

New World China Land Limited

(Stock Code : 0917)

# Chairman's Statement

## TO SHAREHOLDERS,

For the six months ended 31st December 2006, New World China Land recorded a turnover of HK\$1,065 million, up 43% year-on-year. Profit attributable to shareholders amounted to HK\$406 million, an increase of 107% over first half of FY2006. The significant increase in profit for the period was attributable to improved performance achieved by all three major operations of the Group, namely property sale, rental operation and hotel operation. The Group declared 2 HK cents interim dividend.

China achieved a 10.7% GDP growth in 2006, the fourth consecutive year of double-digit growth. The resilient economic growth and stable increase of average income per capita have supported the stable growth of real estate market in Mainland China. In 2006, the population in urban area accounted for 43.9% of the total population in Mainland China. New World China Land will benefit from the urbanisation in Mainland China by continuously producing quality products to the market. In particular, NWCL is at the best position to serve the market, given most of the Group's land bank is located in the downtown areas of key cities.

In 2006, the Group acquired several new projects located in mid-western part of Mainland China. The decision was based on our positive view on the property market in that region. Firstly, the lower land costs in these secondary cities will translate into better margins. Secondly, the rapid development of the mid-western cities, under the strong support from the central government, means a higher growth potential.

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

**D, C** **W, -** **H** **,**  
*Chairman and Managing Director*

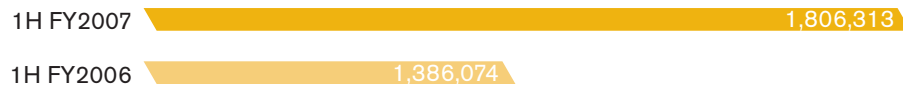
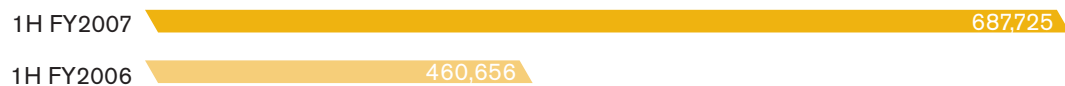
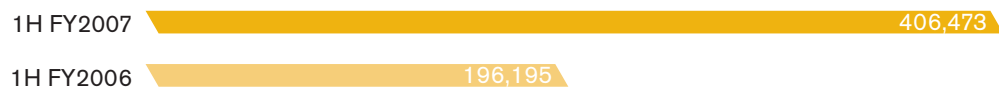
Hong Kong, 16th March 2007

## Key Financial Data

|                                                                        | 6 Months ended 31 December 2006 | 31 December 2005 |
|------------------------------------------------------------------------|---------------------------------|------------------|
| <b>Operating Revenue (HK\$'000)</b>                                    |                                 |                  |
| Company and subsidiaries                                               | <b>1,065,183</b>                | 745,131          |
| Share of associated companies and jointly controlled entities (note 1) | <b>741,130</b>                  | 640,943          |
|                                                                        | <b>1,806,313</b>                | 1,386,074        |
| <b>Representing:</b>                                                   |                                 |                  |
| Sale of properties                                                     | <b>1,265,911</b>                | 961,639          |
| Rental income                                                          | <b>335,950</b>                  | 269,649          |
| Income from hotel operations                                           | <b>159,511</b>                  | 124,987          |
| Property management services fees income                               | <b>44,652</b>                   | 26,707           |
| Project management fee income                                          | <b>289</b>                      | 3,092            |
|                                                                        | <b>1,806,313</b>                | 1,386,074        |
| <b>Gross Profit (HK\$'000)</b>                                         |                                 |                  |
| Company and subsidiaries                                               | <b>372,501</b>                  | 283,538          |
| Share of associated companies and jointly controlled entities (note 2) | <b>315,224</b>                  | 177,118          |
|                                                                        | <b>687,725</b>                  | 460,656          |
| <b>Property Development Costs (HK\$'000)</b>                           |                                 |                  |
|                                                                        | <b>406,473</b>                  | 196,195          |
| <b>Exchange Gain (HK\$)</b>                                            |                                 |                  |
|                                                                        | <b>10.62</b>                    | 5.19             |
| <b>Interest Income (HK\$)</b>                                          |                                 |                  |
|                                                                        | <b>2.00</b>                     | -                |
| <b>As at 31 December 2006</b>                                          |                                 |                  |
| <b>As at 30th June 2006</b>                                            |                                 |                  |
| <b>Financial Position (HK\$ '000)</b>                                  |                                 |                  |
| Current assets                                                         | <b>2,938.6</b>                  | 2,851.9          |
| Total assets                                                           | <b>38,452.2</b>                 | 34,002.1         |
| Total liabilities                                                      | <b>12,713.7</b>                 | 9,790.5          |
| Current liabilities                                                    | <b>24,718.2</b>                 | 24,035.0         |
| <b>Financial Ratios</b>                                                |                                 |                  |
| Current ratio ( )                                                      | <b>2.98</b>                     | 2.75             |
| Net asset ratio ( )                                                    | <b>20.4%</b>                    | 12.8%            |

