



# New World China Land Limited

新世界中國地產有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 0917)

Annual Results Announcement

2003/2004

## RESULTS

The directors of New World China Land Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30th June 2004:

		For the year ended 30th June	
		2004	2003
			(As restated)
	Note	HK\$'000	HK\$'000
Turnover	2	2,521,784	545,584
Cost of sales		(2,053,351)	(434,104)
Gross profit		468,433	111,480
Other revenue		19,853	7,824
Other income/(charges)	3	62,458	(1,035,658)
Selling expenses		(129,863)	(64,781)
Administrative expenses		(30,533)	(41,753)
Other operating expenses		(237,713)	(221,975)
Operating profit/(loss) before financing	4	152,635	(1,244,863)
Finance costs	5	(74,701)	(90,058)
Share of results of			
Associated companies		24,799	(99,443)
Jointly controlled entities		108,867	(410,194)
Profit/(loss) before taxation		211,600	(1,844,558)
Taxation (charge)/credit	6	(44,788)	2,727
Profit/(loss) after taxation		166,812	(1,841,831)
Minority interests		(39,466)	136,269
Profit/(loss) attributable to shareholders		127,346	(1,705,562)
Earnings/(loss) per share	8		
Basic		8.57 cents	(115.1 cents)
Diluted		N/A	N/A

Notes:

## 1. Basis of preparation

In the current year, the Group adopted the new Statement of Standard Accounting Practices ("SSAP") 12 Income taxes, issued by the Hong Kong Institute of Certified Public Accountants which is effective for accounting periods commencing on or after 1st January 2003. The changes to the Group's accounting policy and the effect of adoption are set out below:

### *Deferred taxation*

Deferred taxation 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 accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that the 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 joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

In previous years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively such that the comparatives presented have been restated to conform to the changed policy.

As a result, opening retained profit at 1st July 2002 has been reduced by HK\$19,427,000 and opening accumulated losses at 1st July 2003 has been increased by HK\$13,961,000. The loss attributable to shareholders has been reduced by HK\$5,466,000 for the year ended 30th June 2003. In addition, opening investment properties revaluation reserve at 1st July 2002 and 2003 have been reduced by HK\$151,305,000 and HK\$174,521,000 respectively.

## 2. Turnover and segment information

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, project management fee income and interest income in respect of loan financing provided to associated companies and jointly controlled entities, net of withholding tax.

	2004 HK\$'000	2003 HK\$'000
Sales of properties	2,186,222	373,814
Rental income	139,954	127,107
Income from hotel operations	108,829	2,188
Property management services fee income	23,407	20,253
Project management fee income	4,893	5,129
	2,463,305	528,491
Interest income less withholding tax	58,479	17,093
	2,521,784	545,584

The Group is organised into four main business segments, comprising property sales, rental operation, hotel operation and property management operation. There is no other significant identifiable separate business segment.

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

Year ended 30th June 2004	Property sales HK\$'000	Rental operation HK\$'000	Hotel operation HK\$'000	Property management operation HK\$'000	Other operations HK\$'000	Total HK\$'000
Segment revenues	2,249,594	140,336	121,774	10,080	—	2,521,784
Segment results	2,979	11,102	238,346	(346)	(1,614)	250,467
Bank and other interest income						19,853
Corporate administrative expenses						(117,685)
Operating profit before financing						152,635
Finance costs						(74,701)
Share of results of						
Associated companies	2,293	16,459	6,738	(691)	—	24,799
Jointly controlled entities	37,160	70,572	7,486	(4,539)	(1,812)	108,867
Profit before taxation						211,600
Taxation charge						(44,788)
Profit after taxation						166,812
Minority interests						(39,466)
Profit attributable to shareholders						127,346

Year ended 30th June 2003	Property					Total (As restated) HK\$'000
	Property sales	Rental operation	Hotel operation	management operation	Other operations	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenues	390,817	143,331	7,317	3,759	360	545,584
Segment results	(661,015)	12,599	(481,320)	(6,547)	7,903	(1,128,380)
Bank and other interest income						7,824
Corporate administrative expenses						(124,307)
Operating loss before financing						(1,244,863)
Finance costs						(90,058)
Share of results of						
Associated companies	(26,450)	6,358	(78,495)	(856)	—	(99,443)
Jointly controlled entities	(280,950)	(20,906)	(101,675)	(5,505)	(1,158)	(410,194)
Loss before taxation						(1,844,558)
Taxation credit						2,727
Loss after taxation						(1,841,831)
Minority interests						136,269
Loss attributable to shareholders						(1,705,562)

