,885
	Shenyang New World Garden Phase IE				24,689
	Shenyang New World Garden Phase II				266,685
	Shenyang New World Garden Remaining Phases				995,606
13	Dalian Manhattan Tower I	EJV	Subsidiary	88%	9,800
	Dalian Manhattan Tower II				
14	Dalian New World Tower	EJV	Subsidiary	100%	16,600
15	Shanghai Zhongshan Square Phase III	CJV	JCE	48%	16,171
16	Shanghai Hong Kong New World Garden Phase I	EJV	Subsidiary	70%	104,483
	Shanghai Hong Kong New World Garden Phase II				
17	Wuhan Menghu Garden Phase I	CJV	Subsidiary	70%	57,200
	Wuhan Menghu Garden Phase II				64,137
	Wuhan Menghu Garden Phase III				61,668
	Wuhan Menghu Garden Phase IVA				140,694
	Wuhan Menghu Garden Remaining Phases				124,583
18	Wuhan New World Centre Phase I	WFE	Subsidiary	100%	37,235
19	Wuhan Changqing Garden Phase V	CJV	JCE	60%	2,914,920
	Wuhan Changqing Garden Phase VIA				
	Wuhan Changqing Garden Phase VIB				
	Wuhan Changqing Garden Remaining Phases				
20	Wuhan Xin Hua Garden Phase I	CJV	JCE	60%	96,427
	Wuhan Xin Hua Garden Phase II				
	Wuhan Xin Hua Garden Phase III				
	Wuhan Xin Hua Garden Phase IV				
21	Nanjing New World Centre Phase I	EJV	Subsidiary	92%	11,219
	Nanjing New World Centre Phase II				
22	Hefei New World Garden	CJV	JCE	60%	82,660

Total GFA (sq. m.)	Residential (sq. m.)	Commercial (sq. m.)	Office (sq. m.)	Hotel (sq. m.)	Others (sq. m.)	Development Status	Expected Completion Date
89,382	83,855				5,527	COMPLETED	N/A
2,757	496				2,261	COMPLETED	N/A
27,701	1,095				26,606	COMPLETED	N/A
3,892			453		3,439	COMPLETED	N/A
34,983		2,835	23,835		8,313	COMPLETED	N/A
52,392	9,722	171	9,012		33,487	COMPLETED	N/A
235,194	103,699	16,751	57,241		57,503	UNDER DEVELOPMENT	July-08
3,883	565	874			2,444	COMPLETED	N/A
79,735	2,694	14,713	6,139		56,189	COMPLETED	N/A
45,669	29,204	1,690			14,775	UNDER DEVELOPMENT	Aug-08
137,912	71,800	17,141	17,487		31,484	UNDER PLANNING	TBD
72,208		9,579	42,037		20,592	UNDER PLANNING	TBD
125,655		32,000	58,941		34,714	UNDER PLANNING	TBD
51,178	18,831	6,270	10,832		15,245	UNDER DEVELOPMENT	July-07
1,515,163	710,953	325,000			479,210	UNDER PLANNING	Sep-09
20,506	8,188	2,610			9,708	UNDER DEVELOPMENT	Dec-06
5,472	258	319			4,895	COMPLETED	N/A
21,643		3,674			17,969	COMPLETED	N/A
1,600		1,600				COMPLETED	N/A
44,490	39,177	675			4,638	UNDER DEVELOPMENT	Jun-07
45,546	25,334	15,962			4,250	UNDER PLANNING	TBD
15,692	4,993	1,238			9,461	COMPLETED	N/A
155,197	108,689	11,198			35,310	UNDER DEVELOPMENT	July-08
325,322	157,122	4,300			163,900	UNDER PLANNING	TBD
44,226		44,226				UNDER DEVELOPMENT	Jun-08
5,819	5,819					COMPLETED	N/A
178,133	140,975				37,158	UNDER DEVELOPMENT	Dec-07
227,646	120,831	59,470	13,000		34,345	UNDER PLANNING	TBD
336,000	306,000				30,000	UNDER PLANNING	TBD
2,178,061	1,331,247	308,352	110,914		427,548	UNDER PLANNING	TBD
3,031	3,031					COMPLETED	N/A
25,282	6,793		13,739		4,750	COMPLETED	N/A
103,206	103,206					UNDER DEVELOPMENT	Sep-09
133,101			82,878	25,341	24,882	UNDER PLANNING	TBD
576	576					COMPLETED	N/A
642,238	318,132	31,438	64,826	18,842	209,000	UNDER DEVELOPMENT	TBD
1,297	1,297					COMPLETED	Jun-05
4,060	4,060					COMPLETED	Mar-06
26,663	26,663					UNDER DEVELOPMENT	Sep-06
70,000	70,000					UNDER DEVELOPMENT	Jun-08
62,602	54,823				7,779	UNDER PLANNING	TBD
85,755	85,755					UNDER DEVELOPMENT	Sep-06
16,195	3,070	332			12,793	COMPLETED	N/A
192,150	149,417	8,093			34,640	UNDER DEVELOPMENT	Oct-08
57,194	56,413	566			215	UNDER DEVELOPMENT	Dec-08
1,818,000	1,395,168	152,690	118,828		151,314	UNDER PLANNING	TBD
5,251	155				5,096	COMPLETED	N/A
1,180	280				900	COMPLETED	N/A
5,076	676				4,400	COMPLETED	Jun-06
123,383	105,336	4,428			13,619	UNDER DEVELOPMENT	Dec-07
45,833	3,758		34,000		8,075	COMPLETED	N/A
41,206		41,206				UNDER DEVELOPMENT	Jan-07
12,432	219				12,213	COMPLETED	N/A