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

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

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

Note 1: It represents turnover of the Company and subsidiaries plus share of associated companies and jointly controlled entities attributable to the Group as tabulated on page 2.

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

# Management Discussion and Analysis

## BUSINESS REVIEW

In the first half of FY2007, the Group has recorded a profit of HK\$406 million, an increase of 107% over first half of FY2006. The significant increase in profit for the period was attributable to improved performance achieved by all three major operations of the Group, namely property sale, rental operation and hotel operation. The Attributable operating profit ("AOP") before provisions, finance costs and increase in fair value of investment properties amounted to HK\$246 million, representing an increase of over 193% over that of corresponding period last year.

Earnings per share were HK\$10.62 cents, doubled of what they were in first half of FY2006.

### A comparison of the Group's operating results for the first half of FY2007 and FY2006

|                                                                                      | 6 months ended 30 June 2007 | 31 December 2006 |
|--------------------------------------------------------------------------------------|-----------------------------|------------------|
|                                                                                      | 2007                        | 2006             |
|                                                                                      | HK\$'000                    | HK\$'000         |
| Property sale                                                                        | <b>91,631</b>               | 9,900            |
| Rental operation                                                                     | <b>142,006</b>              | 77,176           |
| Hotel operation                                                                      | <b>14,259</b>               | (1,344)          |
| Property management services                                                         | <b>176</b>                  | (1,258)          |
| Others                                                                               | <b>(2,117)</b>              | (735)            |
| AOP before provision and finance costs                                               | <b>245,955</b>              | 83,739           |
| Increase in fair value of investment properties                                      | <b>138,179</b>              | 131,001          |
| Provisions                                                                           | <b>(2,543)</b>              | –                |
| Provisions written back                                                              |                             | 49,431           |
| Tax indemnity from the ultimate holding company                                      | <b>64,357</b>               | –                |
| Excess of fair value of net assets acquired over cost of acquisition of a subsidiary | <b>1,893</b>                | –                |
| Impairment of goodwill                                                               | <b>(7,096)</b>              | (26,955)         |
| Finance costs – project loans                                                        | <b>(63,433)</b>             | (28,352)         |
| AOP                                                                                  | <b>377,312</b>              | 208,864          |
| Finance costs – corporate loans                                                      | <b>(59,104)</b>             | (39,573)         |
| Corporate administrative expenses                                                    | <b>(68,508)</b>             | (43,845)         |
| Net foreign exchange gains/(losses)                                                  | <b>133,906</b>              | (8,185)          |
| Bank and other interest income                                                       | <b>22,867</b>               | 78,934           |
| Profit attributable to equity holders of the Company                                 | <b>406,473</b>              | 196,195          |

## Property Development

During the period under review, property sale operation has achieved a marked increase in AOP to HK\$92 million or an increase of 825% over that of corresponding period last year. In the first half of FY2007, the Group has completed three property development projects in Guangzhou with a total gross floor area ("GFA") of 130,114 sq.m., among which over 93% were sold. Even with slightly less GFA completed in the first half of FY2007 compared to the corresponding period ended 31st December 2006, the Group has achieved higher profit margin both from sale of property units completed during current period and from sale of inventory. A total GFA of 205,204 sq.m. were sold generating over HK\$1.6 billion gross sale proceeds. As at 31st December 2006, the Group had a total of 309,488 sq.m. GFA development property available for sale.

| Development Name                                  | Use     | Total GFA (sq.m.) | Percentage Sold |
|---------------------------------------------------|---------|-------------------|-----------------|
| Guangzhou Dong Yi Garden Phase IV (廣州東逸花園四期)      | R       | 77,261            | 100%            |
| Guangzhou Concord New World Phase II (廣州協和 新世界二期) | R, C, P | 44,073            | 40%             |
| Guangzhou Park Paradise Phase IID2 (廣州嶺南新世界二期D2)  | R       | 8,780             | 60%             |
| <b>Total</b>                                      |         | <b>130,114</b>    |                 |

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

## Rental Operation

The Group's investment properties portfolio has been increased by 57,086 sq.m., mainly from completion of Wuhan New World Centre shopping arcade and car parks at Guangzhou Dong Yi Garden.

