

**If you are in any doubt** as to any aspect of this prospectus or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisor.

A copy of this prospectus, together with copies of the provisional allotment letter and the form of application for excess Rights Shares (as defined herein), has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of these documents.

Dealings in the securities of **New World China Land Limited** and the Rights Shares in their nil-paid form and fully-paid form may be settled through CCASS (as defined herein) and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisor for details of the settlement arrangements and how such arrangements may affect your rights and interests.

**If you have sold or transferred** all your shares in **New World China Land Limited**, you should at once hand this prospectus and the accompanying provisional allotment letter and form of application for excess Rights Shares to the purchaser or other transferee or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange (as defined herein) as well as compliance with the stock admission requirements of HKSCC (as defined herein), the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms or such other dates as determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Stock Exchange and HKSCC take no responsibility for the contents of this prospectus, the provisional allotment letter and the form of application for excess Rights Shares, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of these documents.

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**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)**

**RIGHTS ISSUE OF 2,255,294,538 RIGHTS SHARES OF HK\$0.10 EACH  
AT HK\$2.80 PER RIGHTS SHARE  
PAYABLE IN FULL ON ACCEPTANCE  
(IN THE PROPORTION OF  
THREE RIGHTS SHARES FOR EVERY TWO EXISTING SHARES  
HELD ON THE RECORD DATE)**

**Underwriter**



**新世界發展有限公司**

**New World Development Company Limited**

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**It should be noted that the Underwriting Agreement (as defined herein) contains provisions granting NWD (as defined herein) the right, by notice in writing, to terminate the Underwriting Agreement on the occurrence of certain events including force majeure happen at any time prior to 4:00 p.m. on Friday, 8 April 2005. These events are set out in the section headed "Termination of the Underwriting Agreement" of this prospectus. If the Underwriter exercises such right, the obligations of the Underwriter under the Underwriting Agreement shall cease and the Rights Issue shall lapse and will not proceed.**

The Shares (as defined herein) have been dealt in on an ex-rights basis since Thursday, 10 March 2005. Dealings in the Rights Shares in nil-paid form will take place from Wednesday, 23 March 2005 to Monday, 4 April 2005 (both dates inclusive). Any person dealing in the Shares and/or nil-paid Rights Shares during such periods shall bear the risk that the Rights Issue may not become unconditional and may not proceed. Any person who is in any doubt about his/her position is recommended to consult his/her professional advisor.

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Friday, 8 April 2005. The procedures for acceptance or transfer of the Rights Shares are set out on pages 15 and 16 of this prospectus.

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## DEFINITIONS

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*In this prospectus, the following expressions have the meanings set out below unless the context otherwise requires:*

“Announcement”	the joint announcement of the Company and NWD dated 18 February 2005 relating to, among other things, the Rights Issue and the general mandates to issue and repurchase Shares
“associate(s)”	having the same meaning as defined in Chapter one of the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or a Sunday) on which commercial banks are open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	New World China Land Limited, a company incorporated in the Cayman Islands with limited liability, the Shares are listed on the Stock Exchange
“Companies Law”	the Companies Law, Cap 22 (Law 3 of the 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company convened for the purposes of considering, among other things, the Rights Issue
“Excess Application Form(s)”	application form(s) for excess Rights Shares
“Excluded Rights Shares”	1,522,579,638 Rights Shares that NWD is entitled and has undertaken to subscribe for pursuant to the terms of the Rights Issue in its capacity as a Qualifying Shareholder
“Excluded Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company and whose registered address(es) as shown on such register as at the close of business on the Record Date are outside Hong Kong, and to whom the Directors, based on the legal advice(s) given by the legal counsel(s) of the relevant jurisdiction(s), consider it necessary or expedient not to offer any Rights Shares
“GFA”	gross floor area
“Group”	the Company and its subsidiaries from time to time
“HKSCC”	Hong Kong Securities Clearing Company Limited

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## DEFINITIONS

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“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board, comprising Messrs. Cheng Wai-chee, Christopher and Tien Pei-chun, James, which was formed to advise the Independent Shareholders in relation to the Rights Issue. As Mr. Lee Luen-wai, John is the independent non-executive director of both the Company and NWD, he is not a member of the Independent Board Committee
“Independent Shareholders”	Shareholders other than NWD, its associates and parties acting in concert with them
“Latest Acceptance Date”	being 4:00 p.m. on Friday, 8 April 2005, the latest date upon which provisional allotments of Rights Shares in nil-paid form may be validly accepted
“Latest Practicable Date”	16 March 2005, being the latest practicable date prior to the printing of this prospectus for inclusion of certain information in this prospectus
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administration Region of the PRC
“NWD” or “Underwriter”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange and which is the controlling shareholder (as defined under the Listing Rules) of the Company
“PRC”	the People’s Republic of China and for the purpose of this prospectus, excluding Hong Kong, Macau and Taiwan
“Provisional Allotment Letter(s)”	provisional allotment letter(s) for the Rights Shares
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date
“Record Date”	Monday, 21 March 2005
“Rights Issue”	the proposed issue of Rights Shares on the basis of three Rights Shares for every two existing Shares to Qualifying Shareholders by way of rights or to holders of nil-paid Rights Shares at a price of HK\$2.80 per Rights Share, pursuant to the terms and conditions of the rights issue
“Rights Issue Documents”	this prospectus, the Provisional Allotment Letter and the Excess Application Form

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## DEFINITIONS

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“Rights Share(s)”	2,255,294,538 new Shares to be issued by the Company pursuant to the Rights Issue
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Share Options”	outstanding option(s) granted by the Company under its share option schemes
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Monies”	the subscription monies which will be payable by NWD to the Company in respect of the Rights Shares to be issued to NWD, including the Excluded Rights Shares and the Rights Shares which will be issued in the event that NWD is required to fulfil its obligation under the Underwriting Agreement
“Subscription Price”	subscription price of HK\$2.80 per Rights Share
“subsidiary” or “holding company”	has the meaning as defined in section two of the Companies Ordinance
“Underwriting Agreement”	the underwriting agreement dated 18 February 2005 entered into between the Company and NWD in relation to the Rights Issue
“%”	per cent.

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## **TERMINATION OF THE UNDERWRITING AGREEMENT**

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It should be noted that the Underwriting Agreement contains provisions granting NWD, by notice in writing, the ability to terminate its obligations thereunder on the occurrence of certain events.

NWD may terminate its commitment under the Underwriting Agreement on or before the Latest Acceptance Date if:

- (a) the Company is in material breach of any of the warranties as set out in the Underwriting Agreement which cannot be rectified or resolved to the reasonable satisfaction of NWD within a period of seven days from NWD giving notice of such breach to the Company, provided that such rectification period cannot be extended past the Latest Acceptance Date;
- (b) any of the conditions to which the obligations of NWD under the Underwriting Agreement are subject to is not fulfilled or becomes incapable of being fulfilled; or
- (c) there shall have occurred any change in national or international, political, military, diplomatic, financial or economic conditions which in the reasonable opinion of NWD, is or is likely to be materially prejudicial to the business or financial condition of the Group or the Rights Issue.

If the Underwriting Agreement is terminated by NWD on or before the aforesaid deadline or does not become unconditional, the Rights Issue will not proceed.

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## EXPECTED TIMETABLE

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2005

Despatch of the Rights Issue Documents . . . . .	Monday, 21 March
Record Date . . . . .	Monday, 21 March
Publication of announcement of results of EGM. . . . .	Tuesday, 22 March
Register of members of the Company re-opens. . . . .	Tuesday, 22 March
First day of dealings in nil-paid Rights Shares. . . . .	Wednesday, 23 March
Latest time for splitting of nil-paid Rights Shares. . . . .	4:00 p.m., Wednesday, 30 March
Last day of dealings in nil-paid Rights Shares. . . . .	Monday, 4 April
Latest time for payment and acceptance of Rights Issue. . . . .	4:00 p.m., Friday, 8 April
Latest time for the Rights Shares to become unconditional . . . . .	4:00 p.m., Friday, 8 April
Announcement of results of acceptance of and excess applications for the Rights Issue appears on newspapers . . . . .	Wednesday, 13 April
Despatch of refund cheques in respect of unsuccessful or partially unsuccessful excess applications for excess Rights Shares on or before. . . . .	Thursday, 14 April
Despatch of certificates for fully-paid Rights Shares on or before. . . . .	Thursday, 14 April
Commencement of dealings in fully-paid Rights Shares . . . . .	9:30 a.m., Monday, 18 April

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## SUMMARY OF THE RIGHTS ISSUE

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*The following information is derived from, and should be read in conjunction with, the full text of this prospectus:*

Basis of the Rights Issue:	three Rights Shares for every two existing Shares held by Qualifying Shareholders on the Record Date
Number of Shares in issue:	1,503,529,694 Shares as at the Latest Practicable Date
Number of Rights Shares to be issued:	2,255,294,538 Rights Shares
Subscription Price and acceptance date:	HK\$2.80 per Rights Share, payable in full upon valid acceptance by 4:00 p.m., on Friday, 8 April 2005
Excess Rights Shares application:	Qualifying Shareholders will have the right to apply for Rights Shares in excess of their provisional allotments
Amount to be raised by the Rights Issue:	approximately HK\$6,314.82 million before expenses and approximately HK\$6,290.31 million net of expenses
Status of Rights Shares:	when fully-paid, issued and allotted, the Rights Shares will rank pari passu in all respects with the Shares then in issue and holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared after the date of issue and allotment of the fully-paid Rights Shares
Undertaking of NWD:	NWD has irrevocably undertaken to take up its provisional entitlements under the Rights Issue in full
Excluded Shareholders:	the Company will make arrangements for the Rights Shares which would otherwise have been provisionally allotted to Excluded Shareholders (if any) in nil-paid form as soon as practicable after dealings in nil-paid Rights Shares commence, if a premium, net of expenses, can be obtained. The proceeds of each sale (after deducting the expense of sale, if any) of HK\$100 or more will be paid to the Excluded Shareholders in Hong Kong dollars pro-rata to their respective shareholdings. The Company will retain individual amounts of less than HK\$100 for its own benefit. Any such entitlements not sold in the market will be available for application by Qualifying Shareholders





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)

*Executive Directors:*

Dr. Cheng Kar-shun, Henry *GBS*  
(Chairman and Managing Director)  
Mr. Doo Wai-hoi, William *JP* (Vice Chairman)  
Mr. Cheng Kar-shing, Peter  
Mr. Leung Chi-kin, Stewart  
Mr. Chow Kwai-cheung  
Mr. Chow Yu-chun, Alexander  
Mr. Fong Shing-kwong, Michael

*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 *JP*

*Registered office:*

P.O. Box 309  
Ugland House  
South Church Street  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

*Principal place of business in Hong Kong:*

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

21 March 2005

*To the Qualifying Shareholders, and to Excluded  
Shareholders (for information only)*

Dear Sir or Madam,

**RIGHTS ISSUE OF 2,255,294,538 RIGHTS SHARES OF HK\$0.10 EACH  
AT HK\$2.80 PER RIGHTS SHARE,  
PAYABLE IN FULL ON ACCEPTANCE  
(IN THE PROPORTION OF THREE RIGHTS SHARES FOR EVERY TWO  
EXISTING SHARES HELD)**

**1. INTRODUCTION**

On 18 February 2005, the Board announced that the Company proposed to raise not less than approximately HK\$6,309.59 million before expenses by way of the Rights Issue at the Subscription Price of HK\$2.80 per Rights Share on the basis of three Rights Shares for every two existing Shares held on the Record Date.

This prospectus sets out the details of the Rights Issue, including information on dealings in and transfers and acceptances of the Rights Shares, and certain information in respect of the Group.

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## LETTER FROM THE BOARD

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### 2. RIGHTS ISSUE

#### Issue statistics

Basis of the Rights Issue:	three Rights Shares for every two existing Shares held by the Qualifying Shareholder on the Record Date
Number of Shares in issue:	1,503,529,694 Shares as at the Latest Practicable Date ( <i>Note</i> )
Number of Rights Shares to be issued:	2,255,294,538 Rights Shares, representing approximately 150% of the Shares in issue and approximately 60% of the issued share capital of the Company as enlarged by the Rights Issue
Subscription Price for the Rights Shares:	HK\$2.80 per Rights Share
Underwriter:	NWD, the controlling Shareholder of the Company, together with its subsidiaries is interested in approximately 70.11% of the issued share capital of the Company as at the Latest Practicable Date

*Note:* This figure includes the 665,600 Shares allotted to the holders of Share Options pursuant to their exercise of Share Options since the latest practicable date of the circular of the Company dated 4 March 2005.

#### Qualifying Shareholders

The Company sends this prospectus, the Provisional Allotment Letter and the Excess Application Form to each Qualifying Shareholder only. This prospectus is sent to Excluded Shareholders (if any) for information only.

To qualify for the Rights Issue, the Shareholder must:

- be registered as a member of the Company at the close of business on the Record Date; and
- have an address which appears on the register of members of the Company at the close of business on the Record Date which is in Hong Kong or if outside Hong Kong, is in a jurisdiction of which the Directors, based on the legal advice given by the legal counsel of the relevant jurisdiction, do not consider it necessary or expedient to exclude the offer of the Rights Shares to such Shareholder.

The Company retains the right, however, in its discretion to vary the requirements set forth above to avoid any offer of Rights Shares to Shareholders (without compliance with registration or other legal requirements) outside Hong Kong.

As at the Latest Practicable Date, so far as the Directors were aware, there was a Shareholder whose registered address appeared on the register of members of the Company was in Macau. In compliance with Rule 13.36(2)(a) of the Listing Rules, the Directors sought legal advice regarding the legal restrictions under the laws of Macau including the relevant

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## LETTER FROM THE BOARD

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regulatory requirements for offering the Rights Shares to such Shareholder. The Company, in reliance on the legal advice given by the legal counsel of Macau, offers the Rights Shares to such Shareholder. The Rights Issue Documents will be sent to such Shareholder accordingly.

It is the responsibility of any person (including but without limitation to nominee, agent and trustee) receiving a copy of the Rights Issue Documents outside Hong Kong and wishing to take up the Rights Shares under the Rights Issue to satisfy himself/herself as to the full observance of the laws of the relevant jurisdiction including the obtaining of any governmental or other consents for observing any other formalities which may be required in such jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such jurisdiction in connection therewith. Any acceptance of the offer of the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been fully complied with. If you are in doubt as to your position, you should consult your own professional advisors.

### **Rights of Excluded Shareholders**

The Rights Issue Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong. The Company will send this prospectus (without the Provisional Allotment Letters and the Excess Application Forms) to Excluded Shareholders (if any) for their information only.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to Excluded Shareholders (if any) in nil-paid form, to be sold as soon as practicable after dealings in nil-paid Rights Shares commence, if a premium, net of expenses, can be obtained. The proceeds of each sale, less expenses, of HK\$100 or more will be paid to the Excluded Shareholders in Hong Kong dollars pro-rata to their respective shareholdings. The Company will keep individual amounts of less than HK\$100 for its own benefit.

### **Subscription Price**

The Subscription Price for the Rights Shares is HK\$2.80 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares. This represents:

- a discount of approximately 30.0% to the closing price of HK\$4.00 per Share as quoted on the Stock Exchange on Thursday, 17 February 2005, being the last trading day prior to the suspension of trading of Shares pending the publication of the Announcement;
- a discount of approximately 14.6% to the theoretical ex-rights price of HK\$3.28 per Share based on the closing price as quoted on the Stock Exchange on Thursday, 17 February 2005, being the last trading day prior to the suspension of trading of Shares pending the publication of the Announcement;
- a discount of approximately 17.6% to the closing price of HK\$3.40 per Share as quoted on the Stock Exchange on Tuesday, 1 March 2005, being the latest practicable date prior to the printing of the Company's circular dated 4 March 2005;

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## LETTER FROM THE BOARD

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- a discount of approximately 74.5% to the audited consolidated net tangible asset value of approximately HK\$10.99 per Share as at Wednesday, 30 June 2004;
- a discount of approximately 8.39% to the average closing price of HK\$3.0565 per Share for the 10 consecutive trading days up to and including Wednesday, 16 March 2005, being the Latest Practicable Date; and
- a discount of approximately 0.71% to the closing price of HK\$3.10 per Share as quoted on the Stock Exchange on Wednesday, 16 March 2005, being the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and NWD with reference to the market price of the Shares under prevailing market conditions and each Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his or her existing shareholding in the Company. The Directors consider the Subscription Price to be fair and reasonable and to be in the interests of the Company and the Shareholders as a whole.

### **Fractional entitlements**

Fractional entitlements for the nil-paid Rights Shares will not be issued but will be aggregated and sold, if a premium (net of expenses) can be obtained, for the benefit of the Company.

### **Status of the Rights Shares**

The Rights Shares, when allotted and fully-paid, will rank pari passu with the Shares then in issue in all respects. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared after the date of issue and allotment of the Rights Shares.

### **Share certificates for the Rights Shares**

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to the Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Rights Shares by Thursday, 14 April 2005 at their own risk.

### **Conditions of the Rights Issue**

The Rights Issue is conditional upon the following conditions being fulfilled:

- (a) the Company despatching the circular to the Shareholders containing, among other things, details of the Rights Issue together with the proxy form and notice of EGM;
- (b) the passing by the Independent Shareholders at the EGM of ordinary resolution approving the Rights Issue (including, but not limited to, the exclusion of the offer of the Rights Issue to the Excluded Shareholders);

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## LETTER FROM THE BOARD

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- (c) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms), subject only to the allotment and despatch of the appropriate documents of title;
- (d) the filing and registration of all documents relating to the Rights Issue, which are required by law to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance and otherwise complying with the requirements of the Companies Law;
- (e) the posting of the Rights Issue Documents to Qualifying Shareholders; and
- (f) the obligations of NWD under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of that agreement.

The above conditions of the Rights Issue cannot be waived by the Company and/or NWD under the terms of the Underwriting Agreement. If any of the conditions of the Rights Issue are not fulfilled on or before the Latest Acceptance Date (or such later time and/or date as the Company and NWD may determine), neither the Company nor NWD shall have any rights or be subject to any obligations arising from the Underwriting Agreement and the Rights Issue will lapse.

### **Reasons for the Rights Issue and the use of proceeds**

The principal activities of the Group are property development, property investment and property related businesses in the PRC.

Upon the full subscription of the Rights Shares, the Company will receive approximately HK\$6,290.31 million by way of subscription proceeds net of expenses.

The Directors intend to use the net proceeds of the Rights Issue as follows:

- (a) approximately HK\$3.3 billion to reduce the Group's debts;
- (b) approximately HK\$2.5 billion to settle the outstanding resettlement costs; and
- (c) the remaining balance of the net proceeds of the Rights Issue to fund the development costs of the Group's property projects and as general working capital for future development of the Group.

The Directors consider that the Rights Issue provides a good opportunity for the Company to strengthen its capital base and financial position so as to reduce the Group's debt and to fund the Group's future property projects. The Directors also consider that it is in the best interest of the Company and the Shareholders to raise further capital to meet the Company's funding requirements for the above-mentioned purposes by way of the Rights Issue, which will allow all Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company.

The Company had not conducted any fund raising exercises for the past 12 months prior to the date of this prospectus.