Major project profiles

Ref	Project Name	Form of Investment	NWCL's Accounting Classification	NWCL's Attributable Interests	Site Area (sq. m.)
23	Guangzhou Dong Yi Garden Phase I	CJV	Subsidiary	100%	74,720
	Guangzhou Dong Yi Garden Phase IV				
	Guangzhou Dong Yi Garden Remaining Phases				
24	Guangzhou New World Oriental Garden Phase I	CJV	Subsidiary	100%	99,885
	Guangzhou New World Oriental Garden Phase II & IV				
	Guangzhou New World Oriental Garden Phase III				
25	Guangzhou Central Park-view Phase IA	CJV	Subsidiary	91%	107,876
	Guangzhou Central Park-view Phase II				
26	Guangzhou Covent Garden Phase I	CJV	JCE	60%	370,383
	Guangzhou Covent Garden Phase II				
	Guangzhou Covent Garden Phase III				
	Guangzhou Covent Garden Phase IV				
	Guangzhou Covent Garden Phase V				
27	Guangzhou Concord New World Garden Phase I	CJV	JCE	40%	44,516
	Guangzhou Concord New World Garden Phase II				
28	Guangzhou Park Paradise Phase IIA-IIB	CJV	JCE	60%	1,153,493
	Guangzhou Park Paradise Phase IIC				
	Guangzhou Park Paradise Phase IID1				
	Guangzhou Park Paradise Phase IID2				
	Guangzhou Park Paradise Remaining Phases				
	Guangzhou Park Paradise Remaining Phases	WFE	Subsidiary	100%	36,000
29	Guangzhou Xintang New World Garden Phase I	CJV	JCE	60%	348,774
	Guangzhou Xintang New World Garden Phase II				
	Guangzhou Xintang New World Garden Phase III				
	Guangzhou Xintang New World Garden Phase IVA				
	Guangzhou Xintang New World Garden Phase IVB				
	Guangzhou Xintang New World Garden Remaining Phases				
30	Shenzhen Xilihu Development	CJV	JCE	70%	58,132
31	Shenzhen New World Yi Shan Garden Phase I	CJV	Subsidiary	90%	25,600
	Shenzhen New World Yi Shan Garden Phase IIA				31,500
	Shenzhen New World Yi Shan Garden Phase IIB				
	Shenzhen New World Yi Shan Garden Phase IIC				
	Shenzhen New World Yi Shan Garden Phase III				32,200
32	Shunde New World Centre Phase II (Formerly known as Shunde New World Convention & Exhibition Centre)	CJV	Assoc. Co.	35%	14,171
	Shunde New World Centre Phase III-V				
33	Huiyang Palm Island Resort Phase I - IV	EJV	JCE	34%	264,485
	Huiyang Palm Island Resort Phase V				
	Huiyang Palm Island Resort Remaining Phases				
34	Zhaoqing New World Garden Phase I	CJV	Assoc. Co.	40%	139,134
	Zhaoqing New World Garden Phase II				
	Zhaoqing New World Garden Phase III				
	Zhaoqing New World Garden Phase IV				
35	Zhuhai New World Riviera Garden Phase I	CJV	Subsidiary	100%	21,604
	Zhuhai New World Riviera Garden Phase II				19,400
	Zhuhai New World Riviera Garden Phase III				50,019
	Zhuhai New World Riviera Garden Phase IV				45,227
36	Foshan Country Club	CJV	Subsidiary	79%	3,010,000
37	Huizhou Changhuyuan Phase IIA	CJV	JCE	63%	50,436
	Huizhou Changhuyuan Phase IIB				30,955
38	Haikou New World Garden Phase I	CJV	JCE	60%	246,800
	Haikou New World Garden Phase II				
	Haikou New World Garden Phase III				
	Subtotal				12,736,982