Benefited from the continuing improvement in rental performance of shopping arcade of Beijing New World Centre, the Group has achieved an AOP from rental operation of HK\$142 million or an increase of 84% as compared to first half of FY2006. AOP from rental operation was further enhanced with increasing occupancy rates and unit rent rate upon renewal of tenancy. The effect was particularly prominent for Shanghai Hong Kong New World Tower, Wuhan New World Trade Tower I and Shanghai Belvedere Apartment.

| Investment Property Name                     | Use  | Total GFA (sq.m.) | Percentage Sold |
|----------------------------------------------|------|-------------------|-----------------|
| Wuhan New World Centre (武漢新世界中心)             | C    | 43,492            | 100%            |
| Guangzhou Dong Yi Garden Phase IV (廣州東逸花園四期) | C, P | 12,975            | 100%            |
| Jinan Sunshine Garden Phase II (濟南新世界陽光花園二期) | C    | 619               | 73%             |
| <b>Total</b>                                 |      | <b>57,086</b>     |                 |

# Management Discussion and Analysis

## Hotel Operations

The Group's hotel portfolio currently comprises 4 hotels providing 1,790 guest rooms. During the period under review, hotel operation registered an AOP of HK\$14 million, on the back of improved average room rate and occupancy rate, particularly for New World Mayfair Hotel Shanghai. With the re-opening of Shenyang New World Hotel in September 2006, it is anticipated that the AOP of hotel operation will improve further.

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

## Investment Properties

During the period under review, the fair value of the group's investment properties has been increased by a gross total of HK\$302 million of which an aggregate amount of HK\$138 million net of tax was attributable to the Group. Beijing New World Centre, Wuhan New World Trade Tower I and Guangzhou Central Park-view are the key contributor to this gain.

## Net Monetary Liabilities

The Renminbi has been further appreciated by over 3% during the period under review when the net monetary liabilities in foreign currency held in Hong Kong was exposed to devaluation and the fund resources for loan repayment would be saved accordingly. The net exchange difference was realised as exchange gains which amounted to HK\$134 million in the first half of FY2007.

## LIQUIDITY AND CAPITAL RESOURCES

As at 31st December 2006, the Group's cash and bank deposits amounted to HK\$2,939 million (30th June 2006: HK\$2,852 million). The Group's consolidated net debt (aggregate of borrowings from banks and fellow subsidiaries, net of cash and bank balances) amounted to HK\$5,241 million (30th June 2006: HK\$3,098 million), translating into a gearing ratio of 20.4% (30th June 2006: 12.8%). The gearing ratio is calculated on the basis of net debts over shareholders' funds. The increase in net debt was mainly due to increase in financing requirement to kick off the development of certain property development projects, namely Haikou Meilisha.

The Group's borrowings from banks and fellow subsidiaries as at 31st December 2006 totaling HK\$8,180 million (30th June 2006: HK\$5,950 million) of which 20%, 15%, 64% and 1% are repayable respectively within one year, one to two years, two to five years and over five years.

As at 31st December 2006, the Group's committed unutilised bank loan facilities amounted to HK\$1,575 million (30th June 2006: HK\$1,003 million).

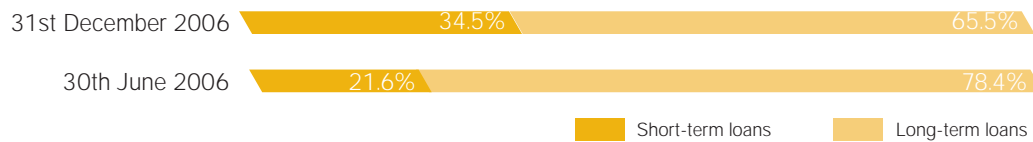
## Capital Expenditure Commitments

The capital expenditure commitments of the Group as at 31st December 2006 were HK\$146,562,000 (30th June 2006: HK\$781,459,000) of which HK\$38,462,000 (30th June 2006: HK\$673,459,000) were contracted but not provided for in the financial statements and HK\$108,100,000 (30th June 2006: HK\$108,100,000) were authorised but not contracted for. The Group did not have any share of capital commitments of jointly controlled entities (30th June 2006: Nil). The source of funding capital commitments are internally generated resources and bank loan facilities.