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## LETTER FROM THE BOARD

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### Listing and dealings

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. It is expected that dealings in the Rights Shares in their nil-paid forms will take place from Wednesday, 23 March 2005 to Monday, 4 April 2005, both dates inclusive.

No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any other stock exchange.

Subject to the granting of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Shares are currently trading in board lots of 400 and nil-paid Rights Shares will be traded in board lots of 400.

Dealings in the nil-paid and fully-paid Rights Shares will be subject to payment of stamp duty in Hong Kong.

### 3. UNDERWRITING ARRANGEMENTS FOR THE RIGHTS ISSUE

#### Underwriting Agreement

Date: 18 February 2005

Underwriter: NWD, a controlling shareholder of the Company, which together with its subsidiaries, is interested in 1,054,107,600 Shares, representing approximately 70.11% of the existing issued share capital of the Company as at the Latest Practicable Date

Number of Shares underwritten: 732,714,900 Rights Shares (*Note*)

Commission: 1% of the total issue price of the Rights Shares underwritten by NWD

*Note:* This figure excludes 1,522,579,638 Rights Shares provisionally allotted to NWD in respect of its beneficial shareholding of the Company which it has undertaken to subscribe for in full.

The entering into of the Underwriting Agreement by the Company with NWD constitutes a connected transaction of the Company under the Listing Rules but is exempted from reporting, announcement and independent Shareholders' requirements pursuant to Rule 14A.31(3)(c) of the Listing Rules.

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## LETTER FROM THE BOARD

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Pursuant to the terms of the Underwriting Agreement, the Company and NWD agreed that if the conditions of the Rights Issue are fulfilled on or before the Latest Acceptance Date (or such later time and/or date as the Company and NWD may determine) and the Underwriting Agreement becomes unconditional and is not terminated in accordance with the terms thereof, NWD shall pay the Subscription Monies in cash net of the commission entitled by NWD, being 1% of the total issue price of the Rights Shares underwritten by NWD, on the date to be agreed by the Company and NWD, but in the absence of such agreed date, not later than 4:30 p.m. on the third Business Day following the Latest Acceptance Date.

### **Irrevocable undertaking from NWD**

Pursuant to the Underwriting Agreement, NWD has irrevocably undertaken to apply for, take up and pay for its provisional entitlements under the Rights Issue in full.

### **Termination of the Underwriting Agreement**

The Underwriting Agreement contains provisions granting NWD, by notice in writing, the ability to terminate its obligations thereunder on the occurrence of certain events. NWD may terminate its commitment under the Underwriting Agreement on or before the Latest Acceptance Date if:

- (a) the Company is in material breach of any of the warranties as set out in the Underwriting Agreement which cannot be rectified or resolved to the reasonable satisfaction of NWD within a period of seven days from NWD giving notice of such breach to the Company, provided that such rectification period cannot be extended beyond the Latest Acceptance Date;
- (b) any of the conditions to which the obligations of NWD under the Underwriting Agreement are subject to is not fulfilled or becomes incapable of being fulfilled; or
- (c) there shall have occurred any change in national or international, political, military, diplomatic, financial or economic conditions which in the reasonable opinion of NWD, is or is likely to be materially prejudicial to the business or financial condition of the Group or the Rights Issue.

If the Underwriting Agreement is terminated by NWD on or before the aforesaid deadline or does not become unconditional, the Rights Issue will not proceed.

### **Changes in shareholding structure of the Company**

NWD, the controlling Shareholder of the Company, together with the parties acting in concert with it was deemed to be interested in 1,062,194,526 Shares as at the Latest Practicable Date, representing approximately 70.65% of the issued share capital of the Company.

Assuming that:

- (a) the Rights Issue is completed;
- (b) NWD has taken up its provisional entitlement under the Rights Issue pursuant to the undertaking given under the Underwriting Agreement; and

## LETTER FROM THE BOARD

- (c) NWD is required to fulfil its underwriting obligation pursuant to the Underwriting Agreement and take up the Rights Shares, excluding the Excluded Rights Shares,

NWD and the parties acting in concert with it will be interested in approximately 88.26% of the issued share capital of the Company immediately after completion of the Rights Issue.

Set out below is a table showing the changes in shareholding structure as at the Latest Practicable Date and immediately following the completion of the Rights Issue:

	As at the Latest Practicable Date		Immediately after the Rights Issue and if all Shareholders take up their respective provisional allotments of the Rights Shares in full		Immediately after the Rights Issue and if NWD is required to take up all Rights Shares pursuant to the Underwriting Agreement	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
<b>NWD</b>	1,015,053,093	67.51	2,537,632,731	67.51	3,270,347,631	87.00
<b>Subsidiaries of NWD</b>	39,054,507	2.60	97,636,266	2.60	39,054,507	1.04
<b>Directors</b>	<u>8,086,926</u>	<u>0.54</u>	<u>20,217,315</u>	<u>0.54</u>	<u>8,086,926</u>	<u>0.22</u>
<b>Sub-total of NWD and its associates</b>	1,062,194,526	70.65	2,655,486,312	70.65	3,317,489,064	88.26
<b>Public</b>	<u>441,335,168</u>	<u>29.35</u>	<u>1,103,337,920</u>	<u>29.35</u>	<u>441,335,168</u>	<u>11.74</u>
<b>Total</b>	<u><u>1,503,529,694</u></u>	<u><u>100.00</u></u>	<u><u>3,758,824,232</u></u>	<u><u>100.00</u></u>	<u><u>3,758,824,232</u></u>	<u><u>100.00</u></u>

It is the intention of NWD to maintain the listing of the Company after the Rights Issue. Accordingly, NWD and its directors have jointly and severally undertaken to the Stock Exchange that if necessary, the Company and NWD will take appropriate steps, including, but not limited to, placing down NWD's shareholdings in the Company as soon as practicable after completion of the Rights Issue or within such period of time the Stock Exchange may agree to ensure compliance with the minimum public float requirement under Rule 8.08 of the Listing Rules. The Stock Exchange has stated that it will closely monitor the trading of the Shares if less than 25% of the Shares are held by the public (as defined in the Listing Rules). If the Stock Exchange believes that (i) a false market exists or may exist in the Shares; or (ii) there are too few Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares on the Stock Exchange.

#### 4. WARNING OF THE RISK OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Shares have been dealt in on an ex-rights basis from Thursday, 10 March 2005. Dealings in the Rights Shares in the nil-paid form will take place from Wednesday, 23 March 2005 to Monday, 4 April 2005 (both dates inclusive). If prior to the Latest Acceptance Date (or such later time and/or date as the Company and NWD may determine), the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by NWD, the Rights Issue will not proceed and the Rights Issue will lapse.



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## LETTER FROM THE BOARD

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Any persons contemplating buying or selling Shares from the date of this prospectus up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Wednesday, 23 March 2005 and Monday, 4 April 2005 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholders or other persons contemplating dealings in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisors.

### 5. PROCEDURES FOR ACCEPTANCE OR TRANSFER OF RIGHTS SHARES

For each Qualifying Shareholder, a Provisional Allotment Letter is enclosed with this prospectus which entitles the Qualifying Shareholder to subscribe for the number of Rights Shares shown therein. If you are a Qualifying Shareholder and wish to exercise your right to take up the Rights Shares specified in the enclosed Provisional Allotment Letter, you must lodge the Provisional Allotment Letter in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Company's branch share registrar, Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by not later than 4:00 p.m. on Friday, 8 April 2005. **All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's orders must be issued by, a bank in Hong Kong and made payable to "New World China Land Limited — Provisional Allotment Account" and crossed "Account Payee Only".**

It should be noted that unless the Provisional Allotment Letter, together with the appropriate remittance, has been lodged with the Company's branch share registrar by 4:00 p.m. on Friday, 8 April 2005 whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If you wish to transfer all of your rights to subscribe for the Rights Shares provisionally allotted to you, you must complete and sign the form of transfer and nomination in the Provisional Allotment Letter, and hand the Provisional Allotment Letter to the transferee(s) or through whom you are transferring your such rights to subscribe for the Rights Shares. The transferee(s) must then complete and sign the registration application form in the Provisional Allotment Letter, and lodge the Provisional Allotment Letter intact together with a remittance for the full amount payable on acceptance with the Company's branch share registrar, Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 8 April 2005. If you wish to accept only part of your provisional allotment or if you wish to transfer all or part of your provisional allotment to more than one person, the Provisional Allotment Letter must be surrendered by not later than 4:00 p.m. on Wednesday, 30 March 2005 to the Company's branch share registrar which will cancel the original Provisional Allotment Letter and issue new Provisional Allotment Letters in the denominations required. All enquiries in connection with the Provisional Allotment Letter should be addressed to the Company's branch share registrar at its address mentioned above.

All cheques and cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any Provisional Allotment Letter in respect of which the accompanying cheque or cashier's order is not honoured on first presentation is liable to be rejected, and in that event the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

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## LETTER FROM THE BOARD

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If the Underwriter exercises its right to terminate the Underwriting Agreement in accordance with the terms thereof and/or if any of the conditions mentioned in the paragraph headed “Conditions of the Rights Issue” in this section is not fulfilled on or before the Latest Acceptance Date (or such later time and/or date as the Company and the Underwriter may determine), the monies received from the Qualifying Shareholders in respect of the acceptance of the Rights Shares or such other persons to whom the Rights Shares in their nil-paid form shall have been validly transferred will be refunded to the Qualifying Shareholders or such other persons without interest, by means of cheques crossed “Account Payee Only” despatched by ordinary post to the registered address of such Qualifying Shareholders or such other persons at his/her own risk on or before Thursday, 14 April 2005.

### 6. APPLICATION FOR EXCESS RIGHTS SHARES

Qualifying Shareholders may apply for any unsold entitlements of Excluded Shareholders (if any) and any Rights Shares provisionally allotted but not accepted by Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares. Application can be made by completing the Excess Application Form and lodging the same with remittance for the excess Rights Shares with the Company’s branch share registrar, Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by not later than 4:00 p.m. on Friday, 8 April 2005. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis, but will give preference to topping-up odd lots to whole board lots of Shares. **All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and cashier’s orders must be issued by, a bank in Hong Kong and made payable to “New World China Land Limited — Excess Application Account” and crossed “Account Payee Only”.**

All cheques and cashier’s orders will be presented for payment immediately following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and lodgment of an Excess Application Form together with a cheque or cashier’s order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or cashier’s order will be honoured on first presentation. Any Excess Application Form in respect of which the accompanying cheque or cashier’s order is dishonoured on first presentation is liable to be rejected.

If no excess Rights Shares are allotted to you, the amount tendered on application by you is expected to be refunded in full without interest by means of cheque(s) despatched by ordinary post to your registered address at your own risk on or before Thursday, 14 April 2005. If the number of excess Rights Shares allotted to you is less than the number applied for, the surplus application monies are also expected to be returned to you without interest by means of cheque(s) despatched by ordinary post to your registered address at your own risk on or before Thursday, 14 April 2005.

If the Underwriter exercises its right to terminate the Underwriting Agreement in accordance with the terms thereof and/or if any of the conditions mentioned in the paragraph headed “Conditions of the Rights Issue” in this Letter from the Board are not fulfilled on or before the Latest Acceptance Date (or such later time and/or date as the Company and the Underwriter may determine), the monies received in respect of the application for excess Rights Shares will be returned to the applicants without interest by means of cheque(s) despatched by ordinary post at the risk of such applicants on or before Thursday, 14 April 2005.

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## LETTER FROM THE BOARD

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### 7. BUSINESS AND FUTURE PROSPECTS

The principal activities of the Group are property development, property investments and property related businesses in the PRC.

The Group completed 15 projects with a total GFA of 997,283 sq.m. in the year ended 30 June 2004, representing an increase of approximately 39% as compared to the GFA completed in the year ended 30 June 2003. The aggregate GFA sold by the Group in the year ended 30 June 2004 increased approximately 62% as compared to the year ended 30 June 2003.

The Company continues to be a national real estate developer in the PRC. It currently has a land bank of approximately 17 million sq.m. spanning over 17 cities in the PRC, (including approximately 1.1 million sq.m. of investment properties held by the Group) with approximately 80% of its land bank located in Guangzhou, Beijing, Shenyang and Wuhan.

The Company's 1.1 million sq.m. rental portfolio is principally located at prime locations in the PRC which provides a stable stream of income to the Group. The Company's key rental properties include Beijing New World Centres, Shanghai Hong Kong New World Tower, Shanghai Ramada Plaza, Wuhan International Trade and Commerce Centre and Dalian Manhattan Tower.

In addition, the Company currently has four hotels in operation in China (Beijing New World Courtyard Hotel, Mayfair Hotel Shanghai, Shenyang New World Hotel and Shunde New World Courtyard Hotel) and 2 major service apartments (Beijing New World Centre Tai Hua Apartment and Shanghai Belvedere Service Apartment) providing approximately 2,300 guest rooms.

In the year ending 30 June 2005, the Company expects to complete a total GFA of approximately 856,000 sq.m., out of which approximately 688,000 sq.m. is residential, approximately 47,000 sq.m. is commercial, approximately 44,000 sq.m. is office and approximately 77,000 sq.m. is carpark. It is expected that the aggregate GFA available for sale in the year ending 30 June 2005 will reach 1.3 million sq.m..

The Directors expect that the outlook of the PRC's property market in the near future will remain strong and steady which is conducive to the future growth of the Group's business due to the following reasons:

- the continuous PRC economic growth which is evidenced by the continuous growth in the PRC gross domestic product;
- the increase of the total turnover of commodity properties in the PRC. In 2004, the total turnover of commodity properties in the PRC amounted to approximately RMB1,037.6 billion, representing an increase of approximately 30% as compared to 2003;
- the increase of the average selling price of commodity residential properties in the PRC. According to the National Bureau of Statistics of China, the price of commodity housing in Beijing, Wuhan and Guangzhou increased by approximately 6.3%, 7.8% and 5.0% respectively in the fourth quarter of 2004 as compared to the same period of 2003. Also, the average selling price of commodity properties in 2004 increased by approximately 15.2% as compared to 2003; and
- the PRC land policy adopted by the PRC Government. The land acquisition policy by way of tender, auction and listing was introduced in the PRC in 2002. The Directors believe that this system will make the land acquisition process in the PRC more regulated, which is generally conducive to the long-term development of the PRC property market.

## LETTER FROM THE BOARD

### 8. ADJUSTMENT OF THE OUTSTANDING SHARE OPTIONS

Pursuant to the terms as prescribed under the share option schemes of the Company, issuance of Rights Shares will constitute an event giving rise to an alteration to each of the exercise price and number of Shares that can be subscribed for under the Share Options. As at the Latest Practicable Date, the outstanding Share Options entitled the holders thereof to subscribe for a total of 30,960,200 Shares. Details on the adjustments to each of exercise price of and number of Shares that can be subscribed for under the Share Options were as follows:

Date of grant	Exercise price per Share before the Rights Issue (HK\$)	Exercise price per Share upon completion of the Rights Issue (HK\$)	Number of Shares entitled to be subscribed for before the Rights Issue	Number of Shares entitled to be subscribed for upon completion of the Rights Issue
5 February 2001 to 2 March 2001	1.955	1.782	23,861,600	59,654,000
2 May 2001 to 29 May 2001	2.605	2.375	383,200	958,000
29 June 2001 to 26 July 2001	3.192	2.910	1,371,600	3,429,000
31 August 2001 to 27 September 2001	2.380	2.170	478,000	1,195,000
26 March 2002 to 22 April 2002	2.265	2.065	555,200	1,388,000
3 January 2003 to 30 January 2003	1.330	1.212	501,600	1,254,000
12 May 2003 to 6 June 2003	1.000	0.912	1,064,200	2,660,500
28 October 2003 to 22 November 2003	1.810	1.650	27,600	69,000
18 December 2003 to 14 January 2004	1.830	1.668	750,000	1,875,000
25 March 2004 to 21 April 2004	2.470	2.252	818,800	2,047,000
18 June 2004 to 15 July 2004	1.810	1.650	353,200	883,000
4 November 2004 to 1 December 2004	2.725	2.484	282,800	707,000
22 December 2004 to 18 January 2005	2.950	2.689	<u>512,400</u>	<u>1,281,000</u>
			<u><u>30,960,200</u></u>	<u><u>77,400,500</u></u>

If the Rights Issue becomes unconditional and is not terminated in accordance with its terms, the above adjustments will become effective on 9 April 2005 and the Company will give notice to holders thereof accordingly.

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## LETTER FROM THE BOARD

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### 9. TAXATION

Qualifying Shareholders are recommended to consult their professional advisors if they are in any doubt as to the tax implications of the holding or disposal of, or dealing in the Rights Shares and, as regards the Excluded Shareholders, their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares.

### 10. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this prospectus.

Yours faithfully  
For and on behalf of the Board  
**New World China Land Limited**  
**Dr. Cheng Kar-shun, Henry**  
*Chairman and Managing Director*

## 1. FINANCIAL STATEMENTS OF THE GROUP

## (1) Annual financial statements

Set out below is an extract from the audited financial statements of the Group for the year ended 30 June 2004 (the date to which the latest financial statements were made up), together with certain comparative figures for the years ended 30 June 2002 and 2003 and the relevant notes to such annual financial statements of the Group. These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice effective as at each of these balance sheet dates issued by the Hong Kong Institute of Certified Public Accountants.

The Company's auditors have not issued any qualified opinion on the Group's financial statements for the three years ended 30 June 2002, 2003 and 2004.