Total GFA (sq. m.)	Residential (sq. m.)	Commercial (sq. m.)	Office (sq. m.)	Hotel (sq. m.)	Others (sq. m.)	Development Status	Expected Completion Date
3,033					3,033	COMPLETED	N/A
92,036	76,871	1,349			13,816	UNDER DEVELOPMENT	Oct-06
39,694	26,490				13,204	UNDER PLANNING	TBD
9,513					9,513	COMPLETED	N/A
145,908	124,570				21,338	UNDER DEVELOPMENT	Dec-08
94,837	82,963				11,874	UNDER PLANNING	Mar-10
34,315	11,035	8,593			14,687	COMPLETED	N/A
151,156	113,317				37,839	UNDER PLANNING	Dec-09
2,779	124				2,655	COMPLETED	N/A
41,205	13,318				27,887	COMPLETED	N/A
43,190	39,278				3,912	UNDER DEVELOPMENT	Dec-08
46,060	34,628	3,768			7,664	UNDER PLANNING	TBD
1,007,924	850,601	52,064			105,259	UNDER PLANNING	TBD
9,498	2,748				6,750	COMPLETED	N/A
53,075	38,279	2,040			12,756	UNDER DEVELOPMENT	Dec-06
11,234	1,673				9,561	COMPLETED	N/A
6,393	606				5,787	COMPLETED	Jun-06
3,819	978				2,841	COMPLETED	N/A
154,271	106,022	10,236			38,013	UNDER DEVELOPMENT	Jun-08
325,391	152,748	21,830			150,813	UNDER PLANNING	TBD
1,040,040	741,855	117,604			180,581	UNDER PLANNING	TBD
9,336	3,855				5,481	COMPLETED	N/A
3,169	3,169					COMPLETED	N/A
23,869	23,869					COMPLETED	Jan-06
34,925	20,003	14,922				UNDER DEVELOPMENT	Jan-07
12,709	12,709					UNDER DEVELOPMENT	Dec-07
330,164	284,890	5,178			40,096	UNDER PLANNING	TBD
29,180	23,800	3,700			1,680	UNDER PLANNING	TBD
1,837	1,837					COMPLETED	N/A
13,686	2,728				10,958	COMPLETED	N/A
3,510	3,510					COMPLETED	Jan-06
5,124	5,124					UNDER DEVELOPMENT	Feb-08
128,880	94,831				34,049	UNDER PLANNING	TBD
13,831	13,831					COMPLETED	N/A
66,670	66,670					UNDER PLANNING	TBD
7,822	7,822					COMPLETED	N/A
27,912	27,912					UNDER DEVELOPMENT	Dec-06
205,633	169,894			7,939	27,800	UNDER PLANNING	TBD
13,862	2,488				11,374	COMPLETED	N/A
62,935	58,445				4,490	UNDER DEVELOPMENT	Dec-08
150,435	150,435					UNDER PLANNING	TBD
67,841	65,141	2,700				UNDER PLANNING	TBD
4,679	1,902		1,093		1,684	COMPLETED	N/A
1,601	771	437			393	COMPLETED	N/A
88,600	81,248	1,864	1,033		4,455	UNDER DEVELOPMENT	Sept-07
81,092	71,730	9,362				UNDER PLANNING	TBD
1,180,000	1,180,000					UNDER PLANNING	TBD
32,895	18,578	2,270			12,047	COMPLETED	N/A
74,930	60,894	3,566			10,470	UNDER DEVELOPMENT	Jun-08
4,545	892				3,653	COMPLETED	N/A
78,286	77,716				570	UNDER DEVELOPMENT	Feb-07
126,766	125,016				1,750	UNDER DEVELOPMENT	Dec-08
15,760,863	10,750,189	1,380,884	666,288	52,122	2,911,380		