### 3. Other income/(charges)

	2004 HK\$'000	2003 HK\$'000
Reversal of/(impairment loss) of fixed assets	205,120	(295,044)
Provision against other investments	(94,793)	(281,021)
Provision for diminution in value of properties under development and completed properties held for sale	(47,317)	(217,638)
Write back of/(revaluation deficit) of a hotel property	3,672	(178,315)
Provision for investments in/amounts due by joint ventures	(5,614)	(134,695)
Provision for amount due by an associated company	(2,246)	(16,806)
Net profit/(loss) on disposal of jointly controlled entities	3,636	(21,266)
Net gain on disposal and partial disposal of subsidiaries	—	109,127
	62,458	(1,035,658)

### 4. Operating profit/(loss) before financing

	2004 HK\$'000	2003 HK\$'000
Operating profit/(loss) before financing is arrived at after charging:		
Cost of properties sold	1,896,724	363,534
Depreciation	51,038	50,992
Amortisation of deferred expenditure	5,773	9,634

## 5. Finance costs

	2004 HK\$'000	2003 HK\$'000
Interest on bank loans	164,466	144,589
Interest on loans from fellow subsidiaries wholly repayable within five years	20,071	39,831
Interest on loans from minority shareholders	3,640	4,495
Interest on short term loans	4,022	6,063
	192,199	194,978
Amount capitalised in properties held for/under development and assets under construction	(97,906)	(83,019)
Reimbursement from an associated company	(19,592)	(21,901)
	74,701	90,058

## 6. Taxation charge/(credit)

	2004 HK\$'000	2003 (As restated) HK\$'000
PRC income tax — deferred tax		
Company and subsidiaries	33,141	344
Associated companies	1,875	(3,859)
Jointly controlled entities	9,772	788
	44,788	(2,727)

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 (2003: 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 the rate of 33% (2003: 33%).

## 7. Dividend

The directors do not propose the payment of a dividend for the year ended 30th June 2004 (2003: Nil).

## 8. Earnings/(loss) per share

The calculation of earnings/(loss) per share is based on the profit attributable to shareholders of HK\$127,346,000 (2003: loss attributable to shareholders of HK\$1,705,562,000) and the weighted average of 1,485,096,441 shares (2003: 1,481,944,294 shares) in issue during the year.

Diluted earnings/(loss) per share is not presented as the exercise of the outstanding share options has no dilutive effect on the earnings/(loss) per share.

## BUSINESS REVIEW

For the year under review, the Group posted a profit of HK\$127.35 million as compared to a loss of HK\$1,705.56 million in FY2003. The significant improvement in results of FY2004 was attributable to the improvement in all segments including property sales, rental operations, hotel operations and property management services.

### Analysis of Attributable operating profit (“AOP”)/(loss)

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

In FY2004, property sales recorded an AOP of HK\$146.46 million against a loss of HK\$175.85 million in FY2003. Furthermore, rental operation and hotel operation had recorded a year-on-year growth in AOP of 43.9% and 218.9% to HK\$93.76 million and HK\$18.68 million respectively.

Finance costs dropped 17.1% to HK\$74.70 million in FY2004. Borrowing costs were decreased following increased completion and sales of projects for which some of the project loans borrowed were repaid during the year.

## Property Development

In FY2004, the Group has completed 15 projects with a total GFA of 997,283 sq.m., representing a 39% increase from FY2003. The overall sales volume of properties had increased by more than 62% to 909,772 sq.m. during the year. Over 37% of current year sales were from sales of inventory.