**Consolidated profit and loss account**

	Note	Year ended 30 June		
		2004 HK\$'000	2003 HK\$'000 (As restated)	2002 HK\$'000 (As restated)
Turnover	2	2,521,784	545,584	939,376
Cost of sales		<u>(2,053,351)</u>	<u>(434,104)</u>	<u>(559,111)</u>
Gross profit		468,433	111,480	380,265
Other revenue	3	19,853	7,824	67,149
Other income/(charges)	4	62,458	(1,035,658)	(45,334)
Selling expenses		(129,863)	(64,781)	(5,185)
Administrative expenses		(30,533)	(41,753)	(37,863)
Other operating expenses		<u>(237,713)</u>	<u>(221,975)</u>	<u>(199,518)</u>
Operating profit/(loss) before financing	5	152,635	(1,244,863)	159,514
Finance costs	6	(74,701)	(90,058)	(24,276)
Share of results of				
Associated companies		24,799	(99,443)	(3,557)
Jointly controlled entities		<u>108,867</u>	<u>(410,194)</u>	<u>1,327</u>
Profit/(loss) before taxation		211,600	(1,844,558)	133,008
Taxation (charge)/credit	9	<u>(44,788)</u>	<u>2,727</u>	<u>(30,388)</u>
Profit/(loss) after taxation		166,812	(1,841,831)	102,620
Minority interests		<u>(39,466)</u>	<u>136,269</u>	<u>24,579</u>
Profit/(loss) attributable to shareholders	27	<u>127,346</u>	<u>(1,705,562)</u>	<u>127,199</u>
Final dividend		<u>—</u>	<u>—</u>	<u>29,639</u>
Earnings/(loss) per share	11			
Basic		<u>8.57 cents</u>	<u>(115.1 cents)</u>	<u>8.58 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>	<u>8.53 cents</u>

## Consolidated balance sheet

		As at 30 June	
		2004	2003
	Note	HK\$'000	HK\$'000
			(As restated)
Fixed assets	12	3,616,762	4,442,443
Properties held for development	14	3,947,225	3,743,306
Associated companies	15	1,298,372	1,198,248
Jointly controlled entities	16	10,319,994	8,706,406
Other investments	17	49,132	1,758,573
Deferred tax assets	29	—	2,932
Other non-current assets	18	34,831	50,293
Total non-current assets		<u>19,266,316</u>	<u>19,902,201</u>
Current assets			
Debtors, deposits and other receivables	19	929,571	454,400
Amounts due from fellow subsidiaries	24	23,543	—
Properties under development	20	2,116,807	2,556,235
Completed properties held for sale	21	1,825,614	454,329
Cash and bank balances	22	857,391	1,283,427
		<u>5,752,926</u>	<u>4,748,391</u>
Current liabilities			
Creditors and accruals	23	1,065,084	531,936
Deposits received on sale of properties		244,775	405,059
Amounts due to fellow subsidiaries	24	573,943	306,597
Short term bank loans			
Secured		214,953	481,308
Unsecured		186,916	564,691
Current portion of bank and other borrowings	28	1,731,562	1,418,479
Taxes payable	25	97,546	106,299
		<u>4,114,779</u>	<u>3,814,369</u>
Net current assets		<u>1,638,147</u>	<u>934,022</u>
Employment of funds		<u>20,904,463</u>	<u>20,836,223</u>
Financed by:			
Share capital	26	148,886	148,194
Reserves	27	16,220,336	15,854,487
Shareholders' funds		16,369,222	16,002,681
Bank and other borrowings	28	3,636,163	3,987,493
Deferred income		349,987	355,658
Deferred tax liabilities	29	139,911	110,097
Minority interests and loans from minority shareholders	30	409,180	380,294
Funds employed		<u>20,904,463</u>	<u>20,836,223</u>

## Company balance sheet

	Note	As at 30 June	
		2004 HK\$'000	2003 HK\$'000
Subsidiaries	13	14,635,621	15,350,701
Other non-current assets	18	—	2,588
Total non-current assets		<u>14,635,621</u>	<u>15,353,289</u>
Current assets			
Debtors, deposits and other receivables		10,224	8,948
Cash and bank balances	22	<u>175,876</u>	<u>159,411</u>
		<u>186,100</u>	<u>168,359</u>
Current liabilities			
Creditors and accruals		40,921	11,336
Amounts due to fellow subsidiaries	24	156,065	12,970
Current portion of bank and other borrowings	28	<u>—</u>	<u>500,000</u>
		<u>196,986</u>	<u>524,306</u>
Net current liabilities		<u>(10,886)</u>	<u>(355,947)</u>
Employment of funds		<u>14,624,735</u>	<u>14,997,342</u>
Financed by:			
Share capital	26	148,886	148,194
Reserves	27	<u>14,475,849</u>	<u>14,849,148</u>
Shareholders' funds		<u>14,624,735</u>	<u>14,997,342</u>



## Consolidated cash flow statement

	Note	Year ended 30 June	
		2004 HK\$'000	2003 HK\$'000
Operating activities			
Net cash generated from/(used in) operations	33(a)	651,012	(636,188)
Tax paid		<u>(21,651)</u>	<u>(12,235)</u>
Net cash generated from/(used in) operating activities		<u>629,361</u>	<u>(648,423)</u>
Investing activities			
Interest received		8,077	129,120
Dividend received from a jointly controlled entity		5,513	2,585
Additions to fixed assets		(374,490)	(399,669)
Deferred expenditure incurred		(3,185)	(8,702)
Increase in investments in associated companies		(152,075)	(195,902)
Increase in investments in jointly controlled entities		(878,951)	(229,889)
Repayment of investments in jointly controlled entities		1,039,695	196,485
Repayment of investments in associated companies		71,509	20,378
Acquisition of additional interests in subsidiaries		—	(2,524)
Acquisition of interests in subsidiaries	33(c)	10,838	(146,229)
Disposal of interests in subsidiaries	33(d)	—	350,162
Disposal of fixed assets		8,809	1,203
Disposal of jointly controlled entities		35,200	2,293
Disposal of partial interests in subsidiaries		<u>—</u>	<u>85,279</u>
Net cash used in investing activities		<u>(229,060)</u>	<u>(195,410)</u>
Financing activities	33(e)		
Dividend paid		—	(29,639)
Interest paid		(151,716)	(140,231)
Increase in long term bank loans		388,669	1,208,152
Repayment of long term bank loans		(1,192,660)	(267,913)
Net (decrease)/increase in short term bank loans		(644,130)	366,560
Contribution from minority shareholders		—	17,829
Increase in loans from minority shareholders		—	11,923
Repayment of loans from fellow subsidiaries		(7,410)	(489,299)
Increase in loans from fellow subsidiaries		755,000	45,616
Issue of shares		13,035	82
Decrease in restricted bank balances		<u>353,507</u>	<u>175,479</u>
Net cash (used in)/from financing activities		<u>(485,705)</u>	<u>898,559</u>
(Decrease)/increase in cash and cash equivalents		(85,404)	54,726
Cash and cash equivalents at beginning of year		<u>902,570</u>	<u>847,844</u>
Cash and cash equivalents at end of year		<u>817,166</u>	<u>902,570</u>
Analysis of balances of cash and cash equivalents			
Cash and bank balances — unrestricted balances		<u>817,166</u>	<u>902,570</u>

## Consolidated statement of changes in equity

	<i>Note</i>	Year ended 30 June	
		2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Total equity as at 1 July, as previously reported		16,191,163	17,881,500
Changes in accounting policy in respect of deferred taxation		<u>(188,482)</u>	<u>(170,732)</u>
Total equity as at 1 July, as restated		<u>16,002,681</u>	<u>17,710,768</u>
Revaluation surplus on investment properties	27	63,798	8,381
Share of revaluation (deficit)/surplus of associated companies	27	(11,016)	17,393
Share of revaluation surplus of jointly controlled entities	27	163,536	8,261
Exchange differences arising on translation of subsidiaries, associated companies and jointly controlled entities	27	<u>1,613</u>	<u>(228)</u>
Net gains not recognised in the profit and loss account		<u>217,931</u>	<u>33,807</u>
Profit/(loss) for the year		<u>127,346</u>	<u>(1,705,562)</u>
		16,347,958	16,039,013
Release of reserves upon disposal of properties	27	8,229	—
Release of reserves upon disposal of a subsidiary	27	—	(6,438)
Release of reserves upon disposal of a jointly controlled entity	27	—	(337)
Dividend paid		—	(29,639)
Issue of shares		<u>13,035</u>	<u>82</u>
Total equity as at 30 June		<u>16,369,222</u>	<u>16,002,681</u>

## Notes to the accounts

### 1. Principal accounting policies

#### (a) *Basis of preparation*

The accounts have been prepared under the historical cost convention as modified by the revaluation of hotel and investment properties and other investments and in accordance with accounting principles generally accepted in Hong Kong.

During the 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 1 January 2003.

A summary of the accounting policies and the effect of adopting SSAP 12 is set out below:

#### (b) *Basis of consolidation*

The consolidated accounts incorporate the accounts of the Company and all of its subsidiaries made up to 30 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 profit and loss account from the effective dates of acquisition and up to the effective dates of disposal respectively.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group’s share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

#### (c) *Goodwill*

Goodwill represents the excess of purchase consideration over the fair values ascribed to net assets of subsidiaries, associated companies or jointly controlled entities acquired.

Goodwill on acquisition of subsidiaries, associated companies or jointly controlled entities occurring before 1 July 2001 was written off directly to reserves in the year of acquisition.

Goodwill on acquisitions occurring on or after 1 July 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life of not more than twenty years. Any impairment of the goodwill will be recognised as an expense in the profit and loss account immediately.

#### (d) *Negative goodwill*

Negative goodwill represents the excess of the fair value of the Group’s share of the net assets acquired over the cost of acquisition.

Negative goodwill on acquisition of subsidiaries, associated companies or jointly controlled entities occurring before 1 July 2001 was taken directly to reserves in the year of acquisition.

For acquisitions on or after 1 July 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group’s plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average life of those non-monetary assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

(e) *Subsidiaries*

Subsidiaries are companies, including equity and co-operative joint ventures in the People's Republic of China ("PRC"), in which the Group has the power to exercise control governing the financial and operating policies of the companies. Investments in subsidiaries are carried at cost. Provision is made when the directors consider that there is long term impairment in value.

(f) *Associated companies*

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised through representatives on the board of directors and there is no contractual arrangement to establish joint control over the economic activities of the company. The Group's investments in associated companies also include joint ventures in the PRC in which the composition of the board of directors is controlled by the Group's associated companies.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year. The consolidated balance sheet includes the Group's share of the net assets of the associated companies and any unamortised goodwill/negative goodwill on acquisition.

(g) *Jointly controlled entities*

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.

The Group's interests in jointly controlled entities are stated at cost plus the Group's share of their post-acquisition results and reserves and any unamortised goodwill/negative goodwill on acquisition, less provision for diminution in value other than temporary in nature. 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:

(i) *Equity joint ventures*

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

(ii) *Co-operative joint ventures*

Co-operative joint ventures are joint ventures in respect of which the venturers' profit sharing ratios and share of net assets upon expiration of the joint venture periods are not in proportion to their capital contribution ratios but are as defined in the joint venture contracts.

(iii) *Companies limited by shares*

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

(h) *Joint ventures in the PRC*

(i) *Equity joint ventures*

The Group's investments in these Sino-foreign joint ventures are accounted for as subsidiaries (where the Group has the power to exercise control governing the financial and operating policies) or as jointly controlled entities (where the Group and the other venturers of the equity joint venture established joint control over the economic activity thereof).

**1. Principal accounting policies (continued)****(ii) Co-operative joint ventures**

The Group's investments in these Sino-foreign joint ventures are accounted for as subsidiaries (where the Group has the power to exercise control governing the financial and operating policies) or as jointly controlled entities (where the Group and the other venturers of the co-operative joint venture established joint control over the economic activity thereof).

**(i) Other investments**

Other investments represent securities which are held for non-trading purpose. They are stated at fair value at the balance sheet date. Fair value is estimated by the directors by reference to the market price or, in case of unlisted investments, net asset value of the respective investment. Changes in the fair value of individual investment are credited or debited to the investment revaluation reserve until the investment is sold or determined to be impaired. Where the directors determine that there is impairment loss, the accumulated changes in fair value are removed from the investment revaluation reserve and recognised in the profit and loss account. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant investment, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

**(j) Fixed assets and depreciation****(i) Investment properties**

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential. The investment properties are stated at open market value based on an annual professional valuation at the balance sheet date. Increases in valuation are credited to the investment property revaluation reserve; decreases in value are first set off against earlier revaluation surplus on a portfolio basis and thereafter charged to the profit and loss account. Any subsequent increases are credited to operating profit up to the amount previously debited. Upon sale of an investment property, the relevant portion of the revaluation surplus in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account. No depreciation is provided on investment properties held on leases of more than twenty years.

**(ii) Hotel properties**

Hotel properties are interests in land and buildings and their integral fixed plant which are collectively used in the operation of hotel. They are stated in the balance sheet at their open market value on the basis of an annual professional valuation. Increases in valuation are credited to the hotel properties revaluation reserve; decreases in value are first set off against earlier revaluation surplus and thereafter charged to the profit and loss account. No depreciation is provided on hotel properties held on leases of more than twenty years. It is the Group's practice to maintain the buildings in a continual state of sound repairs and to make improvements thereto from time to time and accordingly, the directors consider that given the estimated lives of the hotel properties, any depreciation would be insignificant due to their high residual value. Such expenditures on repairs and improvements are charged to the profit and loss account in the year in which they are incurred.

**(iii) Assets under construction**

No depreciation is provided on assets under construction. All direct and indirect costs relating to the construction of fixed assets including interest and financing costs and foreign exchange differences on the related borrowed funds during the construction period are capitalised as the cost of the fixed assets.

**(iv) Other fixed assets**

Other fixed assets, including other properties which are interests in land and buildings other than investment properties and hotel properties, are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of fixed assets is calculated to write off the cost of assets over their estimated useful lives, using the straight line method. Estimated useful lives are summarised as follows:

Land held on long or medium term lease	Unexpired period of the lease
Buildings	20 years
Leasehold improvements	5–10 years or over the relevant lease period
Furniture, fixtures and equipment	5 years
Motor vehicles	3 years

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives. The carrying amounts of fixed assets are reviewed regularly. When the recoverable amounts have declined permanently below their carrying amounts, the carrying amounts are written down to their estimated recoverable amount. Expected future cash flows have been discounted in determining the recoverable amount.

Profits or losses on disposal of fixed assets are determined as the difference between the net disposal proceeds and the carrying amounts of the assets and are dealt with in the profit and loss account.

**(k) Deferred expenditure**

Loan procurement expenses are amortised on a straight line basis over the relevant loan periods.

**(l) Properties held for/under development**

Properties held for/under development are stated at cost less provision for any possible loss. Cost comprises land cost, development expenditure, professional fees and interest capitalised. On completion, the properties are transferred to investment properties or to completed properties held for sale.

**(m) Completed properties held for sale**

Completed properties held for sale is stated at the lower of cost and net realisable value. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

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

Employee entitlements 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.

**(o) Provisions**

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable 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.

**1. Principal accounting policies (continued)****(p) Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Rentals payable to such operating leases, net of incentives received from the lessors, are charged to the profit and loss account on a straight line basis over the periods of the leases.

**(q) 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 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 difference can be controlled and it is probable that the temporary difference 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 so that the comparatives presented have been restated to conform to the changed policy.

As a result, opening retained profit at 1 July 2002 has been reduced by HK\$19,427,000 and opening accumulated losses at 1 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 30 June 2003. In addition, opening investment properties revaluation reserve at 1 July 2002 and 2003 have been reduced by HK\$151,305,000 and HK\$174,521,000 respectively. This has also resulted in the following changes as at 30 June 2003:

	<i>HK\$'000</i>
Decrease in associated companies	(5,077)
Decrease in jointly controlled entities	(71,321)
Decrease in other investments	(19,262)
Increase in deferred tax assets	2,932
Increase in deferred tax liabilities	(110,097)
Decrease in minority interests	<u>14,343</u>
Decrease in reserves	<u><u>(188,482)</u></u>

**(r) Capitalisation of interest and finance charges**

Interest and finance charges on borrowings relating to properties under development are included in the cost of the development during the period of development. Interest and finance charges on borrowings that are directly attributable to the financing of the Group's investments in joint ventures investing in property development projects are capitalised as the cost of investments in these joint ventures up to the respective date of completion of construction of the related properties. All other borrowing costs are expensed in the profit and loss account in the year in which they are incurred, other than those dealt with in note (j) (iii) above.

**(s) Foreign currencies**

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at rates of exchange ruling at that date. Exchange differences arising in these cases are dealt with in the profit and loss account, other than those dealt with in note (j) (iii) above.

The balance sheet of overseas subsidiaries, associated companies and jointly controlled entities expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences arising therefrom are dealt with as a movement in reserves.

(t) *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 either when the sale agreement is completed or when the development is completed which is determined by the issuance of the completion certificate by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.

(ii) *Interest income*

- (a) Interest income in respect of loan financing provided to associated companies and jointly controlled entities financing the development of property projects during the development periods is deferred and recognised on the same basis as property sales (note (t) (i)) above.
- (b) Interest income in respect of loan financing provided to associated companies and jointly controlled entities other than those engaged in property development during their pre-operational period is deferred and amortised over the repayment period of the loan.
- (c) Other than those described in (a) and (b) above, interest income is recognised on a time proportion basis.

(iii) *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.

(iv) *Hotel operating income*

Hotel operating income is recognised when the services are rendered.

(v) *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 (t) (i)) above.

(vi) *Property management services fee income*

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

(vii) *Dividend income*

Dividend income is recognised when the shareholder's right to receive payment is established.



## 2. 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 sales 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	<u>4,893</u>	<u>5,129</u>
	2,463,305	528,491
Interest income less withholding tax	<u>58,479</u>	<u>17,093</u>
	<u><u>2,521,784</u></u>	<u><u>545,584</u></u>

- (b) The Group is organised into four main business segments, comprising property sales, rental operation, hotel operation and property management. There is no other significant identifiable separate business segment. Segment assets consist primarily of fixed assets, properties held for/under development, other non-current assets, debtors, deposits and other receivables, and completed properties held for sale. Segment liabilities comprise mainly creditors and accruals, bank and other loans and deferred income.

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 risks and returns.

Year ended 30 June 2004	Property sales	Rental operation	Hotel operation	Property management operation	Other operations	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenues	<u>2,249,594</u>	<u>140,336</u>	<u>121,774</u>	<u>10,080</u>	<u>—</u>	<u>2,521,784</u>
Segment results	<u>2,979</u>	<u>11,102</u>	<u>238,346</u>	<u>(346)</u>	<u>(1,614)</u>	250,467
Bank and other interest income						19,853
Corporate administrative expenses						<u>(117,685)</u>
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)	<u>108,867</u>
Profit before taxation						211,600
Taxation charge						<u>(44,788)</u>
Profit after taxation						166,812
Minority interests						<u>(39,466)</u>
Profit attributable to shareholders						<u><u>127,346</u></u>

Year ended 30 June 2003	Property	Rental	Hotel	Property	Other	Total
	sales	operation	operation	management	operations	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(As restated)
Segment revenues	<u>390,817</u>	<u>143,331</u>	<u>7,317</u>	<u>3,759</u>	<u>360</u>	<u>545,584</u>
Segment results	<u>(661,015)</u>	<u>12,599</u>	<u>(481,320)</u>	<u>(6,547)</u>	<u>7,903</u>	<u>(1,128,380)</u>
Bank and other interest income						7,824
Corporate administrative expenses						<u>(124,307)</u>
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)	<u>(410,194)</u>
Loss before taxation						(1,844,558)
Taxation credit						<u>2,727</u>
Loss after taxation						(1,841,831)
Minority interests						<u>136,269</u>
Loss attributable to shareholders						<u><u>(1,705,562)</u></u>
As at 30 June 2004	Property	Rental	Hotel	Property	Other	Total
	sales	operation	operation	management	operations	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	9,409,822	2,585,916	1,138,545	17,260	6,422	13,157,965
Associated companies and jointly controlled entities	6,156,816	5,028,971	400,157	(11,057)	43,479	11,618,366
Unallocated assets						<u>242,911</u>
Total assets						<u><u>25,019,242</u></u>
Segment liabilities	5,019,902	1,773,087	934,958	9,328	779	7,738,054
Minority interests						(1,141)
Unallocated liabilities						<u>913,107</u>
Total liabilities and minority interests						<u><u>8,650,020</u></u>
Capital expenditure	11,049	195,183	173,424	226	2,772	382,654
Depreciation	14,396	24,255	9,779	198	2,410	51,038
Reversal of impairment loss of fixed assets	—	—	(205,120)	—	—	(205,120)
Provision for/(write back of provision for) jointly controlled entities, associated companies and other investments	104,612	(62)	(2,380)	483	—	102,653
Provision for properties	<u>47,317</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>47,317</u>

## 2. Turnover and segment information (continued)

As at 30 June 2003	Property sales <i>HK\$'000</i>	Rental operation <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	Property management operation <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Total <i>HK\$'000</i> (As restated)
Segment assets	9,946,652	3,801,866	776,705	260	—	14,525,483
Associated companies and jointly controlled entities	4,823,094	4,756,499	289,232	(1,189)	37,018	9,904,654
Unallocated assets						<u>220,455</u>
Total assets						<u>24,650,592</u>
Segment liabilities	5,592,024	2,053,395	568,371	3,628	—	8,217,418
Minority interests						(15,719)
Unallocated liabilities						<u>446,212</u>
Total liabilities and minority interests						<u>8,647,911</u>
Capital expenditure	168,615	133,679	155,997	958	1,080	460,329
Depreciation	10,490	38,039	—	371	2,092	50,992
Provision for jointly controlled entities, associated companies and other investments	335,378	4,936	85,074	7,134	—	432,522
Provision for/impairment of/ revaluation deficit of properties	<u>281,247</u>	<u>23,508</u>	<u>386,242</u>	<u>—</u>	<u>—</u>	<u>690,997</u>

## 3. Other revenue

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Bank and other interest income	<u>19,853</u>	<u>7,824</u>

## 4. Other income/(charges)

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
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)
Provision for investments in/amounts due by jointly controlled entities	(5,614)	(134,695)
Provision for amount due by an associated company	(2,246)	(16,806)
Write back of/(revaluation deficit) of a hotel property	3,672	(178,315)
Net profit/(loss) on disposal of a jointly controlled entity	3,636	(21,266)
Net gain on disposal and partial disposal of subsidiaries	<u>—</u>	<u>109,127</u>
	<u>62,458</u>	<u>(1,035,658)</u>

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Operating profit/(loss) before financing is arrived at after crediting:		
Gross rental income from investment properties	<u>72,807</u>	<u>102,849</u>
and after charging:		
Cost of properties sold	1,896,724	363,534
Staff costs including directors' emoluments	117,604	117,901
Depreciation	51,038	50,992
Rental for leased premises	36,031	37,167
Outgoings in respect of investment properties	29,706	13,653
Amortisation of deferred expenditure	5,773	9,634
Auditors' remuneration	4,160	3,682
Retirement benefit costs	3,794	4,138
Loss on disposal of fixed assets	<u>1,347</u>	<u>1,144</u>

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
The future minimum rental payments receivable under non-cancellable leases are as follows:		
Within one year	121,810	86,966
Between two and five years	159,359	166,837
Beyond five years	<u>508,222</u>	<u>360,128</u>
	<u>789,391</u>	<u>613,931</u>

Generally the Group's operating leases are for terms of two to five years except for six (2003: four) long term leases which are beyond five years.