Major project profiles

Ref	Project Name	Form of Investment	NWCL's Accounting Classification	NWCL's Attributable Interests	Site Area (sq. m.)
INVESTMENT PROPERTY UNDER DEVELOPMENT					
18a	Wuhan New World Centre Phase IIA	WFE	Subsidiary	100%	37,235
14a	Dalian New World Tower	EJV	Subsidiary	100%	16,600
	Subtotal				53,835

HOTEL PROPERTY UNDER DEVELOPMENT					
18b	Wuhan New World Centre Phase IIB	CJV	JCE	60%	37,235
14b	Dalian New World Tower	EJV	Subsidiary	100%	16,600
	Subtotal				53,835

Ref	Project Name	Form of Investment	NWCL's Accounting Classification	NWCL's Attributable Interests	Site Area (sq. m.)
COMPLETED INVESTMENT PROPERTY PROJECTS					
39	Beijing New World Centre Phase I	CJV	JCE	70%	19,533
40	Beijing New World Centre Phase II	CJV	JCE	70%	16,224
41	Beijing Zhengren Building	CJV	JCE	70%	7,400
2a	Beijing New World Garden Phase I & II Carpark	CJV	JCE	70%	28,265
4a	Beijing New View Garden Phase I	CJV	JCE	70%	13,920
6a	Beijing Xin Kang Garden Phase II-III	CJV	JCE	70%	101,894
42	Tianjin New World Plaza	WFE	Subsidiary	100%	19,386
9a	Tianjin Xin Chun Hua Yuan Phase I	CJV	JCE	60%	72,800
13a	Dalian New World Plaza Phase II	EJV	Subsidiary	88%	9,800
43	Shanghai Hong Kong New World Tower	CJV	Assoc. Co.	44%	9,953
44	Shanghai Ramada Plaza	CJV	Subsidiary	75%	9,084
44a	Shanghai Belvedere Service Apartment	CJV	Assoc. Co.	50%	
45	New World Hotel Shenyang Shopping Mall	EJV	Subsidiary	100%	7,847
21a	Nanjing New World Centre Carpark	EJV	Subsidiary	92%	11,219
19a	Wuhan Changqing Garden Phase I-IV	CJV	JCE	60%	2,914,920
20a	Wuhan Xin Hua Garden Phase I	CJV	JCE	60%	96,427
46	Wuhan New World Trade Tower II (Formerly known as Wuhan New World International Trade Tower II)	EJV	Subsidiary	95%	3,806
46a	Wuhan New World Trade Tower I (Formerly known as Wuhan New World International Trade Tower I)	EJV	Subsidiary	100%	27,597
24a	Guangzhou New World Oriental Garden Phase I	CJV	Subsidiary	100%	99,885
23a	Guangzhou Dong Yi Garden Phase I-III	CJV	Subsidiary	100%	74,720
25a	Guangzhou Central Park-view	CJV	Subsidiary	91%	107,876
26a	Guangzhou Covent Garden Carpark	CJV	JCE	60%	370,383
28a	Guangzhou Park Paradise Phase II	CJV	JCE	60%	1,153,493
	Guangzhou Park Paradise Phase II	WFE	Subsidiary	100%	36,000
29a	Guangzhou Xintang New World Garden Phase III	CJV	JCE	60%	74,071
31a	Shenzhen New World Yi Shan Garden Phase IIB	CJV	Subsidiary	90%	31,500
32a	Shunde New World Centre (Formerly known as Shunde New World Convention & Exhibition Centre)	CJV	Assoc. Co.	35%	14,171
	Subtotal				5,332,174