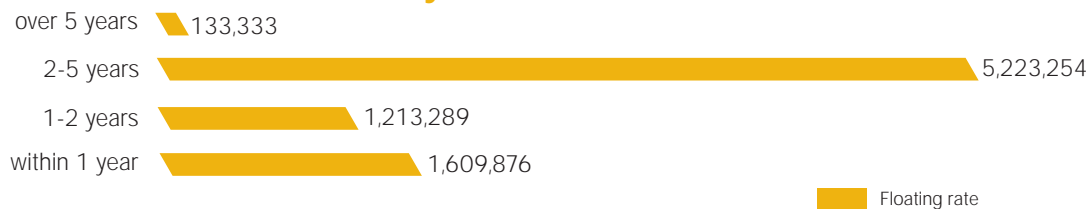
## Foreign Currency Exposure

The Group has net Renminbi exposure in the form of net monetary and non-monetary assets held and investment in PRC entities. During the period under review, the Group has not used any foreign currency derivatives product to hedge its exposure to currency risk.

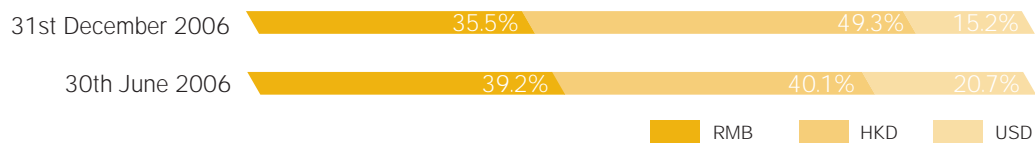
## Source of Borrowings



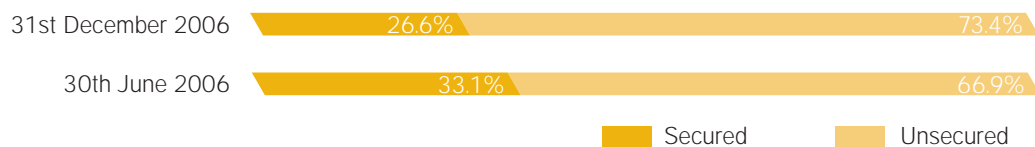
## Interest Rate and Maturity Profile (HK\$'000)



## Currency Profile of Borrowings



## Nature of Debt





# Management Discussion and Analysis

## CONTINGENT LIABILITIES

As at 31st December 2006, the Group has contingent liabilities of approximately HK\$2,088,283,000 (30th June 2006: HK\$1,279,322,000) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities. The increase in contingent liabilities was due to the continuing financing requirements of certain projects of the Group.

As at 31st December 2006, the Group had provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of properties developed by certain subsidiaries of the Group amounting to HK\$196,236,000 (30th June 2006: HK\$407,066,000).