## 6. Finance costs

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
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	<u>4,022</u>	<u>6,063</u>
	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	<u>(19,592)</u>	<u>(21,901)</u>
	<u>74,701</u>	<u>90,058</u>

## 7. Retirement benefit costs

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 1 December 2000, the Group established a new MPF Scheme. Except for employees who commenced employment after 1 October 2000, all the existing employees were given an option to select between the existing defined contribution scheme and the MPF Scheme. The employees who commenced employment after 1 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 cost charged to the profit and loss account amounted to HK\$3,794,000 (2003: HK\$4,138,000).

## 8. Directors' and senior management remuneration

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Fees	800	800
Salaries, discretionary bonus, other allowances and other benefits in kind	1,188	1,027
Contribution to retirement benefit scheme	<u>—</u>	<u>103</u>
	<u>1,988</u>	<u>1,930</u>

The emoluments of the directors fall within the following bands:

	Number of directors	
	2004	2003
Nil – HK\$500,000	12	13
HK\$1,000,001 – HK\$1,500,000	<u>1</u>	<u>1</u>
	<u>13</u>	<u>14</u>

Fees include HK\$300,000 paid to independent non-executive directors during the year (2003: HK\$300,000). There were no other emoluments paid to independent non-executive directors during the year (2003: Nil).

None of the directors has waived his right to receive his emoluments (2003: Nil).

- (ii) The five individuals whose emoluments were the highest in the Group for the year do not include any emoluments of the directors (2003: Nil). Details of the emoluments paid to those five (2003: five) individuals in the Group are as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Salaries, discretionary bonus, other allowances and other benefits in kind	8,247	7,291
Contribution to retirement benefit scheme	<u>565</u>	<u>540</u>
	<u><u>8,812</u></u>	<u><u>7,831</u></u>

The emoluments fall within the following bands:

	Number of individuals	
	2004	2003
HK\$1,000,001 – HK\$1,500,000	—	3
HK\$1,500,001 – HK\$2,000,000	4	1
HK\$2,000,001 – HK\$2,500,000	<u>1</u>	<u>1</u>
	<u><u>5</u></u>	<u><u>5</u></u>

#### 9. Taxation charge/(credit)

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

The taxation on the Group's profit/(loss) 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:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit/(loss) before taxation	<u>211,600</u>	<u>(1,844,558)</u>
Calculated at a taxation rate of 33% (2003: 33%)	69,828	(608,704)
Income not subject to taxation	(33,071)	(64,924)
Expenses not deductible for taxation purposes	100,320	171,227
Tax losses not recognised	81,896	155,518
Utilisation of previously unrecognised tax losses	(68,617)	(60,492)
Temporary differences not recognised	<u>(105,568)</u>	<u>404,648</u>
Taxation charge/(credit)	<u><u>44,788</u></u>	<u><u>(2,727)</u></u>

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%).

## 9. Taxation charge/(credit) (continued)

In July 1999, 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, 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 31 March 1999. During the year, no such tax indemnity was effected (2003: Nil).

## 10. Dividend

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

## 11. 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 earnings/(loss) per share.

## 12. Fixed assets

### Group

	Investment properties	Hotel properties	Other properties	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Assets under construction	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation								
At 30 June 2003	2,164,217	202,291	94,368	198,639	135,026	30,266	1,784,027	4,608,834
Additions	168,265	66	411	27,500	54,583	3,140	128,689	382,654
Acquisition of interests in a subsidiary	—	—	—	—	958	1,894	—	2,852
Disposals	—	—	(5,921)	(46)	(5,087)	(1,034)	—	(12,088)
Reversal of impairment	—	—	—	—	—	—	205,120	205,120
Reclassifications	(65,195)	803,739	(38,757)	—	(5,214)	—	(2,117,836)	(1,423,263)
Revaluation surplus	32,114	3,672	—	—	—	—	—	35,786
At 30 June 2004	2,299,401	1,009,768	50,101	226,093	180,266	34,266	—	3,799,895
Accumulated depreciation								
At 30 June 2003	—	—	33,054	50,513	64,513	18,311	—	166,391
Charge for the year	—	—	3,333	24,280	19,671	3,754	—	51,038
Acquisition of interests in a subsidiary	—	—	—	—	300	758	—	1,058
Disposals	—	—	(348)	(46)	(978)	(560)	—	(1,932)
Reclassifications	—	—	(29,555)	—	(3,867)	—	—	(33,422)
At 30 June 2004	—	—	6,484	74,747	79,639	22,263	—	183,133
Net book value								
At 30 June 2004	2,299,401	1,009,768	43,617	151,346	100,627	12,003	—	3,616,762
At 30 June 2003	2,164,217	202,291	61,314	148,126	70,513	11,955	1,784,027	4,442,443

Notes:

- (i) Investment properties and hotel properties were revalued on 30 June 2004 on an open market value basis by Chesterton Petty Limited, independent professional valuers, and are held in the PRC under the following leases:

	Investment properties		Hotel properties	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Long term leases	—	86,916	—	—
Medium term leases	<u>2,299,401</u>	<u>2,077,301</u>	<u>1,009,768</u>	<u>202,291</u>
	<u>2,299,401</u>	<u>2,164,217</u>	<u>1,009,768</u>	<u>202,291</u>

- (ii) Other properties are stated at cost and held in the PRC under the following leases:

	2004	2003
	HK\$'000	HK\$'000
Long term leases	34,844	76,855
Medium term leases	<u>15,257</u>	<u>17,513</u>
	<u>50,101</u>	<u>94,368</u>

- (iii) Certain interests in investment properties and hotel properties pledged as securities for short term loans and long term loans amount to HK\$266,579,000 (2003: HK\$297,862,000) and HK\$803,739,000 (2003: Nil) respectively. As at 30 June 2003, assets under construction of HK\$910,412,000 were pledged as securities for short term loans and long term loans.

- (iv) As at 30 June 2003, included in assets under construction was interest capitalised of HK\$145,250,000.

### 13. Subsidiaries

	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost (2004 and 2003: HK\$10)	—	—
Amounts due by, net of provision	<u>14,635,621</u>	<u>15,350,701</u>
	<u>14,635,621</u>	<u>15,350,701</u>

Details of principal subsidiaries are given in note 37.



## 14. Properties held for development

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold land, at cost		
Long term	2,221,746	1,847,602
Medium term	1,156,362	1,131,857
Development and incidental costs	422,675	614,394
Interest capitalised	<u>146,442</u>	<u>149,453</u>
	<u>3,947,225</u>	<u>3,743,306</u>

The aggregate carrying value of properties held for development pledged as securities for long term loan amounts to HK\$919,892,000 (2003: HK\$91,215,000).

## 15. Associated companies

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(As restated)</i>
Group's shares of net assets	63,631	41,828
Amounts due by, net of provision ( <i>note (i)</i> )	1,277,360	1,196,042
Amounts due to ( <i>note (i)</i> )	<u>(42,619)</u>	<u>(39,622)</u>
	<u>1,298,372</u>	<u>1,198,248</u>

(i) The amounts receivable and payable are unsecured, interest free and have no specific repayment terms except for an amount receivable of HK\$311,526,000 (2003: HK\$336,449,000 and HK\$19,626,000) which carries interest at 5.76% (2003: 5.76% and 6.01% respectively) per annum and is repayable by instalments up to 2016.

(ii) Details of principal associated companies are given in note 37.

## 16. Jointly controlled entities

	Group	
	2004	2003
	HK\$'000	HK\$'000
		(As restated)
Equity joint ventures		
Group's share of net assets	38,217	45,223
Amounts due by		
Interest bearing (note (i))	55,352	57,221
Non-interest bearing (note (ii))	77,639	62,487
Amounts due to (note (ii))	<u>(42,456)</u>	<u>—</u>
	-----	-----
	128,752	164,931
Co-operative joint ventures		
Cost of investments	3,560,419	3,413,615
Goodwill	14,946	14,946
Less: accumulated amortisation	(2,242)	(1,494)
Share of undistributed post-acquisition results and reserves	<u>(523,031)</u>	<u>(688,168)</u>
	3,050,092	2,738,899
Amounts due by, net of provision		
Interest bearing (note (iii))	6,407,882	5,314,883
Non-interest bearing (note (ii))	508,864	200,130
Amounts due to (note (ii))	<u>(107,374)</u>	<u>(136,454)</u>
	-----	-----
	9,859,464	8,117,458
Companies limited by shares		
Group's share of net liabilities	(251,395)	(163,134)
Amounts due by		
Interest bearing (note (iv))	173,655	173,289
Non-interest bearing (note (ii))	406,153	410,627
Amounts due to (note (ii))	<u>—</u>	<u>(130)</u>
	-----	-----
	328,413	420,652
Deposits for proposed joint ventures (note (v))	<u>3,365</u>	<u>3,365</u>
	-----	-----
	<u>10,319,994</u>	<u>8,706,406</u>

## Notes:

- (i) The amount receivable is unsecured, carries interest ranging from 5.85% to 5.94% (2003: 5.85% to 5.94%) per annum and have 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 5.31% to 12% (2003: 5.31% to 12%) per annum and have repayment terms as specified in the joint venture contracts.
- (iv) The amounts receivable are unsecured, carry interest ranging from 1.5% above Hongkong Interbank Offered Rate ("HIBOR") to 4% (2003: 1.5% above HIBOR to 4%) per annum and have repayment terms as specified in the joint venture contracts.

**16. Jointly controlled entities (continued)**

- (v) The balances represent payments on account of proposed joint ventures for which only preliminary agreements have been signed and the joint venture companies have not been established as at the balance sheet date. Upon the establishment of the relevant joint venture companies, the relevant amounts will be reclassified to respective joint venture balances.
- (vi) Details of principal jointly controlled entities are given in note 37.
- (vii) A summary of the financial information of the significant jointly controlled entities is set out in note 35.

**17. Other investments**

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(As restated)</i>	
Investment securities		
Unlisted shares, at cost	350	350
Amount due from an investee company, net of provision	<u>48,782</u>	<u>143,575</u>
	49,132	143,925
	-----	-----
Other joint ventures		
Cost of investments, net of provision	—	87,273
Amounts due by		
Interest bearing, net of provision ( <i>note (i)</i> )	—	1,281,828
Non-interest bearing ( <i>note (ii)</i> )	—	336,055
Amounts due to ( <i>note (ii)</i> )	<u>—</u>	<u>(90,508)</u>
	—	1,614,648
	-----	-----
	<u>49,132</u>	<u>1,758,573</u>
	=====	=====

*Notes:*

- (i) As at 30 June 2003, the amounts receivable were unsecured, carried interest at 5.31% to 10% per annum and had repayment terms as specified in the joint venture contracts.
- (ii) As at 30 June 2003, the amounts receivable and payable were unsecured, interest free and had repayment terms as specified in the joint venture contracts.
- (iii) Certain other joint ventures were reclassified as jointly controlled entities during the year upon changes of the terms of profit sharing in these entities.

**18. Other non-current assets**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred expenditure				
Loan procurement expenses	10,398	19,029	5,358	11,522
Less: accumulated amortisation	<u>(9,470)</u>	<u>(15,514)</u>	<u>(5,358)</u>	<u>(8,934)</u>
	928	3,515	—	2,588
Cash and bank balances, restricted ( <i>note 22</i> )	<u>33,903</u>	<u>46,778</u>	<u>—</u>	<u>—</u>
	<u>34,831</u>	<u>50,293</u>	<u>—</u>	<u>2,588</u>

**19. Debtors, deposits and other receivables**

Debtors, deposits and other receivables include trade debtors, utility and other deposits, interest and other receivables and prepayment for land cost.

The ageing analysis of trade debtors is as follows:

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	132,027	40,519
31 to 60 days	20,064	6,491
61 to 90 days	39,977	8,656
Over 90 days	<u>40,166</u>	<u>11,353</u>
	<u>232,234</u>	<u>67,019</u>

Sales proceed receivables in respect of sale 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.

**20. Properties under development**

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold land, at cost		
Long term	481,217	1,069,047
Medium term	171,228	110,232
Development and incidental costs	1,586,658	1,536,587
Interest capitalised	<u>118,271</u>	<u>44,869</u>
	2,357,374	2,760,735
Less: provision	<u>(240,567)</u>	<u>(204,500)</u>
	<u>2,116,807</u>	<u>2,556,235</u>

The aggregate carrying value of properties under development pledged as securities for long term loans amounts to HK\$285,600,000 (2003: HK\$808,478,000).

**21. Completed properties held for sale**

The aggregate carrying value of completed properties held for sale that were carried at net realisable values amounts to HK\$363,360,000 (2003: HK\$62,677,000).

The aggregate carrying value of completed properties held for sale pledged as securities for short term loans amounts to HK\$657,517,000 (2003: HK\$116,642,000).

**22. Cash and bank balances**

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Restricted balances	74,128	427,635	—	—
Unrestricted balances	<u>817,166</u>	<u>902,570</u>	<u>175,876</u>	<u>159,411</u>
Cash and bank balances	891,294	1,330,205	175,876	159,411
Restricted balances included in other non-current assets ( <i>note 18</i> )	<u>(33,903)</u>	<u>(46,778)</u>	<u>—</u>	<u>—</u>
	<u>857,391</u>	<u>1,283,427</u>	<u>175,876</u>	<u>159,411</u>

The restricted balances have been pledged as securities for certain short term loans and long term loans.

**23. Creditors and accruals**

Creditors and accruals include trade creditors, retention payable of construction costs, other payables and various accruals. The ageing analysis of trade creditors is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
0 to 30 days	509,895	81,367
31 to 60 days	20,053	1,413
61 to 90 days	33,530	6
Over 90 days	<u>293,078</u>	<u>305,254</u>
	<u>856,556</u>	<u>388,040</u>

**24. Amounts due from/to fellow subsidiaries**

The amounts due from fellow subsidiaries are unsecured, interest free and repayable within 30 days.

The amounts due to fellow subsidiaries are unsecured, interest free and have no specific repayment terms.

**25. Taxes payable**

	Group	
	2004	2003
	HK\$'000	HK\$'000
Income tax payable	7,122	9,639
Withholding tax payable	76,401	88,271
Other PRC taxes payable	<u>14,023</u>	<u>8,389</u>
	<u>97,546</u>	<u>106,299</u>

## 26. Share capital

	2004 HK\$'000	2003 HK\$'000
Authorised:		
8,000,000,000 shares of HK\$0.1 each	<u>800,000</u>	<u>800,000</u>
Issued and fully paid:		
1,488,862,294 shares of HK\$0.1 each		
(2003: 1,481,944,294 shares of HK\$0.1 each)	<u>148,886</u>	<u>148,194</u>

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 30 June 2002	1,481,901,894	148,190
Exercise of share options	<u>42,400</u>	<u>4</u>
At 30 June 2003	1,481,944,294	148,194
Exercise of share options ( <i>note</i> )	<u>6,918,000</u>	<u>692</u>
At 30 June 2004	<u>1,488,862,294</u>	<u>148,886</u>

*Note:* Pursuant to the share option schemes of the Company adopted on 18 December 2000 and 26 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 30 June 2004 are as follows:

Date of offer to grant	Exercise price per share HK\$	At 1 July 2003	Granted during the year	Number of shares		At 30 June 2004
				Exercised during the year	Lapsed during the year	
5 February 2001	1.955	44,873,600	—	(5,462,400)	(1,972,800)	37,438,400
2 May 2001	2.605	458,400	—	(56,400)	—	402,000
29 June 2001	3.192	2,328,000	—	—	(230,800)	2,097,200
31 August 2001	2.380	2,130,000	—	(339,200)	(1,200,800)	590,000
26 March 2002	2.265	1,543,200	—	(128,000)	(554,000)	861,200
3 January 2003	1.330	1,344,000	—	(472,400)	(194,800)	676,800
12 May 2003	1.000	2,214,400	—	(431,600)	(238,800)	1,544,000
28 October 2003	1.810	—	265,600	(28,000)	—	237,600
31 January 2004	1.830	—	1,300,000	—	—	1,300,000
30 April 2004	2.470	—	976,000	—	—	976,000
		<u>54,891,600</u>	<u>2,541,600</u>	<u>(6,918,000)</u>	<u>(4,392,000)</u>	<u>46,123,200</u>

*Note:* Except for the share options with exercise price per share of HK\$1.830 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.