Total GFA (sq. m.)	Residential (sq. m.)	Commercial (sq. m.)	Office (sq. m.)	Hotel (sq. m.)	Others (sq. m.)	Development Status	Expected Completion Date
153,724		43,492	74,010		36,222	UNDER DEVELOPMENT	Apr-07
76,390		42,870			33,520	UNDER DEVELOPMENT	Feb-08
230,114	-	86,362	74,010	-	69,742		
37,432				37,432		UNDER DEVELOPMENT	Sep-07
35,570				35,570		UNDER DEVELOPMENT	Feb-08
73,002	-	-	-	73,002	-		
Total GFA (sq. m.)	Residential (sq. m.)	Commercial (sq. m.)	Office (sq. m.)	Hotel (sq. m.)	Others (sq. m.)	Development Status	Expected Completion Date
132,662	4,604	74,232	24,618		29,208	COMPLETED	N/A
109,607	57,256	47,345	2,557		2,449	COMPLETED	N/A
22,975			6,560		16,415	COMPLETED	N/A
35,877					35,877	COMPLETED	N/A
5,668		5,668				COMPLETED	N/A
13,124		7,536			5,588	COMPLETED	N/A
101,746		82,022	9,540		10,184	COMPLETED	N/A
16,802		16,802				COMPLETED	N/A
69,196		49,413			19,783	COMPLETED	N/A
113,645		17,807	81,476		14,362	COMPLETED	N/A
20,198		12,772			7,426	COMPLETED	N/A
54,865	39,358	9,579			5,928	COMPLETED	N/A
13,976		13,976				COMPLETED	N/A
19,601					19,601	COMPLETED	N/A
69,787		56,426	10,047		3,314	COMPLETED	N/A
56,696		36,069			20,627	COMPLETED	N/A
9,963			9,963			COMPLETED	N/A
121,956			104,556		17,400	COMPLETED	N/A
61,092		22,198			38,894	COMPLETED	N/A
17,714		7,634			10,080	COMPLETED	N/A
97,607	29,868	17,408			50,331	COMPLETED	N/A
11,700					11,700	COMPLETED	N/A
48,799		5,982			42,817	COMPLETED	N/A
43,220	22,220				21,000	COMPLETED	N/A
2,967					2,967	COMPLETED	N/A
4,937		3,099			1,838	COMPLETED	N/A
39,552		23,603			15,949	COMPLETED	N/A
1,315,932	153,306	509,571	249,317	-	403,738		

Major project profiles

Ref	Project Name	Form of Investment	NWCL's Accounting Classification	NWCL's Attributable Interests	Site Area (sq. m.)
COMPLETED HOTEL PROPERTY PROJECTS					
47	Courtyard by Marriott Beijing (Formerly known as New World Courtyard Hotel Beijing)	CJV	JCE	55%	N/A (included in Beijing New World Centre Phase I)
48	New World Hotel Shenyang	EJV	Subsidiary	100%	7,847
49	Courtyard by Marriott Shunde (Formerly known as New World Courtyard Hotel Shunde)	CJV	Assoc. Co.	35%	4,508
50	New World Mayfair Hotel Shanghai (Formerly known as Mayfair Hotel Shanghai)	CJV/EJV	Subsidiary	75%	10,883
	Subtotal				23,238
	Total				18,200,064
NEWLY ACQUIRED PROJECTS (note)					
51	Changsha La Ville New World	EJV	Subsidiary	90%	447,333
52	Chengdu New World Riverside	EJV	Subsidiary	60%	950,005
53	Guiyang Jinyang District Project	WFE	Subsidiary	100%	1,670,089
54	Haikou Meilisha Project	WFE	Subsidiary	100%	2,204,895
	Total				5,272,322