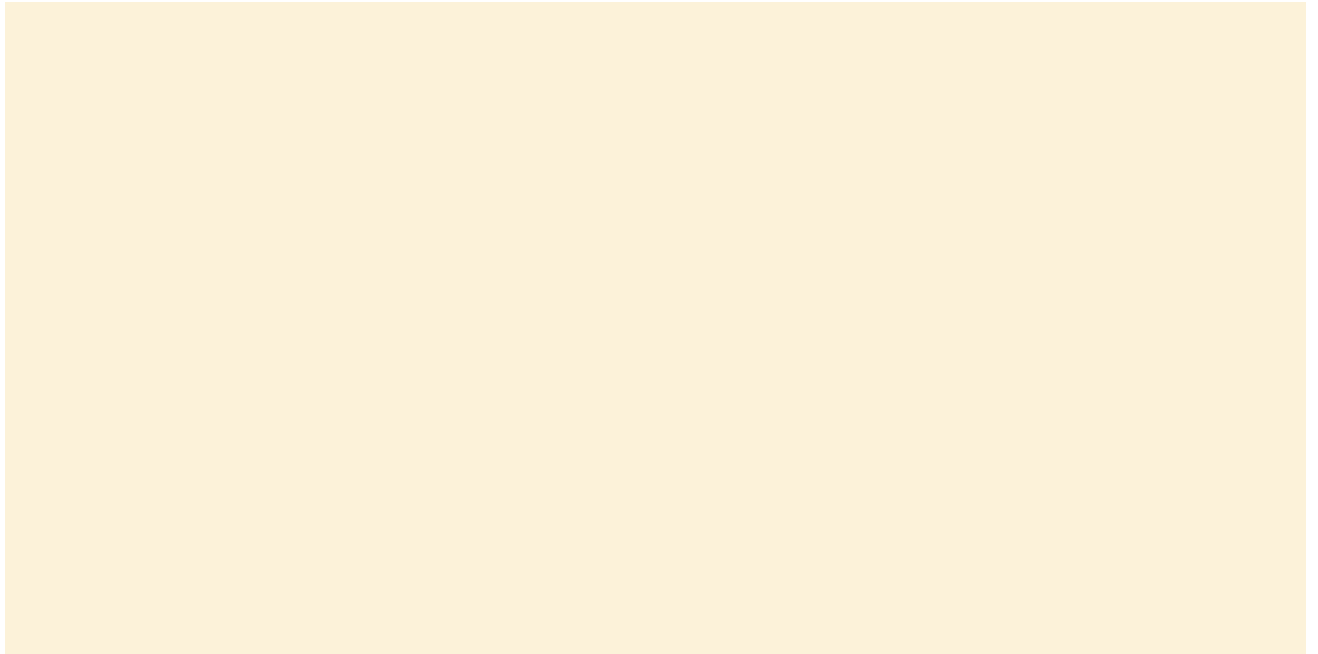
## DETAILS OF CHARGES ON GROUP'S ASSETS

As at 31st December 2006, the Group's property, plant and equipment, investment properties, land use rights, properties under development, and bank deposits of HK\$444,331,000 (30th June 2006: HK\$534,049,000), HK\$1,734,388,000 (30th June 2006: HK\$1,651,688,000), HK\$143,697,000 (30th June 2006: HK\$139,900,000), HK\$86,081,000 (30th June 2006: HK\$53,577,000), HK\$494,793,000 (30th June 2006: HK\$489,671,000) respectively have been pledged as securities for short term and long term loans.

## OUTLOOK

China achieved a 10.7% GDP growth in 2006, the fourth consecutive year of double-digit growth. The resilient economic growth and stable increase of average income per capita have supported the stable growth of real estate market in Mainland China. In 2006, the population in urban area accounted for 43.9% of the total population in Mainland China. NWCL will benefit from the urbanization in Mainland China by continuously producing quality products to the market. In particular, NWCL is at the best position to serve the market, given most of the Group's land bank is located in the downtown areas of key cities.

In May 2006, the central government announced several directives to regulate the market. It is normal to have new measures announced from time to time for a developing real estate market. Most importantly, the central government is directing the market along a healthy and stable long-term development path. In the past few years, both developers and end-users have enjoyed observable benefits under a fairer and more transparent market. NWCL is optimistic about the future prospect of local property market.





|                                                                                            | P, 2006 | F, 2006 | C, 2006              | T, 2006     | P, 2006 |
|--------------------------------------------------------------------------------------------|---------|---------|----------------------|-------------|---------|
|                                                                                            | 2006    | 2006    | 2006                 | 2006        | 2006    |
| <b>F, P, L</b><br>(Ordinary shares of US\$1.00 each)<br>Mr. Doo Wai-hoi, William           | -       | -       | 1 (Note 2)           | 1           | 50.00   |
| <b>F, S, L</b><br>(Ordinary shares of US\$1.00 each)<br>Mr. Doo Wai-hoi, William           | -       | -       | 60 (Note 2)          | 60          | 60.00   |
| <b>F S E D<br/>(S) C, L</b><br>(Registered capital in US\$)<br>Mr. Doo Wai-hoi, William    | -       | -       | 3,000,000 (Note 5)   | 3,000,000   | 30.00   |
| <b>G, M, I, L</b><br>(Ordinary shares of US\$1.00 each)<br>Mr. Doo Wai-hoi, William        | -       | -       | 15 (Note 2)          | 15          | 15.00   |
| <b>G, R, R, E, C, L</b><br>(Registered capital in RMB)<br>Mr. Fu Sze-shing                 | -       | -       | 4,666,500 (Note 6)   | 4,666,500   | 5.00    |
| <b>M, S, L</b><br>(Ordinary shares of US\$0.01 each)<br>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>R, P, L</b><br>(Ordinary shares of US\$1.00 each)<br>Mr. Doo Wai-hoi, William           | -       | -       | 200 (Note 2)         | 200         | 20.00   |
| <b>S, J, R, E, D<br/>D C, L</b><br>(Registered capital in RMB)<br>Mr. Doo Wai-hoi, William | -       | -       | 229,500,000 (Note 5) | 229,500,000 | 30.00   |
| <b>S, T, P, D<br/>C, L</b><br>(Registered capital in US\$)<br>Mr. Doo Wai-hoi, William     | -       | -       | 28,350,000 (Note 7)  | 28,350,000  | 52.50   |