## 27. Reserves

## Group

	Contributed surplus	Share premium	Investment properties revaluation reserve	Hotel properties revaluation reserve	Exchange reserve	Retained profit/(loss) (accumulated)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 30 June 2002, as previously reported	14,751,973	1,282,308	516,996	6,912	19,437	1,155,684	17,733,310
Change in accounting policy in respect of deferred taxation	—	—	(151,305)	—	—	(19,427)	(170,732)
As at 30 June 2002, as restated	14,751,973	1,282,308	365,691	6,912	19,437	1,136,257	17,562,578
Loss for the year, as restated	—	—	—	—	—	(1,705,562)	(1,705,562)
2002 final dividend paid	(29,639)	—	—	—	—	—	(29,639)
Premium on issue of shares	—	78	—	—	—	—	78
Release of reserve upon disposal of							
A subsidiary	—	—	—	—	(6,438)	—	(6,438)
A jointly controlled entity	—	—	—	—	(337)	—	(337)
Revaluation surplus/(deficit)							
Company and subsidiaries	—	—	8,381	—	—	—	8,381
Associated companies	—	—	17,393	—	—	—	17,393
Jointly controlled entities	—	—	15,173	(6,912)	—	—	8,261
Translation differences	—	—	—	—	(228)	—	(228)
As at 30 June 2003	<u>14,722,334</u>	<u>1,282,386</u>	<u>406,638</u>	<u>—</u>	<u>12,434</u>	<u>(569,305)</u>	<u>15,854,487</u>
Retained by:							
Company and subsidiaries	14,722,334	1,282,386	71,040	—	1,859	428,072	16,505,691
Associated companies	—	—	167,242	—	4,395	(157,456)	14,181
Jointly controlled entities	—	—	168,356	—	6,180	(839,921)	(665,385)
	<u>14,722,334</u>	<u>1,282,386</u>	<u>406,638</u>	<u>—</u>	<u>12,434</u>	<u>(569,305)</u>	<u>15,854,487</u>
As at 30 June 2003, as previously reported	14,722,334	1,282,386	581,159	—	12,434	(555,344)	16,042,969
Change in accounting policy in respect of deferred taxation	—	—	(174,521)	—	—	(13,961)	(188,482)
As at 30 June 2003, as restated	14,722,334	1,282,386	406,638	—	12,434	(569,305)	15,854,487
Profit for the year	—	—	—	—	—	127,346	127,346
Premium on issue of shares	—	12,343	—	—	—	—	12,343
Release of reserves upon disposal of properties	—	—	—	—	—	8,229	8,229
Revaluation surplus/(deficit)							
Company and subsidiaries	—	—	63,798	—	—	—	63,798
Associated companies	—	—	(11,016)	—	—	—	(11,016)
Jointly controlled entities	—	—	163,536	—	—	—	163,536
Translation differences	—	—	—	—	1,613	—	1,613
As at 30 June 2004	<u>14,722,334</u>	<u>1,294,729</u>	<u>622,956</u>	<u>—</u>	<u>14,047</u>	<u>(433,730)</u>	<u>16,220,336</u>
Retained by:							
Company and subsidiaries	14,722,334	1,294,729	134,837	—	5,480	517,924	16,675,304
Associated companies	—	—	156,227	—	4,395	(134,532)	26,090
Jointly controlled entities	—	—	331,892	—	4,172	(817,122)	(481,058)
	<u>14,722,334</u>	<u>1,294,729</u>	<u>622,956</u>	<u>—</u>	<u>14,047</u>	<u>(433,730)</u>	<u>16,220,336</u>

## Company

	Contributed surplus HK\$'000 (Note (i))	Share premium HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
As at 30 June 2002	14,772,134	1,282,308	(217,491)	15,836,951
2002 final dividend paid	(29,639)	—	—	(29,639)
Premium on issue of new shares	—	78	—	78
Loss for the year	—	—	(958,242)	(958,242)
As at 30 June 2003	14,742,495	1,282,386	(1,175,733)	14,849,148
Premium on issue of new shares	—	12,343	—	12,343
Loss for the year	—	—	(385,642)	(385,642)
As at 30 June 2004	<u>14,742,495</u>	<u>1,294,729</u>	<u>(1,561,375)</u>	<u>14,475,849</u>

## Notes:

- (i) 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 took place in 1999.
- (ii) Under the Companies Law in the Cayman Islands, the contributed surplus and share premium are both distributable. Accordingly, distributable reserves of the Company amount to HK\$14,475,849,000 as at 30 June 2004 (2003: HK\$14,849,148,000).

## 28. Bank and other borrowings

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Bank loans (note (i))				
Secured	1,246,807	1,450,254	—	—
Unsecured	871,009	1,471,553	—	500,000
Loans from fellow subsidiaries (note (ii))	<u>3,249,909</u>	<u>2,484,165</u>	—	—
	5,367,725	5,405,972	—	500,000
Current portion included in current liabilities	<u>(1,731,562)</u>	<u>(1,418,479)</u>	—	<u>(500,000)</u>
	<u>3,636,163</u>	<u>3,987,493</u>	—	—

## Notes:

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

	Group				Total	
	Secured		Unsecured		2004	2003
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	620,040	410,691	455,122	816,776	1,075,162	1,227,467
Between one and two years	186,221	710,903	144,860	421,132	331,081	1,132,035
Between two and five years	253,630	116,822	168,223	233,645	421,853	350,467
After five years	<u>186,916</u>	<u>211,838</u>	<u>102,804</u>	—	<u>289,720</u>	<u>211,838</u>
	<u>1,246,807</u>	<u>1,450,254</u>	<u>871,009</u>	<u>1,471,553</u>	<u>2,117,816</u>	<u>2,921,807</u>



**28. Bank and other borrowings (continued)**

Included in the total bank loan balance is an amount of HK\$311,526,000 (2003: HK\$336,449,000) which is wholly repayable by instalments up to December 2016 and has been on-lent to an associated company (note 15(i)).

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

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	656,400	191,012
Between one and two years	2,164,952	768,858
Between two and five years	<u>428,557</u>	<u>1,524,295</u>
	<u><u>3,249,909</u></u>	<u><u>2,484,165</u></u>

The loans from fellow subsidiaries are unsecured and bear interest ranging from three months HIBOR to 1% above London Interbank Offered Rate ("LIBOR") (2003: three months HIBOR to 0.5% above LIBOR) per annum.

**29. Deferred taxation**

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 movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

**Group***Deferred tax assets/(liabilities)*

	<b>Accelerated tax depreciation</b>	<b>Revaluation of properties</b>	<b>Recognition of income from sale of properties</b>	<b>Tax losses</b>	<b>Provisions</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 30 June 2002	(47,025)	(62,721)	(2,058)	39,538	—	(72,266)
(Charged)/credited to profit and loss account	(19,736)	—	(3,146)	3,466	19,072	(344)
Charged to investment properties revaluation reserve	—	(35,266)	—	—	—	(35,266)
Acquisition of interests in subsidiaries	<u>—</u>	<u>—</u>	<u>711</u>	<u>—</u>	<u>—</u>	<u>711</u>
At 30 June 2003	(66,761)	(97,987)	(4,493)	43,004	19,072	(107,165)
(Charged)/credited to profit and loss account	(31,117)	—	(34,249)	43,287	(11,062)	(33,141)
Charged to investment properties revaluation reserve	<u>—</u>	<u>395</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>395</u>
At 30 June 2004	<u><u>(97,878)</u></u>	<u><u>(97,592)</u></u>	<u><u>(38,742)</u></u>	<u><u>86,291</u></u>	<u><u>8,010</u></u>	<u><u>(139,911)</u></u>

Deferred income tax assets are recognised for tax loss 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\$472,014,000 (2003: HK\$291,555,000) to carry forward against future taxable income. These tax losses will expire at various dates up to 2009.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes related to the same legal entity. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group	
	2004 HK\$'000	2003 HK\$'000
Deferred tax assets	—	2,932
Deferred tax liabilities	<u>(139,911)</u>	<u>(110,097)</u>
	<u>(139,911)</u>	<u>(107,165)</u>

### 30. Minority interests and loans from minority shareholders

	Group	
	2004 HK\$'000	2003 HK\$'000 (As restated)
Minority interests	(1,141)	(15,719)
Loans from minority shareholders ( <i>note</i> )	<u>410,321</u>	<u>396,013</u>
	<u>409,180</u>	<u>380,294</u>

*Note:* Except for loans of HK\$126,492,000 (2003: HK\$39,376,000) which are unsecured, bear interest at 5% to 5.76% (2003: 7.48%) per annum and have repayment terms as specified in the joint venture contracts, the remaining balances are unsecured, interest free and have no specific repayment terms.

### 31. Contingent liabilities

#### *Group*

The Group has contingent liabilities of approximately HK\$2,598,081,000 (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. As at 30 June 2004, 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\$1,811,365,000 (2003: HK\$1,464,162,000).

#### *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\$1,705,242,000 (2003: HK\$2,003,693,000), HK\$231,505,000 (2003: HK\$196,452,000), HK\$2,366,576,000 (2003: HK\$1,872,171,000) respectively.

## 32. Commitments

## (i) Capital expenditure commitments

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

	Group	
	2004	2003
	HK\$'000	HK\$'000
Contracted but not provided for		
Fixed assets	161,420	388,557
Investments in associated companies	<u>12,214</u>	<u>—</u>
	<u>173,634</u>	<u>388,557</u>

(b) The Group did not have any share of capital commitments of the jointly controlled entities (2003: Nil).

## (ii) Lease commitments

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 30 June 2004, future aggregate minimum lease payments under non-cancellable operating leases in respect of land and building are as follows:				
The first year	37,375	37,722	4,916	4,916
The second to fifth years	130,107	134,636	—	4,916
After five years	<u>408,329</u>	<u>440,909</u>	<u>—</u>	<u>—</u>
	<u>575,811</u>	<u>613,267</u>	<u>4,916</u>	<u>9,832</u>

## (iii) Other commitments

As at 30 June 2004, 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 and jointly controlled entities of the Group and the outstanding mortgage loans under these guarantees amounted to HK\$889,533,000 (2003: HK\$382,347,000). Pursuant to the terms of the performance 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.

## 33. Notes to consolidated cash flow statement

## (a) Reconciliation of operating profit/(loss) before financing to net cash generated from/(used in) operations

	2004	2003
	HK\$'000	HK\$'000
Operating profit/(loss) before financing	152,635	(1,244,863)
Finance costs	(74,701)	(90,058)
Interest income	(78,332)	(24,917)
Interest expense	74,701	90,058
Depreciation	51,038	50,992
Amortisation of deferred expenditure	5,773	9,634
Loss on disposal of fixed assets	1,347	1,144
Provision for investments in/amounts due by jointly controlled entities	5,614	134,695
Net gain on disposal and partial disposal of subsidiaries	—	(109,127)
Provision for diminution in value of properties under development and completed properties	47,317	217,638
Provision for an amount due by an associated company	2,246	16,806
(Reversal of)/impairment loss of fixed assets	(205,120)	295,044
(Write back of)/revaluation deficit of a hotel property	(3,672)	178,315
Provision against other investments	94,793	281,021
Net (profit)/loss on disposal of jointly controlled entities	(3,636)	21,266
Exchange differences	1,614	(91)
	<u>71,617</u>	<u>(172,443)</u>
Operating profit/(loss) before working capital changes	71,617	(172,443)
Decrease/(increase) in properties held for/under development	389,375	(939,180)
(Increase)/decrease in debtors, deposits and other receivables	(523,575)	91,839
Increase/(decrease) in balances with fellow subsidiaries	255,433	(2,996)
(Decrease)/increase in deposits received on sale of properties	(160,284)	214,346
Increase in creditors and accruals	618,446	172,246
	<u>651,012</u>	<u>(636,188)</u>
Net cash generated from/(used in) operations	<u>651,012</u>	<u>(636,188)</u>

## (b) Acquisition of interests in subsidiaries

	2004	2003
	HK\$'000	HK\$'000
Net assets acquired		
Fixed assets	1,794	651,200
Deferred tax assets	—	711
Debtors, deposits and other receivables	10,412	72,407
Properties under development	35,888	107,706
Cash and bank balances	10,838	15,608
Bank loans	—	(79,076)
Creditors and accruals	(12,216)	(21,117)
Balances with fellow subsidiaries	1,701	(43,934)
Minority interests	—	(619)
Taxation	—	(450)
	<u>48,417</u>	<u>702,436</u>
Interest originally held by the Group as jointly controlled entities	<u>(48,417)</u>	<u>(540,599)</u>
Consideration satisfied by cash	<u>—</u>	<u>161,837</u>

## 33. Notes to consolidated cash flow statement (continued)

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

	2004 HK\$'000	2003 HK\$'000
Cash consideration	—	(161,837)
Cash and bank balances acquired	<u>10,838</u>	<u>15,608</u>
Net inflow/(outflow) of cash and cash equivalents in respect of acquisition of subsidiaries	<u>10,838</u>	<u>(146,229)</u>

(d) Disposal of interests in subsidiaries

	2004 HK\$'000	2003 HK\$'000
Net assets disposed		
Debtors, deposits and other receivables	—	7,986
Investment in associated companies	<u>—</u>	<u>289,405</u>
Net gain on disposal of interests in subsidiaries	<u>—</u>	<u>297,391</u>
Consideration satisfied by cash	<u>—</u>	<u>350,162</u>

(e) Analysis of changes in financing during the year

	Share capital, share premium and contributed surplus HK\$'000	Short term loans HK\$'000	Bank and other borrowings HK\$'000	Restricted cash and bank balances HK\$'000	Minority interests and loans from minority shareholders HK\$'000
Balance at 30 June 2002	16,182,471	679,439	4,788,530	(603,114)	452,721
Net cash (outflow)/inflow from financing	(29,557)	366,560	496,556	175,479	29,752
Minority interests' share of loss and reserves	—	—	—	—	(138,593)
Acquisition of subsidiaries	—	—	79,076	—	—
Acquisition of additional interests in subsidiaries	—	—	—	—	3,013
Disposal of partial interests in subsidiaries	—	—	—	—	28,923
Accrual of interest payable	<u>—</u>	<u>—</u>	<u>41,810</u>	<u>—</u>	<u>4,478</u>
Balance at 30 June 2003	16,152,914	1,045,999	5,405,972	(427,635)	380,294
Net cash inflow/(outflow) from financing	13,035	(644,130)	(56,401)	353,507	—
Minority interests' share of profit and reserves	—	—	—	—	26,067
Exchange differences	—	—	(231)	—	—
Accrual of interest payable	<u>—</u>	<u>—</u>	<u>18,385</u>	<u>—</u>	<u>2,819</u>
Balance at 30 June 2004	<u>16,165,949</u>	<u>401,869</u>	<u>5,367,725</u>	<u>(74,128)</u>	<u>409,180</u>

## 34. Related party transactions

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:

(i)

	<i>Note</i>	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Interest on loans from fellow subsidiaries	(a)	20,071	39,831
Rental for leased premises to a fellow subsidiary	(b)	4,896	5,025
Rental for leased premises to an associated company	(b)	28,972	28,972
Property agency fee to a fellow subsidiary	(c)	6,071	—
Interest income from jointly controlled entities	(d)	(65,665)	(21,579)
Estate management fee income from a fellow subsidiary and jointly controlled entities	(e)	(3,701)	(9,587)
Rental income from fellow subsidiaries	(f)	(51,013)	(24,569)
Rental income from an associated company	(f)	<u>(5,607)</u>	<u>(5,607)</u>

*Notes:*

- (a) Interest is charged at rates as specified in note 28(ii) on the outstanding balances due to certain fellow subsidiaries.
- (b) The rental is charged at fixed monthly/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) 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 16.
- (e) The estate management fees are charged at fixed amounts to a fellow subsidiary and certain jointly controlled entities as specified in the management contracts.
- (f) The rental income is charged at fixed monthly fees in accordance with the terms of the tenancy agreements.
- (ii) Total fees for the provision of project management, construction and engineering consultancy services in respect of certain of the Group's property development projects and payable to certain fellow subsidiaries amount to HK\$283,614,000 (2003: HK\$401,929,000). Such fees are charged at fixed amounts in accordance with the terms of the respective contracts.
- (iii) A deed of tax indemnity was entered into between NWD and the Group whereby NWD undertakes to indemnify the Group in respect of IT and LAT payable in consequence of the disposal of certain properties (note 9).
- (iv) In October 2004, the Group obtained an unsecured revolving credit facility of HK\$1.4 billion from a fellow subsidiary for a period of 18 months.

## 35. Significant jointly controlled entities

Set out below is a summary of the financial information of three significant jointly controlled entities whose principal activity is the investment in certain property development projects in Beijing.

(1) *Beijing Chong Wen — New World Properties Development Co., Ltd.*(a) *Results for the year*

	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>451,630</u>	<u>202,342</u>
Profit/(loss) for the year	<u>87,952</u>	<u>(77,610)</u>
Group's share of operating profit/(loss)	<u>61,566</u>	<u>(54,327)</u>

(b) *Net assets as at year end*

	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed assets	1,473,072	1,312,723
Other assets	3,805,338	4,095,050
Current assets	425,907	308,043
Current liabilities	(649,699)	(716,545)
Long term liabilities (other than amounts due to the Group)	<u>(1,220,731)</u>	<u>(1,590,790)</u>
	<u>3,833,887</u>	<u>3,408,481</u>

(2) *Beijing Chong Yu Real Estate Development Co., Ltd.*(a) *Results for the year*

	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>52,452</u>	<u>145,260</u>
Loss for the year	<u>(74,672)</u>	<u>(146,690)</u>
Group's share of operating loss	<u>(52,270)</u>	<u>(102,683)</u>

(b) *Net assets as at year end*

	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed assets	1,771,667	1,575,285
Other assets	695,956	412,296
Current assets	630,644	672,470
Current liabilities	(201,524)	(83,357)
Long term liabilities (other than amounts due to the Group)	<u>(951,119)</u>	<u>(914,313)</u>
	<u>1,945,624</u>	<u>1,662,381</u>

(3) *China New World Electronics Ltd.*(a) *Results for the year*

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	<u>49,729</u>	<u>32,324</u>
Profit for the year	<u>23,900</u>	<u>7,144</u>
Group's share of operating profit	<u>16,730</u>	<u>5,001</u>

(b) *Net assets as at year end*

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Fixed assets	944,180	885,711
Other assets	551,411	691,358
Current assets	113,868	147,691
Current liabilities	(17,181)	(218,201)
Long term liabilities (other than amounts due to the Group)	<u>—</u>	<u>—</u>
	<u>1,592,278</u>	<u>1,506,559</u>

**36. Ultimate holding company**

The directors of the Company consider New World Development Company Limited, incorporated and listed in Hong Kong, as being the ultimate holding company.