### Development property projects completed during FY2004

Projects	Usage	Total GFA (Sq.m.)	Attributable Interest
Beijing Xin Kang Garden Phase III (北京新康家園三期)	R	77,420	70%
Beijing Xin Yu Garden Block 3 & 4 (北京新裕家園3、4號樓)	R, C	70,526	70%
Chateau Regalia Beijing (北京麗高王府)	R	121,505	100%
Tianjin New World Garden Phase I (天津新世界花園一期)	R, C	54,226	60%
Tianjin New World Garden Phase II (天津新世界花園二期)	R, C	77,371	60%
Shenyang New World Garden Phase IC (瀋陽新世界花園一期C)	R	98,023	90%
Dalian Manhattan Tower II (大連曼哈頓大廈二座)	R, O	55,005	88%
Wuhan Menghu Garden Phase IA (武漢夢湖香郡一期A)	R	12,098	70%
Jinan Sunshine Garden Phase I (濟南陽光花園一期)	R	40,597	65%
Nanjing New World Centre (南京新世界中心)	R	70,363	92%
Guangzhou Covent Garden Phase II (廣州逸彩庭園二期)	R	28,918	60%
Guangzhou Central Park-view Phase I (廣州凱旋新世界廣場一期)	R	62,704	91%
Guangzhou New World Oriental Garden Phase I (廣州東方新世界花園一期)	R	117,715	100%
Guangzhou Xintang New World Garden Phase II (廣州新塘新世界花園二期)	R	49,913	60%
Huiyang Palm Island Resort Phase IV (惠陽棕櫚島 Resort 四期)	R	40,372	34%
Shunde New World Convention & Exhibition Centre Phase II (順德新世界會議展覽中心二期)	R	20,527	35%
<b>Total</b>		<b>997,283</b>	

R : Residential  
C : Commercial  
O : Office

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

#### Development property projects to be completed in FY2005

Projects	Usage	Total GFA (Sq.m.)	Attributable Interest
Beijing Xin Kang Garden Phase III (北京新康家園三期)	R	7,000	70%
Beijing New World Garden Phase II (北京新世界家園二期)	R	60,984	70%
Beijing Xin Cheng Commercial Building (北京新成文化大廈)	C, O	36,964	70%
Beijing Xin Yang Commercial Building (北京新陽商務樓)	C	2,313	70%
Wuhan Menghu Garden Phase IB (武漢夢湖香郡一期B)	R	13,223	70%
Wuhan Xin Hua Garden Phase II (武漢新華家園二期)	R	39,073	60%
Jinan Sunshine Garden Phase II (濟南陽光花園二期)	R	13,943	65%
Nanjing New World Centre (南京新世界中心)	C, R	113,709	92%
Guangzhou Covent Garden Phase II (廣州逸彩庭園二期)	R	67,896	60%
Guangzhou Central Park-view Phase IB (廣州凱旋新世界廣場一期B)	R	73,964	91%
Guangzhou Park Paradise Phase II (廣州嶺南新世界家園二期)	R	74,729	60%
Guangzhou Park Paradise Phase III (廣州嶺南新世界家園三期)	R	8,788	60%
Guangzhou Xintang New World Garden Phase II (廣州新塘新世界花園二期)	R	37,000	60%
Huiyang Palm Island Resort Phase V (惠陽棕櫚島 Resort 五期)	R	32,000	34%
Huizhou Changhuyuan Phase II (惠州長湖苑二期)	R	60,062	60%
Shenzhen New World Yi Shan Garden Phase II (深圳新世界倚山花園二期)	R	36,088	90%
Zhuhai New World Riviera Garden Phase II (珠海新世界海濱花園二期)	R	29,469	100%
<b>Total</b>		<b>707,205</b>	



## Rental Operation

With the completion of Shanghai Hong Kong New World Tower in FY2004, our investment property portfolio comprising office, apartment, shopping mall and car park has increased to over 1 million sq.m. to provide a stable recurrent income base for the Group.

### Investment property completed during FY2004

Project	Usage	Total GFA (Sq.m.)	Attributable Interest
Shanghai Hong Kong New World Tower (上海香港新世界大廈)	C, O	110,049	44%

In FY2005, the Group plans to complete 22,950 sq.m. of service apartment, 13,118 sq.m. of shopping mall and 48,554 sq.m. of office space in Guangzhou and Wuhan to further enhance our investment property portfolio.