**DIRECTORS' INTERESTS IN SECURITIES** (continued)

**(A) Directors' interests in securities** (continued)

|                                                                                                             | Number of shares held  | Number of shares held  | Number of shares held  | Total                  | Percentage of issued share capital |
|-------------------------------------------------------------------------------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------------------|
|                                                                                                             | as at 31 December 2005 | as at 31 December 2006 | as at 31 December 2006 | as at 31 December 2006 | as at 31 December 2006             |
| <b>SUN CITY HOLDINGS LIMITED</b><br>(Ordinary shares of HK\$1.00 each)<br>Mr. Cheng Kar-shing, Peter        | –                      | 80,000                 | 3,570,000 (Note 8)     | <b>3,650,000</b>       | 45.63                              |
| <b>SUN LEGEND INVESTMENTS LIMITED</b><br>(Ordinary shares of HK\$1.00 each)<br>Mr. Cheng Kar-shing, Peter   | –                      | –                      | 500 (Note 9)           | <b>500</b>             | 50.00                              |
| <b>EU HING CAPITAL LIMITED</b><br>(Ordinary shares of HK\$1.00 each)<br>Mr. Leung Chi-kin, Stewart          | 37,500                 | –                      | –                      | <b>37,500</b>          | 1.50                               |
| <b>DOO WAI HOI WORLDWIDE LIMITED</b><br>(Registered capital in US\$)<br>Mr. Doo Wai-hoi, William            | –                      | –                      | 8,250,000 (Note 10)    | <b>8,250,000</b>       | 60.00                              |
| <b>DOO WAI HOI PROPERTY DEVELOPMENT LIMITED</b><br>(Registered capital in HK\$)<br>Mr. Doo Wai-hoi, William | –                      | –                      | 300,000 (Note 10)      | <b>300,000</b>         | 60.00                              |

Notes:

- These shares are beneficially owned by a company wholly-owned by Dr. Cheng Kar-shun, Henry.
- These shares are beneficially owned by companies wholly-owned by Mr. Doo Wai-hoi, William.
- These shares are beneficially owned by a company wholly-owned by Mr. Cheng Kar-shing, Peter.
- 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.
- These represent the participating interests held by a company wholly-owned by Mr. Doo Wai-hoi, William.
- The interest is beneficially owned by a company of which Mr. Fu Sze-shing has 50% interest.
- These include 50% direct interest and 2.5% participating interest in the registered capital of Shanghai Trio Property Development Co. Ltd. being held by companies wholly-owned by Mr. Doo Wai-hoi, William.
- These shares are held by a company of which Mr. Cheng Kar-shing, Peter owns an indirect interest of 49.58%.
- 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.
- Mr. Doo Wai-hoi, William is deemed to be interested in the registered capital of these companies by virtue of his interest in Fortune Star Worldwide Limited, of which Mr. Doo Wai-hoi, William owns an indirect interest of 60%.

**(B) LISTED COMPANY'S SHARE OPTION SCHEMES****(1) THE COMPANY**

Under the share option scheme of the Company adopted on 26th November 2002, share options were granted to the undermentioned director of the Company which entitle her to subscribe for shares of the Company and accordingly she is regarded as interested in the underlying shares of the Company. Details of the share options granted to her are as follows:

| Name of Director         | Date of Grant  | Expiry Date                          | Number of Shares | Exercise Price (HK\$) |
|--------------------------|----------------|--------------------------------------|------------------|-----------------------|
| Ms. Ngan Man-ying, Lynda | 14th July 2005 | 15th August 2006 to 14th August 2007 | 100,000          | 2.300                 |

During the period, no share options were exercised by the above director under the share option scheme of the Company. The cash consideration paid by the director for grant of the share options is HK\$10.