**37. 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 30 June 2004 are set out below:

Company name	Issued/registered and fully paid up share capital	Attributable interest held ( <i>note 1</i> )				Principal activities
		By the Company		By the Group		
		2004	2003	2004	2003	
<b><i>Subsidiaries</i></b>						
<i>Incorporated and operated 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



## 37. 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 1)				Principal activities
		By the Company		By the Group		
		2004	2003	2004	2003	
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
Trend Island Limited	HK\$2 2 ordinary shares of HK\$1 each	—	—	100%	100%	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
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
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

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Company name	Issued/registered and fully paid up share capital	Attributable interest held <i>(note 1)</i>				Principal activities
		By the Company		By the Group		
		2004	2003	2004	2003	
Sweet Prospects Enterprises Limited	US\$1 1 share of US\$1	—	—	100%	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
<i>Incorporated and operated in the PRC</i>						
Beijing Lingal Real Estates Development Co., Ltd.	US\$13,000,000	—	—	100%	100%	Property development
Dalian New World Plaza International Co., Ltd.	RMB58,000,000	—	—	88%	88%	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 Yi Development Limited	HK\$286,000,000	—	—	90.5%	90.5%	Property development
Nanjing Huawei Real Estate Development Co., Ltd.	US\$12,000,000	—	—	92%	92%	Property development
New World Anderson (Tianjin) Development Co., Ltd.	US\$10,000,000	—	—	100%	100%	Property investment and development
New World Development (Wuhan) Co., Ltd.	US\$12,000,000	—	—	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

## 37. 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 1)				Principal activities
		By the Company		By the Group		
		2004	2003	2004	2003	
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%	64%	Property development
Shanghai Ju Yi Real Estate Development Co., Ltd	RMB350,000,000	—	—	70%	70%	Property development
Shanghai Ramada Plaza Ltd.	US\$42,000,000	—	—	65%	61.75%	Property investment and hotel operation
Shenyang New World Hotel Co., Ltd.	RMB68,000,000	—	—	100%	100%	Hotel operation
Shenzhen Topping Real Estate Development Co., Ltd.	HK\$182,000,000	—	—	90%	90%	Property development
Wuhan New Eagle Properties Co., Limited	US\$2,830,000	—	—	95%	95%	Property investment
Wuhan Xinhan Development Co., Ltd.	RMB55,000,000	—	—	70%	70%	Property development
Zhuhai New World Housing Development Limited	US\$8,000,000	—	—	100%	—	Property development
<i>Associated companies</i>						
<i>Incorporated and operated 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

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Company name	Issued/registered and fully paid up share capital	Attributable interest held <i>(note 1)</i>				Principal activities
		By the Company		By the Group		
		2004	2003	2004	2003	
<i>Incorporated and operated in the PRC</i>						
Shanghai New World Huai Hai Property Development Co., Ltd.	US\$108,500,000	—	—	44.1%	44.1%	Property investment
<i>Jointly controlled entities</i>						
<i>Incorporated and operated in Hong Kong</i>						
New World Sun City Limited	HK\$1,000 1,000 ordinary shares of HK\$1 each	—	—	—	49.2%	Investment holding
<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 operated in the PRC</i>						
Beijing Chong Wen — New World Properties Development Co., Ltd.	US\$104,100,000	—	—	70%	70%	Property investment and development
Beijing Chong Yu Real Estate Development Co., Ltd	US\$81,840,000	—	—	70%	70%	Property investment and development
Beijing Xin Kang Real Estate Development. Co.,Ltd	US\$12,000,000	—	—	70%	70%	Property development
Beijing Xin Lian Hotel Co., Ltd.	US\$12,000,000	—	—	55%	59%	Hotel operation
China New World Electronics Ltd.	US\$57,200,000	—	—	70%	70%	Property investment and development
Dongguan New World Garden Trade Construction Co., Ltd.	US\$12,000,000	—	—	—	38%	Property development
Dongguan New World Square Trade Construction Co., Ltd.	US\$12,000,000	—	—	—	38%	Property development
Fortune Leader Overseas Chinese (Daiyawan) Investment Co. Ltd.	US\$16,950,000	—	—	34.1%	34.1%	Golf Club and resort
Fortune Leader Overseas Chinese (Daiyawan) Real Estate Development Co. Ltd.	US\$13,880,000	—	—	34.1%	34.1%	Property development
Guangzhou Bosson Real Estate Co., Ltd.	RMB20,003,000	—	—	60%	60%	Property development

## 37. 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 1)				Principal activities
		By the Company		By the Group		
		2004	2003	2004	2003	
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
Huizhou New World Housing Development Limited	RMB80,000,000	—	—	60%	note 2	Property development
Jinan New World Sunshine Development Ltd.	US\$10,000,000	—	—	65%	65%	Property development
Shanghai Trio Property Development Co., Ltd.	US\$54,000,000	—	—	47.5%	47.5%	Property development
Tianjin New World Housing Development Co., Ltd	RMB80,000,000	—	—	60%	note 2	Property development
Tianjin New World Properties Development Co., Ltd.	US\$12,000,000	—	—	70%	70%	Property redevelopment
Wuhan New World Housing Development Limited	RMB96,000,000	—	—	60%	note 2	Property development
Wuhan Wuxin Hotel Co. Ltd.	US\$13,500,000	—	—	60%	60%	Property investment
Zhaoqing New World Property Development Limited	US\$10,000,000	—	—	40%	40%	Property development
Zhuhai New World Housing Development Limited	US\$8,000,000	—	—	—	60%	Property development

*Notes:*

- (1) 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.
- (2) In previous years, the Group was entitled to investment income in accordance with the provisions of the joint venture contracts in respect of development of low-cost community housing. These joint ventures were reclassified as jointly controlled entities during the year upon changes of the term of profit sharing in these entities (note 17).

## 38. Approval of accounts

The accounts were approved by the Board of the Company on 15 October 2004.

## (2) Interim financial statements

Set out below is an extract from the unaudited financial statements of the Group for the six months ended 31 December 2004 (the date to which the latest financial statements were made up), together with certain comparatives figures for the six months ended 31 December 2003 and the relevant notes to the unaudited interim financial statements of the Group.

**Consolidated profit and loss account**

	<i>Note</i>	<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>31 December</b>	
		<b>2004</b>	<b>2003</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	951,740	914,395
Cost of sales		<u>(706,385)</u>	<u>(730,164)</u>
Gross profit		245,355	184,231
Other revenue	3	5,381	5,124
Other income	4	19,997	59,344
Selling expenses		(45,335)	(76,964)
Administrative expenses		(18,868)	(36,398)
Other operating expenses		<u>(121,982)</u>	<u>(93,577)</u>
Operating profit before financing	5	84,548	41,760
Finance costs		(37,003)	(37,054)
Share of results of			
Associated companies		26,420	9,014
Jointly controlled entities		<u>22,476</u>	<u>5,754</u>
Profit before taxation		96,441	19,474
Taxation	6	<u>(33,616)</u>	<u>(12,343)</u>
Profit after taxation		62,825	7,131
Minority interests		<u>(729)</u>	<u>9,083</u>
Profit attributable to shareholders		<u>62,096</u>	<u>16,214</u>
Earnings per share	8		
Basic		<u>4.16 cents</u>	<u>1.09 cents</u>

## Consolidated balance sheet

		<b>Unaudited As at 31 December 2004</b>	<b>Audited As at 30 June 2004</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Fixed assets		3,624,438	3,616,762
Properties held for development		4,255,258	3,947,225
Associated companies		1,430,887	1,298,372
Jointly controlled entities		10,292,140	10,319,994
Other investments		49,599	49,132
Other non-current assets		<u>115,670</u>	<u>34,831</u>
		----- 19,767,992	----- 19,266,316
<b>Current assets</b>			
Debtors, deposits and other receivables	9	653,408	929,571
Amounts due from fellow subsidiaries		30,091	23,543
Properties under development		2,152,538	2,116,807
Completed properties held for sale		1,846,624	1,825,614
Cash and bank balances		<u>1,086,392</u>	<u>857,391</u>
		----- 5,769,053	----- 5,752,926
<b>Current liabilities</b>			
Creditors and accruals	10	1,114,874	1,065,084
Deposits received on sale of properties		311,742	244,775
Amounts due to fellow subsidiaries		559,905	573,943
Short term bank loans			
Secured		308,411	214,953
Unsecured		56,075	186,916
Current portion of bank and other borrowings	11	2,536,578	1,731,562
Taxes payable		<u>95,658</u>	<u>97,546</u>
		----- 4,983,243	----- 4,114,779
Net current assets		----- <u>785,810</u>	----- <u>1,638,147</u>
Total assets less current liabilities		20,553,802	20,904,463
<b>Non-current liabilities</b>			
Bank and other borrowings	11	3,107,611	3,636,163
Deferred income		346,865	349,987
Deferred tax liabilities		165,193	139,911
Minority interests and loans from minority shareholders	12	<u>474,655</u>	<u>409,180</u>
Net assets		<u>16,459,478</u>	<u>16,369,222</u>
<b>Capital and reserves</b>			
Share capital	13	149,860	148,886
Reserves	14	<u>16,309,618</u>	<u>16,220,336</u>
Shareholders' funds		<u>16,459,478</u>	<u>16,369,222</u>

## Condensed consolidated cash flow statement

	Unaudited	
	6 months ended 31 December	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	132,717	369,632
Net cash used in investing activities	(75,969)	(245,618)
Net cash from/(used in) financing activities	<u>52,098</u>	<u>(196,012)</u>
Increase/(decrease) in cash and cash equivalents	108,846	(71,998)
Cash and cash equivalents at beginning of the period	<u>817,166</u>	<u>902,570</u>
Cash and cash equivalents at end of the period	<u><u>926,012</u></u>	<u><u>830,572</u></u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances — unrestricted	<u><u>926,012</u></u>	<u><u>830,572</u></u>



## Consolidated statement of changes in equity

	<b>Unaudited</b>	
	<b>6 months ended</b>	
	<b>31 December</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total equity as at 1 July	16,369,222	16,002,681
Net gains not recognised in the profit and loss account		
Exchange differences arising on translation of subsidiaries, associated companies and jointly controlled entities	(187)	3,290
Profit for the period	<u>62,096</u>	<u>16,214</u>
Release of reserves upon disposal of properties	16,431,131	16,022,185
Issue of shares	9,514	5,514
	<u>18,833</u>	<u>1,369</u>
Total equity as at 31 December	<u><u>16,459,478</u></u>	<u><u>16,029,068</u></u>

## Notes to the accounts

### 1 Principal accounting policies

The unaudited condensed interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The unaudited condensed interim financial statements should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of these unaudited condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2004, except that the Group early adopted the accounting standards below with effect from 1 July 2004:

Hong Kong Financial Reporting Standard 3 (“HKFRS 3”)	Business Combination
Hong Kong Accounting Standard 36 (“HKAS 36”)	Impairment of Assets
Hong Kong Accounting Standard 38 (“HKAS 38”)	Intangible Assets

The early adoption of HKFRS 3, HKAS 36 and HKAS 38 resulted in changes in certain accounting policies of the Group. The revised policies are:

- (i) Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. 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. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.
- (ii) Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s 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 is included in investments in associated companies. Goodwill on acquisitions of jointly controlled entities is included in investments in jointly controlled entities. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The above changes in the accounting policies have been applied prospectively in accordance with the transitional provisions in the respective standards. The early adoption of these standards has no material effect on the Group’s net assets or results for the period.

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

	<b>6 months ended 31 December</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of properties	741,251	772,658
Rental income	83,627	57,839
Income from hotel operation	89,559	56,397
Property management services fee income	9,142	9,989
Project management fee income	272	4,629
	<u>923,851</u>	<u>901,512</u>
Interest income less withholding tax	<u>27,889</u>	<u>12,883</u>
	<u><u>951,740</u></u>	<u><u>914,395</u></u>

## 2 Turnover and segment information (continued)

- (b) The Group is organised into four main business segments, comprising property sales, rental operation, hotel operation and property management. 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.

	<b>Property sales</b>	<b>Rental operation</b>	<b>Hotel operation</b>	<b>Property management operation</b>	<b>Other operations</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>6 months ended</b>						
<b>31 December 2004</b>						
Segment revenues	<u>769,412</u>	<u>88,973</u>	<u>89,559</u>	<u>3,796</u>	<u>—</u>	<u>951,740</u>
Segment results	86,753	16,344	24,313	(525)	(882)	126,003
Bank and other interest income						5,381
Corporate administrative expenses						<u>(46,836)</u>
Operating profit before financing						84,548
Finance costs						(37,003)
Share of results of						
Associated companies	6,959	18,820	984	(343)	—	26,420
Jointly controlled entities	(21,296)	44,593	2,374	(1,995)	(1,200)	<u>22,476</u>
Profit before taxation						96,441
Taxation						<u>(33,616)</u>
Profit after taxation						62,825
Minority interests						<u>(729)</u>
Profit attributable to shareholders						<u><u>62,096</u></u>

	Property sales <i>HK\$'000</i>	Rental operation <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	Property management operation <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>6 months ended</b>						
<b>31 December 2003</b>						
Segment revenues	<u>790,170</u>	<u>57,379</u>	<u>56,397</u>	<u>9,989</u>	<u>460</u>	<u>914,395</u>
Segment results	74,590	(3,525)	12,884	1,599	726	86,274
Bank and other interest income						5,124
Corporate administrative expenses						<u>(49,638)</u>
Operating profit before financing						41,760
Finance costs						(37,054)
Share of results of						
Associated companies	(870)	9,674	1,650	(143)	(1,297)	9,014
Jointly controlled entities	(19,661)	27,553	1,690	(3,090)	(738)	<u>5,754</u>
Profit before taxation						19,474
Taxation						<u>(12,343)</u>
Profit after taxation						7,131
Minority interests						<u>9,083</u>
Profit attributable to shareholders						<u><u>16,214</u></u>
<b>3 Other revenue</b>						
						<b>6 months ended 31 December</b>
						<b>2004</b>
						<b>2003</b>
						<i>HK\$'000</i>
						<i>HK\$'000</i>
Bank and other interest income						<u>5,381</u>
						<u>5,124</u>
<b>4 Other income/(charges)</b>						
						<b>6 months ended 31 December</b>
						<b>2004</b>
						<b>2003</b>
						<i>HK\$'000</i>
						<i>HK\$'000</i>
Write back of provision for diminution in values of properties held for sale and completed properties held for sale				19,229		44,135
Write back of provision for amounts due from jointly controlled entities				7,477		15,124
Profit on disposal of a jointly controlled entity				—		6,770
Provision for amounts due from jointly controlled entities				(6,709)		(2,575)
Loss on disposal of a subsidiary				—		<u>(4,110)</u>
				<u>19,997</u>		<u>59,344</u>

**5 Operating profit before financing**

	<b>6 months ended 31 December</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit before financing is arrived at after crediting:		
Gross rental income from investment properties	<u>40,967</u>	<u>33,494</u>
and after charging:		
Cost of properties sold	613,002	656,217
Staff costs including director's remunerations	54,917	55,241
Depreciation	26,245	26,867
Rental for leased premises	19,536	19,949
Outgoings in respect of investment properties	11,778	11,204
Amortisation of deferred expenditure	1,158	4,180
Retirement benefits costs	1,883	1,785
Auditors' remuneration	<u>1,546</u>	<u>1,600</u>

**6. Taxation**

	<b>6 months ended 31 December</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC income tax — deferred		
Company and subsidiaries	25,245	16,950
Associated companies	1,735	1,809
Jointly controlled entities	<u>6,636</u>	<u>(6,416)</u>
	<u>33,616</u>	<u>12,343</u>

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 period (2003: Nil). PRC income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at the applicable rate of taxation.

The Group's associated companies and jointly controlled entities established in the PRC are required to pay income tax at the rate of 33% (2003: 33%).

In July 1999, 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, 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 31 March 1999. During the period, no such tax indemnity was effected (2003: Nil).

**7. Dividend**

The directors do not declare the payment of a dividend for the six months ended 31 December 2004 (2003: Nil).

**8. Earnings per share**

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$62,096,000 (2003: HK\$16,214,000) and the weighted average of 1,491,890,208 shares (2003: 1,482,555,348 shares) in issue during the period.

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

**9. Debtors, deposits and other receivables**

Debtors, deposits and other receivables include trade debtors, utility and other deposits, interest and other receivables and prepayment for land cost.

The ageing analysis of trade debtors is as follows:

	As at 31 December 2004 <i>HK\$'000</i>	As at 30 June 2004 <i>HK\$'000</i>
0 to 30 days	132,986	132,027
31 to 60 days	8,211	20,064
61 to 90 days	8,780	39,977
Over 90 days	<u>90,896</u>	<u>40,166</u>
	<u>240,873</u>	<u>232,234</u>

Sales proceed receivables in respect of sale 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.

**10. Creditors and accruals**

Creditors and accruals include trade creditors, retentions payable of construction costs, other payables and various accruals. The ageing analysis of trade creditors is as follows:

	As at 31 December 2004 <i>HK\$'000</i>	As at 30 June 2004 <i>HK\$'000</i>
0 to 30 days	354,863	509,895
31 to 60 days	12,173	20,053
61 to 90 days	86,492	33,530
Over 90 days	<u>341,912</u>	<u>293,078</u>
	<u>795,440</u>	<u>856,556</u>

**11. Bank and other borrowings**

	As at 31 December 2004 <i>HK\$'000</i>	As at 30 June 2004 <i>HK\$'000</i>
Bank loans ( <i>note (i)</i> )		
Secured	1,346,479	1,246,807
Unsecured	710,280	871,009
Loans from fellow subsidiaries ( <i>note (ii)</i> )	<u>3,587,430</u>	<u>3,249,909</u>
	5,644,189	5,367,725
Current portion included in current liabilities	<u>(2,536,578)</u>	<u>(1,731,562)</u>
	<u>3,107,611</u>	<u>3,636,163</u>

## 11. Bank and other borrowings (continued)

Notes:

(i) The bank loans are repayable as follows:

	Secured		Unsecured		Total	
	As at 31 December 2004 HK\$'000	As at 30 June 2004 HK\$'000	As at 31 December 2004 HK\$'000	As at 30 June 2004 HK\$'000	As at 31 December 2004 HK\$'000	As at 30 June 2004 HK\$'000
Within one year	362,996	620,040	149,533	455,122	512,529	1,075,162
Between one and two years	203,417	186,221	93,458	144,860	296,875	331,081
Between two and five years	605,611	253,630	289,719	168,223	895,330	421,853
After five years	174,455	186,916	177,570	102,804	352,025	289,720
	<u>1,346,479</u>	<u>1,246,807</u>	<u>710,280</u>	<u>871,009</u>	<u>2,056,759</u>	<u>2,117,816</u>

Included in the total bank loan balance is an amount of HK\$299,065,000 (30 June 2004: HK\$311,526,000) which is wholly repayable by instalments up to December 2016 and has been on-lent to an associated company.

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

	As at 31 December 2004 HK\$'000	As at 30 June 2004 HK\$'000
Within one year	2,024,049	656,400
Between one and two years	1,443,323	2,164,952
Between two and five years	120,058	428,557
	<u>3,587,430</u>	<u>3,249,909</u>

The loans from fellow subsidiaries are unsecured and bear interest ranging from three months Hong Kong Interbank Offered Rate to 1% above London Interbank Offered Rate.

## 12. Minority interests and loans from minority shareholders

	As at 31 December 2004 HK\$'000	As at 30 June 2004 HK\$'000
Minority interests	(321)	(1,141)
Loans from minority shareholders (note)	474,976	410,321
	<u>474,655</u>	<u>409,180</u>

Note: As at 31 December 2004, except for loans of HK\$128,525,000 (30 June 2004: HK\$126,492,000) which are unsecured, bear interest at 5% to 5.76% (30 June 2004: 5% to 5.76%) per annum and have repayment terms as specified in the joint venture contracts, the remaining balance are unsecured, interest free and have no specific repayment terms.