Note: Project under planning and subject to approval

Total GFA (sq. m.)	Residential (sq. m.)	Commercial (sq. m.)	Office (sq. m.)	Hotel (sq. m.)	Others (sq. m.)	Development Status	Expected Completion Date
23,988				23,988		COMPLETED	N/A
34,535				34,535		COMPLETED	N/A
36,524				36,524		COMPLETED	N/A
60,054				60,054		COMPLETED	N/A
155,101	-	-	-	155,101	-		
17,535,012	10,903,495	1,976,817	989,615	280,225	3,384,860		
1,070,000	TBD	TBD	TBD	TBD	TBD	UNDER PLANNING	TBD
3,000,000	TBD	TBD	TBD	TBD	TBD	UNDER PLANNING	TBD
3,200,000	TBD	TBD	TBD	TBD	TBD	UNDER PLANNING	TBD
TBD	TBD	TBD	TBD	TBD	TBD	UNDER PLANNING	TBD
7,270,000	-	-	-	-	-		

Glossary of terms

General Terms

AGM:	Annual General Meeting
BVI:	British Virgin Islands
Company or NWCL:	New World China Land Limited
FY:	Fiscal year, July 1 to June 30
GFA:	Gross floor area
Group:	New World China Land Limited and its subsidiaries
HK:	Hong Kong
HK\$:	Hong Kong dollar(s), the lawful currency of Hong Kong
N/A:	Not applicable
China, PRC or Mainland China:	The People's Republic of China
RMB:	Renminbi, the lawful currency of The People's Republic of China
SAR or HKSAR:	Special Administrative Region – A status granted to Hong Kong to own an independent government and legislative system and to enjoy a degree of autonomy from the PRC Government under the principle of “one country, two systems”
SEHK:	The Stock Exchange of Hong Kong Limited
TBD:	To be determined
US:	The United States of America
US\$:	United States dollar(s), the lawful currency of the United States of America

Financial Terms

Attributable Operating Profit:	Profit attributable to shareholders before head office items
Basic Earnings Per Share or EPS:	$\frac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$
Current ratio:	$\frac{\text{Current assets}}{\text{Current liabilities}}$
HIBOR:	Hong Kong Interbank Offered Rate
LIBOR:	London Interbank Offered Rate
Net Debt:	The aggregate of bank loans and other borrowings, net of cash and bank balances
Net Debt to Equity Ratio:	$\frac{\text{Net debt}}{\text{Total equity}}$

Measurement

Sq.ft.:	Square feet
Sq.m. or m²:	Square meter
Km.:	Kilometer
Sq.km.:	Square kilometer

Corporate information

Chairman and Managing Director	Dr. Cheng Kar-shun, Henry
Vice-chairman	Mr. Doo Wai-hoi, William
Executive Directors	Mr. Cheng Kar-shing, Peter Mr. Leung Chi-kin, Stewart Mr. Chow Kwai-cheung Mr. Chow Yu-chun, Alexander Mr. Fong Shing-kwong, Michael Ms. Ngan Man-ying, Lynda
Non-executive Director	Mr. Fu Sze-shing
Independent Non-executive Directors	Mr. Cheng Wai-chee, Christopher Mr. Tien Pei-chun, James Mr. Lee Luen-wai, John
Company Secretary	Ms. Ngan Man-ying, Lynda
Qualified Accountant	Ms. Ngan Man-ying, Lynda
Auditors	PricewaterhouseCoopers
Principal Bankers	Hang Seng Bank Limited Bank of China (Hong Kong) Limited The Bank of East Asia, Limited China Merchants Bank Co., Ltd.
Share Registrar and Transfer Office	Standard Registrars Limited 26/F, Tesbury Centre 28 Queen's Road East Hong Kong
Head Office	9/F, New World Tower 1 18 Queen's Road Central Hong Kong
Stock Code	Hong Kong Stock Exchange 0917
Investor Information	For more information about the Group, please contact the Corporate Communications Department at: New World China Land Limited 9/F, New World Tower 1 18 Queen's Road Central Hong Kong Tel: (852) 2131 0201 Fax: (852) 2131 0216 Email: enquiry@nwcl.com.hk
Website	www.nwcl.com.hk

Chinese Version

The Chinese version of this Annual Report is available on request from New World China Land Limited. Where the English and the Chinese texts conflict, the English text prevails.

© New World China Land Limited 2006



New World China Land Limited

(incorporated in the Cayman Islands with limited liability)

9th Floor, New World Tower 1, 18 Queen's Road Central, Hong Kong

Tel : (852) 2131 0201 Fax : (852) 2131 0216

www.nwcl.com.hk