### Investment properties to be completed in FY2005

Projects	Usage	Total GFA (Sq.m.)	Attributable Interest
Guangzhou Central Park-view Phase IB (廣州凱旋新世界廣場一期B)	C, O, R	39,782	91%
Wuhan International Trade & Commerce Centre Phase III (武漢國貿大廈三期)	O	44,840	100%
<b>Total</b>		<b>84,622</b>	

## Hotel Operation

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

### Hotel portfolio

Name of Hotel	No of rooms
New World Courtyard Hotel, Beijing (北京新世界萬怡酒店)	293
Mayfair Hotel Shanghai (上海巴黎春天大酒店)	860
New World Hotel, Shenyang (瀋陽新世界酒店)	261
New World Courtyard Hotel, Shunde (順德新世界萬怡酒店)	376
<b>Total</b>	<b>1,790</b>

## Provision

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

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

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## LIQUIDITY AND CAPITAL RESOURCES

As at 30th June 2004, the Group's cash and bank deposits amounted to HK\$891.29 million (30th June 2003: HK\$1,330.21 million). Its consolidated net debt amounted to HK\$4,878.30 million (30th June 2003: HK\$5,121.77 million), translating into a gearing ratio of 29.8% (30th June 2003: 31.6%).

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

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

As at 30th June 2004, the Group's committed unutilised bank loan facilities amounted to HK\$602.80 million (30th June 2003: HK\$734.00 million).

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## CONTINGENT LIABILITIES

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

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## MAJOR ACQUISITIONS AND DISPOSAL

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

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## DETAILS OF THE CHARGES ON GROUP'S ASSETS

As at 30th June 2004, the Group's investment properties, hotel properties, completed properties held for sale, property held for development, property under development and bank deposits of HK\$266,579,000 (30th June 2003: HK\$297,862,000), HK\$803,739,000 (30th June 2003: HK\$Nil), HK\$657,517,000 (30th June 2003: HK\$116,642,000), HK\$919,892,000 (30th June 2003: HK\$91,215,000), HK\$285,600,000 (30th June 2003: HK\$808,478,000) and

HK\$74,128,000 (30th June 2003: HK\$427,635,000) respectively have been pledged as securities for short term and long term loans. As at 30th June 2003, assets under construction of HK\$910,412,000 were pledged as securities for short term and long term loans.

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## EMPLOYEES' INFORMATION

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

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## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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.

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## AUDIT COMMITTEE

The annual results for the year have been reviewed by the Audit Committee of the Company.

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## CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the year, except that the non-executive Directors are not appointed for a specific term as they are subject to retirement by rotation at annual general meeting in accordance with Article 116 of the Company's Articles of Association.

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## OUTLOOK

New World China Land ("NWCL") is a national developer in Mainland China. Our portfolio comprises 45 major projects with a total GFA of 17 million sq.m. spanning over 17 high-growth cities. With abundant land reserve, NWCL is at a better position than other developers, especially when new land can only be acquired through public auctions/tenders.

NWCL is a well-recognised brand in every city where we have a footprint. In FY2004, NWCL was awarded "2003 Top 50 China Real Estate Enterprises" and "2004 China Blue Chip Property Developer". Our premium quality products are highly praised by the professionals and end-users. Both Shanghai Hong Kong New World Tower and Wuhan International Trade & Commerce Centre were selected by the China Real Estate Top 10 Research Institute as "2004 China New Top 10 Landmark Building". NWCL is the only company having 2 projects winning this award.

Austerity measures were released by the Central government in the second quarter of 2004 to cool down the overheating economy. The tightening in credit control only affects developers with weaker financial position or liquidity problem. The new credit policy has minimal effects on the Group given its good credit history and quality projects.

Urbanisation and new household formation in Mainland China will drive the demand for housing which will create new demand for housing and infrastructure. We expect that the residential segment of the market will be benefited favorably from the boosting demand as a result of rising income and urbanisation.

The Group will continue to focus on producing residential units for sale while gradually building up our rental portfolio to generate stable recurrent income.

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## PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE EXCHANGE'S WEBSITE

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") will be published on the Stock Exchange's website in due course.

**Dr. Cheng Kar-shun, Henry  
Chairman and Managing Director  
Hong Kong, 15th October 2004**

As at the date of this announcement, the Board of directors of NWCL comprises: (1) Dr. Cheng Kar-shun, Henry, Messrs. Doo Wai-hoi, William, Cheng Kar-shing, Peter, Leung Chi-kin, Stewart, Chow Kwai-cheung, Chow Yu-chun, Alexander, Fong Shing-kwong, Micheal as executive directors; (2) Mr Fu Sze-shing as non-executive director and (3) Messrs. Lo Hong-sui, Cheng Wai-chee, Christopher and Tien Pei-chun, James as independent non-executive directors.

*Please also refer to the published version of this announcement in the **(The Standard)***