## 13. Share capital

	As at 31 December 2004 HK\$'000	As at 30 June 2004 HK\$'000
Authorised:		
8,000,000,000 shares of HK\$0.1 each	<u>800,000</u>	<u>800,000</u>
Issued and fully paid:		
1,498,600,094 shares of HK\$0.1 each (30 June 2004: 1,488,862,294 shares of HK\$0.1 each)	<u>149,860</u>	<u>148,886</u>

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 1 July 2004	1,488,862,294	148,886
Exercise of share options ( <i>note</i> )	<u>9,737,800</u>	<u>974</u>
At 31 December 2004	<u>1,498,600,094</u>	<u>149,860</u>

*Note:* Pursuant to the share option schemes adopted on 18 December 2000 and 26 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 period and the balance outstanding at 31 December 2004 are as follows:

Date of offer to grant	Exercise price per share HK\$	Number of shares				
		At 1 July 2004	Granted during the period ( <i>note</i> )	Exercised during the period	Lapsed during the period	At 31 December 2004
5 February 2001	1.955	37,438,400	—	(8,684,800)	(812,000)	27,941,600
2 May 2001	2.605	402,000	—	(18,800)	—	383,200
29 June 2001	3.192	2,097,200	—	—	(153,600)	1,943,600
31 August 2001	2.380	590,000	—	(40,000)	(12,000)	538,000
26 March 2002	2.265	861,200	—	(172,000)	—	689,200
3 January 2003	1.330	676,800	—	(14,800)	—	662,000
12 May 2003	1.000	1,544,000	—	(264,600)	(137,200)	1,142,200
28 October 2003	1.810	237,600	—	—	(200,800)	36,800
18 December 2003	1.830	1,300,000	—	(400,000)	—	900,000
25 March 2004	2.470	976,000	—	(68,400)	(73,200)	834,400
18 June 2004	1.810	—	560,400	(74,400)	(132,800)	353,200
4 November 2004	2.725	—	282,800	—	—	282,800
		<u>46,123,200</u>	<u>843,200</u>	<u>(9,737,800)</u>	<u>(1,521,600)</u>	<u>35,707,000</u>

*Note:* Except for the share options with exercise price per share of HK\$1.830 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.



## 14. Reserves

*Group*

	Contributed surplus <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Investment properties revaluation reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained profit/ loss) (accumulated <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2003	14,722,334	1,282,386	406,638	12,434	(569,305)	15,854,487
Profit for the period	—	—	—	—	16,214	16,214
Premium on issue of shares	—	1,275	—	—	—	1,275
Release of goodwill/ (reserve) upon sale of properties	—	—	(1,133)	—	6,647	5,514
Translation difference	—	—	—	3,290	—	3,290
As at 31 December 2003	<u>14,722,334</u>	<u>1,283,661</u>	<u>405,505</u>	<u>15,724</u>	<u>(546,444)</u>	<u>15,880,780</u>
As at 30 June 2004	14,722,334	1,294,729	622,956	14,047	(433,730)	16,220,336
Profit for the period	—	—	—	—	62,096	62,096
Premium on issue of shares	—	17,859	—	—	—	17,859
Release of reserve upon sale of properties	—	—	9,514	—	—	9,514
Translation difference	—	—	—	(187)	—	(187)
As at 31 December 2004	<u>14,722,334</u>	<u>1,312,588</u>	<u>632,470</u>	<u>13,860</u>	<u>(371,634)</u>	<u>16,309,618</u>

## 15. Contingent liabilities

The Group has contingent liabilities of approximately HK\$2,535,286,000 (30 June 2004: HK\$2,598,081,000) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities. As at 31 December 2004, 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\$1,775,904,000 (30 June 2004: HK\$1,811,365,000).

## 16. Commitments

(i) *Capital expenditure commitments*

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

	As at 31 December 2004 <i>HK\$'000</i>	As at 30 June 2004 <i>HK\$'000</i>
Contracted but not provided for		
Fixed assets	154,386	161,420
Investments in associated companies	—	12,214
	<u>154,386</u>	<u>173,634</u>

- (b) The Group did not have any share of capital commitments of the jointly controlled entities themselves not included in (a) above (30 June 2004: Nil).

(ii) *Other commitments*

As at 31 December 2004, the Group had issued performance guarantees amounting to HK\$477,923,000 (30 June 2004: HK\$889,533,000) in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of property projects developed by a subsidiary and certain jointly controlled entities of the Group. Pursuant to the terms of the performance 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.

## 17. Related party transactions

- (i) The following is a summary of significant related party transactions during the period carried out by the Group in the normal course of its business:

	<b>6 months ended 31 December</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on loans from fellow subsidiaries	13,566	10,451
Rental for leased premises to a fellow subsidiary	2,445	2,394
Rental for leased premises to an associated company	14,486	14,486
Property agency fee to a fellow subsidiary	4,530	—
Interest income from jointly controlled entities	(31,362)	(8,497)
Estate management fee income from a fellow subsidiary and jointly controlled entities	(2,613)	(4,441)
Rental income from fellow subsidiaries	(25,806)	(24,912)
Rental income from an associated company	(2,804)	(2,804)

These related party transactions were governed in accordance with the terms as disclosed in 2004 annual report.

- (ii) 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\$124,407,000 (31 December 2003: HK\$184,617,000). Such fees are charged at fixed amounts in accordance with the terms of the respective contracts.
- (iii) A deed of tax indemnity was entered into between NWD and the Group whereby NWD undertakes to indemnify the Group in respect of IT and LAT payable in consequence of the disposal of certain properties (note 6).

## 18. Post balance sheet events

- (a) On 8 February 2005, New World Development (China) Limited, a wholly-owned subsidiary of the Company, entered into an agreement for the purchase of 70% of the equity interest in Dalian Bond Tak International Finance Centre Co., Ltd. ("Dalian IFC") and 65% of the equity interest in Dalian Bond Tak New World Hotel Co., Ltd. ("Dalian NWH") for an aggregate consideration of approximately HK\$415,096,000. Upon completion of the agreement, Dalian IFC and Dalian NWH will become subsidiaries of the Group.
- (b) On 18 February 2005, the Board announced that the Company proposed to raise approximately HK\$6.3 billion by way of the Rights Issue at the Subscription Price of HK\$2.80 per Rights Share on the basis of three Rights Shares for every two existing Shares subject to Independent Shareholders' approval.

## 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 below details of advances and guarantees made by the Group to the following entities which individually exceeded 8% of the Company's market capitalisation as at 31 December 2004, as follows:

Names of affiliated companies	Attributable interest held by the Group	Advances as at 31 December 2004		Interest rate per annum	Guarantee given (C) HK\$'000	Total (A+B+C) HK\$'000
		Interest bearing (A) HK\$'000	Non-interest bearing (B) HK\$'000			
<b>Associated companies</b>						
Global Perfect Development Limited	50%	—	461,197	—	4,673	465,870
Grand Make International Limited	45%	—	444,264	—	180,782	625,046
Sub-total (D)		—	905,461		185,455	1,090,916
<b>Jointly controlled entities</b>						
Beijing Chong Wen-New World Properties Co., Ltd.	70%	1,415,588	—	8.5%	467,290	1,882,878
Beijing Chong Yu Real Estate Development Co., Ltd.	70%	1,133,573	—	8.5%	981,308	2,114,881
China New World Electronic Ltd.	70%	1,149,427	—	HK Prime rate	—	1,149,427
Guangzhou Jixian Zhuang New World City Garden Development Limited	60%	91,480	283,512	10%	179,400	554,392
Jinan New World Sunshine Development Ltd.	65%	125,399	25,553	5.85% to 5.94%	226,317	377,269
Tianjin New World Housing Development Co., Ltd.	60%	617,854	101,867	10%	—	719,721
Tianjin New World Properties Development Co., Ltd.	70%	638,448	—	9% to 10%	—	638,448
Wuhan New World Housing Development Limited	60%	483,388	188,616	5.31% to 5.58%	163,551	835,555
Sub-total (E)		5,655,157	599,548		2,017,866	8,272,571
Total (D+E)		5,655,157	1,505,009		2,203,321	9,363,487

These loans have been provided by the Group to the abovenamed entities as shareholders' loans which are unsecured and have no specific repayment terms.

*Note:* The market capitalisation of the Company as at 31 December 2004 amounted to HK\$4,608,195,000 based on the total number of 1,498,600,094 shares of the Company in issue on 31 December 2004 and the average closing price per share of HK\$3.075 for the five business days immediately preceding 31 December 2004.

(B) *Financial assistance and guarantees to affiliated companies*

In accordance with the requirements under Rule 13.22 of the Listing Rules, the Directors of the Company reported below details of advances to, and guarantees given for the benefit of its affiliated companies as at 31 December 2004, which in aggregate exceeded 8% of the Company's market capitalization as at 31 December 2004.

As at 31 December 2004, the Company and its subsidiaries had advanced an aggregate amount of HK\$9,251,487,000 (30 June 2004: HK\$9,148,422,000) to affiliated companies, guaranteed bank loans and other borrowing facilities for the benefit of the affiliated companies in the amount of HK\$2,535,286,000 (30 June 2004: HK\$2,598,081,000) and contracted to further provide an aggregate amount of HK\$1,459,627,000 (30 June 2004: HK\$1,437,585,000) in capital and loans to affiliated companies. The advances are unsecured and interest free except for an aggregate amount of HK\$6,929,249,000 (30 June 2004: HK\$7,118,102,000) which carry interest ranging from 5.31% to 12% per annum (30 June 2004: 4% to 12% per annum). Other than an amount of HK\$299,065,000 (30 June 2004: HK\$311,526,000) which is repayable by instalments up to December 2016, the advances have no fixed repayment terms. Contracted capital and loan contributions to affiliated companies would be funded by proceeds from internal resources and bank and other borrowings of the Group.

In addition, in accordance with the requirements under Rule 13.22 of the Listing Rules, the Company is required to include in its annual report a pro forma combined balance sheet of its affiliated companies which should include significant balance sheet classifications and state the attributable interest of the Company in the affiliated companies. The Company has numerous affiliated companies and is of the opinion that it is not practical nor meaningful to prepare a pro forma combined balance sheet and such information may be misleading. Pursuant to Rule 13.22 of the Listing Rules, the Company made an application to, and has received a waiver from, the Stock Exchange as an alternative to provide the following statement

As at 31 December 2004, the Group's total exposure on the combined indebtedness reported by such affiliated companies (including amounts owing to the Group) amounted to approximately HK\$16,286,023,000 (30 June 2004: HK\$15,537,481,000). Such affiliated companies reported no capital commitments and contingent liabilities as at 31 December 2004 (30 June 2004: Nil).

## 2. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is based on the published unaudited interim results of the Group for the six months ended 31 December 2004 as shown in the “Interim financial statements” as set out in this Appendix and adjusted for the effect of the Rights Issue.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared to illustrate the effect of the Rights Issue on the net tangible assets of the Group as at 31 December 2004 as if it had taken place on 31 December 2004. It has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of the Group following the Rights Issue.

	<b>Unaudited consolidated net tangible assets as at 31 December 2004</b>	<b>Estimated net proceeds from the Rights Issue</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 1)</i>	<i>(Note 3)</i>	
Based on subscription price of HK\$2.80 per Rights Share	<u>16,446,774</u>	<u>6,290,309</u>	<u>22,737,083</u>
	<b>Unaudited consolidated net tangible assets per Share as at 31 December 2004</b>		<b>Unaudited pro forma adjusted consolidated net tangible assets per Share</b>
	<i>HK\$</i>		<i>HK\$</i>
	<i>(Note 2)</i>		<i>(Note 4)</i>
Based on subscription price of HK\$2.80 per Rights Share	<u>10.97</u>		<u>6.05</u>

*Notes:*

1. The unaudited consolidated net tangible assets is arrived at after exclusion of the goodwill arising from acquisition of jointly controlled entities of HK\$12,704,000 from the unaudited consolidated net assets as at 31 December 2004.
2. The unaudited consolidated net tangible assets per Share as at 31 December 2004 is calculated based on 1,498,600,094 Shares in issue as at 31 December 2004.
3. The estimated net proceeds from the Rights Shares are based on the Subscription Price of HK\$2.80 per Rights Share after deduction of the estimated related expenses of approximately HK\$24.5 million.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustment referred to in the preceding paragraph and on the basis of 1,498,600,094 Shares in issue as at 31 December 2004, Shares issued upon the exercise of 4,929,600 Share Options during the period from 1 January 2005 to the Record Date and 2,255,294,538 Rights Shares to be issued.

### 3. LETTER ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the text of a letter received from PricewaterhouseCoopers for the purpose of incorporation in this prospectus. As there is no specific guidance on the reporting on pro forma financial information under the Auditing Guidelines issued by the Hong Kong Institute of Certified Public Accountants, this report is prepared with reference to the Statement of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom.



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  
[www.pwchk.com](http://www.pwchk.com)

21 March 2005

The Directors  
New World China Land Limited

Dear Sirs

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets of New World China Land Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on page 75 under the heading of “Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets” in Section 2 of Appendix I of the Company’s prospectus dated 21 March 2005 in connection with the proposed rights issue of three rights shares for every two existing shares held on the record date (the “Rights Issue”). The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared by the Directors of the Company, for illustrative purposes only, to provide information about how the Rights Issue might have affected the relevant financial information of the Group as at 31 December 2004.

#### Responsibilities

It is the responsibility solely of the Directors of the Company to prepare the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“the Listing Rules”).

It is our responsibility to form an opinion, as required by paragraph 4.29 of the Listing Rules, on the unaudited pro forma statement of adjusted consolidated net tangible assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma statement of adjusted consolidated net tangible assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our work with reference to the Statement of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted consolidated net tangible assets with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of adjusted consolidated net tangible assets with the Directors of the Company.

Our work does not constitute an audit or review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such assurance on the unaudited pro forma statement of adjusted consolidated net tangible assets.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared on the bases set out under the heading of “Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets” in Section 2 of Appendix I to the Company’s prospectus dated 21 March 2005 for illustrative purpose only and, because of its nature, it may not be indicative of the financial position of the Group as at any future date.

**Opinion**

In our opinion:

- (a) the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the Directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 4.29 of the Listing Rules.

Yours faithfully  
**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong

**4. INDEBTEDNESS****Borrowings**

At the close of business on 31 January 2005, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this prospectus, the Group had outstanding borrowings of approximately HK\$7,130,977,000, details of which are set out as follows:

	<i>HK\$'000</i>
Bank loans	
Secured	1,728,121
Unsecured	794,393
Loans from fellow subsidiaries, unsecured	4,148,291
Loans from minority shareholders, unsecured	<u>460,172</u>
	<u><u>7,130,977</u></u>

Bank loans of approximately HK\$1,728,121,000 were secured by the Group's certain investment properties, hotel properties, properties under development, properties held for development and bank balances.

**Contingent liabilities**

At the close of business on 31 January 2005, the Group had contingent liabilities of approximately HK\$2,104,457,000 relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities. As at 31 January 2005, 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\$1,472,177,000.

**Disclaimer**

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 January 2005, the Group did not have any outstanding loan capital, bank overdrafts, loan, mortgage, charges or other similar indebtedness, or hire purchase of finance lease commitments, liabilities under acceptances or acceptance credits, guarantees or other material contingent liabilities.

**5. MATERIAL CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2004, the date to which the latest audited financial statements of the Group were made up.

**6. WORKING CAPITAL STATEMENT**

The Directors are of the opinion that, based on the internal generated funds, available banking and other facilities and the estimated net proceeds of the Rights Issue, the Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this prospectus in the absence of unforeseen circumstances.



## 1. RESPONSIBILITY STATEMENT

This prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. PARTICULARS OF DIRECTORS

### Executive Directors

*Dr. Cheng Kar-shun, Henry GBS* (aged 58). Dr. Cheng became the chairman of the Company and managing Director in 1999. He is also the managing director of NWD, the chairman of New World TMT Limited, NWS Holdings Limited, Tai Fook Securities Group Limited, New World Mobile Holdings Limited and International Entertainment Corporation. He is the managing director of NWD (Hotels Investments) Limited and a director of Chow Tai Fook Enterprises Limited and HKR International 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 Hong Kong. Dr. Cheng is the brother of Mr. Cheng Kar-shing, Peter and the brother-in-law of Mr. Doo Wai-hoi, William.

*Mr. Doo Wai-hoi, William JP* (aged 60). Mr. Doo was appointed the vice-chairman of the Company 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 a director of Lifestyle International Holdings Limited, NWD (Hotels Investments) Limited and Fung Seng Diamond Company Limited. Mr. Doo has served as a governor of the Canadian Chamber of Commerce in Hong Kong. In addition, he is appointed as a member of the executive committee of the Tenth Chinese People's Political and Consultative Conference in Shanghai, and the convener of the Shanghai Committee in Hong Kong. Mr. Doo is the brother-in-law of Dr. Cheng Kar-shun, Henry and Mr. Cheng Kar-shing, Peter.

*Mr. Cheng Kar-shing, Peter* (aged 52). Mr. Cheng was appointed an executive Director in June 1999. He is a director of Chow Tai Fook Enterprises Limited, NWD, NWS Service Management Limited, NWD (Hotels Investments) 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* (aged 66). Mr. Leung was appointed an executive Director in June 1999. He is an executive director and the group general manager of NWD. He also acts as a director of New World Hotel Company Limited and Hip Hing Construction Company Limited.

*Mr. Chow Kwai-cheung* (aged 62). Mr. Chow was appointed an executive Director in June 1999. He is currently a director of NWD and Hip Hing Construction Company Limited. He has over 30 years experience in property development and investment businesses. Mr. Chow joined the NWD group in 1974 and is responsible for the construction and engineering operations of the Company and the NWD group.

*Mr. Chow Yu-chun, Alexander* (aged 58). Mr. Chow was appointed an executive Director in June 1999. He is also a director of New World Mobile Holdings 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 NWD group in 1973 and is responsible for the financial operations of the Company and the NWD group. Mr. Chow is the company secretary of the Company.

*Mr. Fong Shing-kgwong, Michael* (aged 57). Mr. Fong was appointed an executive Director in January 2003. He is currently a director of NWS Service Management Limited, NWD (Hotels Investments) 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 NWD 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 NWD 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.

#### **Non-executive Director**

*Mr. Fu Sze-shing* (aged 55). Mr. Fu is a non-executive director of New World TMT Limited and a director of 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.

#### **Independent non-executive Directors**

*Mr. Cheng Wai-chee, Christopher* (aged 56). Mr. Cheng is the chairman of USI Holdings Limited and Winsor Properties Holdings Limited and a director of NWS Holdings Limited, DBS Bank (HK) Ltd and PICC Property and Casualty Company Limited. Mr. Cheng plays an active role in the public services. He is a non-executive director of Securities and Futures Commission, chairman of the Standing Committee on Judicial Salaries and Conditions of Service and a member of The Exchange Fund Advisory Committee of the Government of Hong Kong and a steward of the Hong Kong Jockey Club. He presently serves on the following public organisations: Council of the Hong Kong Trade Development Council, Court of the Hong Kong University of Science and Technology and Council of the University of Hong Kong. He was the former chairman of the Hong Kong General Chamber of Commerce.

*Mr. Tien Pei-chun, James* (aged 58). Mr. Tien 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 56). Mr. Lee was appointed an independent non-executive Director in December 2004. He is the managing director of Lippo Limited, a director of Lippo China Resources Limited, Hongkong Chinese Limited and Auric Pacific Group Limited as well as an independent non-executive director of NWD. 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 holds public and community appointments in a number of boards and committees including the Broadcasting Authority, Advisory Council on Food and Environmental Hygiene, Appeal Board on Closure Orders (Immediate Health Hazard), Council of the City University of Hong Kong, Solicitors Disciplinary Tribunal Panel and the Hospital Authority.

### 3. PARTIES INVOLVED IN THE RIGHTS ISSUE AND CORPORATE INFORMATION

<b>Registered office</b>	P.O. Box 309 Ugland House South Church Street George Town Grand Cayman Cayman Islands British West Indies
<b>Principal place of business in Hong Kong</b>	9th Floor, New World Tower I 18 Queen's Road Central Hong Kong
<b>Company secretary of the Company</b>	Mr. Chow Yu-chun, Alexander <i>FCCA, CPA</i>
<b>Qualified accountant of the Company</b>	Ms. Ngan Man-ying, Lynda <i>FCCA, CPA</i>
<b>Authorised representatives of the Company</b>	Mr. Chow Yu-chun, Alexander <i>FCCA, CPA</i> Ms. Ngan Man-ying, Lynda <i>FCCA, CPA</i>
<b>Underwriter</b>	New World Development Company Limited 30th Floor, New World Tower 18 Queen's Road Central Hong Kong
<b>Legal advisor to the Company</b>	Simmons & Simmons 35th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
<b>Auditors of the Company</b>	PricewaterhouseCoopers <i>Certified Public Accountants</i> 22nd Floor, Prince's Building Central Hong Kong

<b>Branch share registrar and transfer office</b>	Standard Registrars Limited G/F, Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong
<b>Principal bankers</b>	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong
	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

#### 4. SHARE CAPITAL

(a) The share capital of the Company as at the Record Date is as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>8,000,000,000</u> Shares		<u>800,000,000</u>
<i>Issued and to be issued as fully-paid:</i>		
1,503,529,694 Shares		150,352,969.40
<u>2,255,294,538</u> Rights Shares to be issued		<u>225,529,453.80</u>
<u>3,758,824,232</u> Shares in issue immediately after the Rights Issue <i>(Note)</i>		<u>375,882,423.20</u>

*Note:* Assuming the Rights Issue becomes unconditional and the Rights Shares are fully subscribed for and no further Shares are issued by the Company between the Record Date and the date of completion of the Rights Issue.

All Shares presently in issue rank pari passu in all respects. The Rights Shares to be allotted and issued pursuant to the Rights Issue, will, when issued and fully paid, rank pari passu in all respects with the Shares then in issue.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

## 5. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests or short positions of the Directors in the Shares and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO, or will be required to be recorded in the register maintained by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")) were as follows:

**(I) Interests and short position in the Shares, underlying Shares and debentures of the Company****(a) Long position in issued Shares**

Name of Director	Nature of interest	Number of ordinary Shares held	Percentage to the issued share capital as at the Latest Practicable Date
Mr. Doo Wai-hoi, William	Personal	700,000	0.05
Mr. Doo Wai-hoi, William	Corporate	6,020,000 (note)	0.40
Mr. Cheng Kar-shing, Peter	Personal	366,800	0.02
Mr. Chow Kwai-cheung	Personal	400,126	0.03
Mr. Fong Shing-kwong, Michael	Personal	600,000	0.04

*Note:* These Shares were beneficially owned by a company wholly-owned by Mr. Doo Wai-hoi, William.

**(b) Long position in underlying Shares**

Under the share option scheme of the Company adopted on 18 December 2000, the Directors mentioned below were granted Share Options which entitled them to subscribe for Shares and accordingly they are regarded as interested in the underlying Shares. Details of the Share Options granted to them are as follows:

Name of Director	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Number of Shares entitled to subscribe for under the Share Options (note 5)
Dr. Cheng Kar-shun, Henry	7 February 2001	1.955	8 March 2001 to 7 March 2006	5,000,000 (note 1)
Mr. Doo Wai-hoi, William	8 February 2001	1.955	9 March 2002 to 8 March 2006	2,800,000 (note 2)
Mr. Cheng Kar-shing, Peter	9 February 2001	1.955	10 March 2003 to 9 March 2006	1,500,000 (note 3)
Mr. Chow Yu-chun, Alexander	8 February 2001	1.955	9 March 2001 to 8 March 2006	2,500,000 (note 1)
Mr. Leung Chi-kin, Stewart	7 February 2001	1.955	8 March 2001 to 7 March 2006	500,000 (note 1)
Mr. Chow Kwai-cheung	9 February 2001	1.955	10 March 2005 to 9 March 2006	100,000
Mr. Fong Shing-kwong, Michael	17 February 2001	1.955	18 March 2004 to 17 March 2006	400,000 (note 4)
<b>Total:</b>				<b>12,800,000</b>

*Notes:*

- (1) The Share Options are exercisable during a period of five years commencing from one month after the dates of each grants when the offers of Share Options were accepted, 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 year(s).
- (2) The Share Options are exercisable within the four years as stated therein, provided that the maximum number of Share Options that can be exercised during each anniversary year is 25% of the outstanding Share Options held together with any unexercised Share Options carried forward from the previous anniversary year(s).
- (3) The Share Options are exercisable within the three years as stated therein, provided that the maximum number of Share Options that can be exercised during each anniversary year is one-third of the outstanding Share Options held together with any unexercised Share Options carried forward from the previous anniversary year(s).
- (4) The Share Options are exercisable within the two years as stated therein, provided that the maximum number of Share Options that can be exercised during each anniversary year is 50% of the outstanding Share Options held together with any unexercised Share Options carried forward from the previous anniversary year.
- (5) The cash consideration paid by each Director for each grant of the Share Options is HK\$10.

## (II) Interests and short position in the shares, underlying shares and debentures of the associated corporations of the Company

### (a) Long position in the shares of the associated corporations of the Company

Name of company/Director	Personal interests	Number of shares		Total	Percentage to the relevant issued share capital as at the Latest Practicable Date
		Family interests	Corporate interests		
<b>New World Development Company Limited</b>					
(Ordinary shares of HK\$1 each)					
Mr. Leung Chi-kin, Stewart	32,553	—	—	32,553	0.001
Mr. Chow Kwai-cheung	43,000	—	—	43,000	0.001
<b>New World Mobile Holdings Limited</b>					
(Ordinary shares of HK\$1 each)					
Mr. Fong Shing-kwong, Michael	6,580	—	—	6,580	0.008
<b>New World TMT Limited</b>					
(Ordinary shares of HK\$1 each)					
Dr. Cheng Kar-shun, Henry	—	1,000,000	—	1,000,000	0.11
Mr. Doo Wai-hoi, William	—	—	12,000,000	12,000,000	1.26
<i>(note 1)</i>					
<b>NWS Holdings Limited</b>					
(Ordinary shares of HK\$1 each)					
Dr. Cheng Kar-shun, Henry	2,000,000	587,000	—	2,587,000	0.14
Mr. Doo Wai-hoi, William	1,333,333	—	826,000	2,159,333	0.12
<i>(note 1)</i>					
Mr. Cheng Kar-shing, Peter	333,333	—	2,659,700	2,993,033	0.17
<i>(note 2)</i>					
Mr. Leung Chi-kin, Stewart	3,526,630	—	84,607	3,611,237	0.20
<i>(note 3)</i>					
Mr. Chow Kwai-cheung	2,264,652	—	—	2,264,652	0.13
Mr. Chow Yu-chun, Alexander	2,330,418	—	—	2,330,418	0.13
Mr. Fong Shing-kwong, Michael	2,197,373	—	—	2,197,373	0.12
Mr. Cheng Wai-chee, Christopher	400,000	—	—	400,000	0.02

Name of company/Director	Personal interests	Number of shares		Total	Percentage to the relevant issued share capital as at the Latest Practicable Date
		Family interests	Corporate interests		
<b>Dragon Fortune Limited</b>					
(Ordinary shares of US\$1 each)					
Mr. Cheng Kar-shing, Peter	—	—	15,869 <i>(note 4)</i>	15,869	27.41
<b>Faith Yard Property Limited</b>					
(Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	1 <i>(note 1)</i>	1	50.00
<b>Fortune Star Worldwide Limited</b>					
(Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	60 <i>(note 1)</i>	60	60.00
<b>Fung Seng Estate Development (Shanghai) Co., Ltd.</b>					
(Registered capital in US\$)					
Mr. Doo Wai-hoi, William	—	—	3,000,000 <i>(note 5)</i>	3,000,000	30.00
<b>Grand Make International Limited</b>					
(Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	10 <i>(note 1)</i>	10	10.00
<b>Master Services Limited</b>					
(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
<b>Nanjing New World Chang Jiang Equipment Co. Ltd.</b>					
(Registered capital in RMB)					
Mr. Doo Wai-hoi, William	—	—	5,357,275 <i>(note 1)</i>	5,357,275	21.18
<b>Nanjing Xinlidao Property Development Limited</b>					
(Registered capital in HK\$)					
Mr. Doo Wai-hoi, William	—	—	21,000,000 <i>(note 1)</i>	21,000,000	35.00
<b>Ramada Property Ltd.</b>					
(Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	200 <i>(note 1)</i>	200	20.00
<b>Shanghai Ju Yi Real Estate Development Co., Ltd.</b>					
(Registered capital in RMB)					
Mr. Doo Wai-hoi, William	—	—	105,000,000 <i>(note 5)</i>	105,000,000	30.00

Name of company/Director	Personal interests	Number of shares		Total	Percentage to the relevant issued share capital as at the Latest Practicable Date
		Family interests	Corporate interests		
<b>Shanghai Trio Property Development Co. Ltd.</b>					
(Registered capital in US\$)					
Mr. Doo Wai-hoi, William	—	—	28,350,000 <i>(note 6)</i>	28,350,000	52.50
<b>Sun City Holdings Limited</b>					
(Ordinary shares of HK\$1 each)					
Mr. Cheng Kar-shing, Peter	—	80,000	3,570,000 <i>(note 7)</i>	3,650,000	45.63
<b>Sun Legend Investments Limited</b>					
(Ordinary shares of HK\$1 each)					
Mr. Cheng Kar-shing, Peter	—	—	500 <i>(note 8)</i>	500	50.00
<b>YE Holdings Corporation</b>					
(Ordinary shares of HK\$1 each)					
Mr. Leung Chi-kin, Stewart	37,500	—	—	37,500	1.50
<b>Zhaoqing New World Property Development Limited</b>					
(Registered capital in US\$)					
Mr. Doo Wai-hoi, William	—	—	8,250,000 <i>(note 9)</i>	8,250,000	60.00
<b>Zhaoqing New World Property Management Limited</b>					
(Registered capital in HK\$)					
Mr. Doo Wai-hoi, William	—	—	300,000 <i>(note 9)</i>	300,000	60.00

*Notes:*

- (1) These shares are beneficially owned by companies wholly-owned by Mr. Doo Wai-hoi, William.
- (2) These shares are beneficially owned by a company wholly-owned by Mr. Cheng Kar-shing, Peter.
- (3) These shares are beneficially owned by a company of which Mr. Leung Chi-kin, Stewart has a direct interest of 55%.
- (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) This represents the participating interests held by a company wholly-owned by Mr. Doo Wai-hoi, William.
- (6) This includes 50% direct interests and 2.5% participating interests in the registered capital of Shanghai Trio Property Development Co. Ltd., a company which is held by companies wholly-owned by Mr. Doo Wai-hoi, William.
- (7) These shares are held by a company of which Mr. Cheng Kar-shing, Peter has an indirect interest of 48.18%.
- (8) 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 pursuant to Part XV of the SFO.



- (9) Mr. Doo Wai-hoi, William is deemed to be interested in the respective registered capital of Zhaoqing New World Property Development Limited and Zhaoqing New World Property Management Limited by virtue of his interest in Fortune Star Worldwide Limited pursuant to Part XV of the SFO, of which Mr. Doo Wai-hoi, William owns an indirect interest of 60%.
- (b) *Long position in the underlying shares in the associated corporations of the Company*

(i) New World TMT Limited

Under the share option scheme of a fellow subsidiary, New World TMT Limited (“NWTMT”), adopted on 3 October 1997, the following Director was granted share options to subscribe for shares in NWTMT and accordingly, he is regarded as interested in the underlying shares of NWTMT. Details of the share options of NWTMT granted to him are as follows:

Name of Director	Date of grant	Number of shares entitled to subscribe for under the share option with exercise price per share of	
		HK\$10.20	HK\$12.00
Mr. Fu Sze-shing	23 September 1999	240,000 (note 1)	960,000 (note 2)

*Notes:*

- (1) Exercisable from 1 July 2000 to 1 June 2005.
- (2) Divided into 3 tranches exercisable from 1 July 2001, 2002 and 2003 to 1 June 2005 respectively.

(ii) NWS Holdings Limited

Under the share option scheme of a fellow subsidiary, NWS Holdings Limited (“NWS”), the following Directors 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	Exercise price per share (HK\$)	Exercisable period	Number of share options
Mr. Doo Wai-hoi, William	21 July 2003	3.725	(note 1)	666,667
Mr. Cheng Kar-shing, Peter	21 July 2003	3.725	(note 1)	166,667
Mr. Leung Chi-kin, Stewart	21 July 2003	3.725	(note 2)	68,000
Mr. Chow Yu-chun, Alexander	21 July 2003	3.725	(note 2)	133,334
Mr. Fong Shing-kwong, Michael	21 July 2003	3.725	(note 1)	166,667
Mr. Cheng Wai-chee, Christopher	21 July 2003	3.725	(note 1)	200,000

*Notes:*

- (1) Exercisable from 21 July 2005 to 20 July 2008.
- (2) Divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 to 20 July 2008, respectively.

(iii) 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	Exercise price per share (HK\$)	Exercisable period	Number of share options
Dr. Cheng Kar-shun, Henry	28 January 2005	1.26	<i>(note)</i>	780,000
Mr. Doo Wai-hoi, William	28 January 2005	1.26	<i>(note)</i>	300,000
Mr. Chow Yu-chun, Alexander	28 January 2005	1.26	<i>(note)</i>	482,000

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

(c) *Other Directors' interests*

None of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to any member of the Group respectively, since 30 June 2004, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group taken as a whole.

## 6. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

- (a) As at the Latest Practicable Date, information of the persons, other than Directors or chief executive of the Company, who have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

**Long position in issued Shares**

Name	Number of shares		Total	Percentage to the issued share capital as at the Latest Practicable Date
	Beneficial interest	Corporate interest		
Chow Tai Fook Enterprises Limited <i>(note 1)</i>	—	3,349,454,778	3,349,454,778	222.77
NWD	3,310,400,271 <i>(note 2)</i>	39,054,507 <i>(note 3)</i>	3,349,454,778	222.77

*Notes:*

- (1) Chow Tai Fook Enterprises Limited together with its subsidiaries are interested in more than one-third of the issued share capital of NWD, and is accordingly deemed to have an interest in the shares deemed to be interested by NWD.
- (2) These Shares include the 1,015,053,093 Shares directly held by NWD in the issued share capital of the Company, together with 2,295,347,178 Rights Shares (including the Excluded Right Shares) taken to be interested by NWD pursuant to the Underwriting Agreement.
- (3) NWD is deemed to be interested in 22,508,064 Shares held by Great Worth Holdings Limited, its 59% owned subsidiary, together with 16,546,443 Shares held by High Earnings Holdings Limited, its 54% owned subsidiary.
- (b) As at the Latest Practicable Date, so far as is known to the Director or chief executive of the Company and save as otherwise disclosed in this prospectus, the persons (other than a Director or chief executive of the Company or a member of the Group) who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any subsidiary of the Company were as follows:

Name of substantial Shareholder	Name of subsidiary	Number of shares/amount or percentage of interest held
Dalian Commercial Network Construction and Development Company	Dalian New World Plaza International Co., Ltd.	RMB6,960,000 (12% of the equity interest)
Shun Hing China Investment Limited	Ramada Property Ltd.	100 shares (10% of the equity interest)
Hopwin Construction Engineering Limited	Hopwin Properties (China) Limited	2 shares (20% of the equity interest)
Melbourne Enterprises Ltd.	Billion Park Investment Limited	142,900 shares (14.29% of the equity interest)
Shenyang Zhengju Enterprises Ltd.	New World (Shenyang) Property Development Limited	10% <i>(Note)</i>

Name of substantial Shareholder	Name of subsidiary	Number of shares/amount or percentage of interest held
Shenyang Zhengju Enterprises Ltd.	New World (Shenyang) Property Development No. 2 Limited	10% (Note)
Shenyang Zhengju Enterprises Ltd.	New World (Shenyang) Property Development No. 3 Limited	10% (Note)
Shenyang Zhengju Enterprises Ltd.	New World (Shenyang) Property Development No. 4 Limited	10% (Note)
Shenyang Zhengju Enterprises Ltd.	New World (Shenyang) Property Development No. 5 Limited	10% (Note)
Shenyang Zhengju Enterprises Ltd.	New World (Shenyang) Property Development No. 6 Limited	10% (Note)
Shanghai Hongdu Enterprises (Group) Company Limited	Shanghai Heyu Properties Company Limited	US\$2,400,000 (20% of the equity interest)
深圳瑋鵬實業有限公司	Shenzhen Topping Real Estate Development Co., Ltd.	HK\$18,200,000 (10% of the equity interest)
武漢市國營漢口漁場	Wuhan Xin Han Development Co., Ltd.	30% (Note)

*Note:* Referred to as profit sharing ratio as set out in the relevant co-operative joint venture contracts.

Save as disclosed above, as at the Latest Practicable Date, there was no other person (other than a Director or chief executive of the Company), who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

## 7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group, other than contracts expiring or terminable within one year without any compensation payable (other than statutory compensation).

## 8. LITIGATION

None of the members of the Group are engaged in any litigation or arbitration of material importance and there is no litigation of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

## 9. MATERIAL CONTRACT

The Underwriting Agreement is the contract entered into by the Group within the two years immediately preceding the issue of this prospectus which is or may be material and not in the ordinary course of business of the Group.

## 10. BINDING EFFECT

The Rights Issue Documents and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. When an acceptance or application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions (other than the penal provisions) of section 44A and 44B of the Companies Ordinance.

## 11. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this prospectus or has given opinion which are contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
PricewaterhouseCoopers (“PwC”)	Certified Public Accountants

PwC has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of the letter the text of which is set out in Appendix I to this prospectus or reference in the form and context in which it appears.

PwC did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

PwC did not have any direct or indirect interests in any assets which has been, since 30 June 2004 (being the date to which the latest published audited accounts of the Company were made up to), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

## 12. GENERAL

The expenses in connection with the Rights Issue, including the financial advisory fee, underwriting commission, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$24.5 million and will be payable by the Company.

The English text of this document shall prevail over the Chinese text for the purpose of interpretation.

## 13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on Business Day at 9th Floor, New World Tower 1, 18 Queen’s Road Central, Hong Kong from the date of this prospectus up to and including 4 April 2005:

- (a) the Underwriting Agreement referred to in the paragraph headed “Material Contract” in this appendix;
- (b) the memorandum and articles of association of the Company;
- (c) the annual reports of the Company for the two years ended 30 June 2003 and 30 June 2004;
- (d) the interim report of the Company for the six months ended 31 December 2004;
- (e) the letter from PwC on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as set out in paragraph 3 of Appendix I to this prospectus; and
- (f) the consent letter from PwC referred to in paragraph 11 of this appendix.