**(2) NEW WORLD CHINA LAND LIMITED**

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

| Name of Director            | Date of Grant  | Expiry Date | Number of Shares | Exercise Price (HK\$) |
|-----------------------------|----------------|-------------|------------------|-----------------------|
| Mr. Leung Chi-kin, Stewart  | 21st July 2003 | (note)      | 68,820           | 3.711                 |
| Mr. Chow Yu-chun, Alexander | 21st July 2003 | (note)      | 134,944          | 3.711                 |

*Note:* Divided into 2 tranches exercisable from 21st July 2004 and 21st July 2005 to 20th July 2008, respectively.

During the period, no share options were exercised by the above directors under the share option scheme of NWS. The cash consideration paid by the director for grant of the share options is HK\$10.

## DIRECTORS' INTERESTS IN SECURITIES *(continued)*

### (B) (3) NEW WORLD MOBILE HOLDINGS LIMITED *(continued)*

Under the share option scheme of New World Mobile Holdings Limited ("NWMH"), a fellow subsidiary of the Company during the period, 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     | Expiry Date | Number of Shares       |                        | Exercise Price (HK\$) |
|-----------------------------|-------------------|-------------|------------------------|------------------------|-----------------------|
|                             |                   |             | As at 31 December 2006 | As at 31 December 2005 |                       |
| Dr. Cheng Kar-shun, Henry   | 28th January 2005 | (note)      | 780,000                | (780,000)              | 1.26                  |
| Mr. Doo Wai-hoi, William    | 28th January 2005 | (note)      | 300,000                | (300,000)              | 1.26                  |
| Mr. Chow Yu-chun, Alexander | 28th January 2005 | (note)      | 482,000                | (482,000)              | 1.26                  |

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

The cash consideration paid by the director for grant of the share options is HK\$1.00.

Save as disclosed above, as at 31st December 2006, none of the directors, chief executive or any of their associates had or deemed to have any interest or short positions in the shares, registered capital, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31st December 2006, the register of substantial shareholders maintained under Section 336 of the SFO shows that the following parties had interests in 5% or more of the issued share capital of the Company:

| Name of Shareholder                                       | Number of Shares |                      | Percentage of Issued Share Capital |                               | Total Number of Shares Held | Percentage of Issued Share Capital |
|-----------------------------------------------------------|------------------|----------------------|------------------------------------|-------------------------------|-----------------------------|------------------------------------|
|                                                           | By Name          | By Indirect Interest | By Name                            | By Indirect Interest (note 4) |                             |                                    |
| Cheng Yu Tung Family (Holdings) Limited ("CYTF") (note 1) | -                | 2,714,858,780        | -                                  | 262,000,000                   | <b>2,976,858,780</b>        | 77.76                              |
| Centennial Success Limited ("CSL") (note 1)               | -                | 2,714,858,780        | -                                  | 262,000,000                   | <b>2,976,858,780</b>        | 77.76                              |
| Chow Tai Fook Enterprises Limited ("CTF") (note 2)        | -                | 2,714,858,780        | -                                  | 262,000,000                   | <b>2,976,858,780</b>        | 77.76                              |
| New World Development Company Limited ("NWD") (note 3)    | 2,537,632,731    | 177,226,049          | -                                  | 262,000,000                   | <b>2,976,858,780</b>        | 77.76                              |
| Easywin Enterprises Corporation Limited ("Easywin")       | 113,351,879      | -                    | 262,000,000                        | -                             | <b>375,351,879</b>          | 9.80                               |

### Notes:

1. CYTF holds 51% interest in CSL which in turn holds the entire interests in CTF. Therefore, CYTF and CSL are deemed to have interests in the shares in which CTF is deemed to be interested by virtue of its interests in NWD as mentioned in note 2 below.
2. CTF and its subsidiaries have interests in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares in which NWD is interested or deemed to be interested.
3. The number of shares held under the corporate interests of NWD includes 22,508,064 shares held by Great Worth Holdings Limited, its 59% owned subsidiary, and 41,366,106 shares held by High Earnings Holdings Limited, its 56% owned subsidiary. As NWD holds 100% interest in Easywin, it is also deemed to have an interest in the shares held by Easywin in the Company.
4. Pursuant to certain option agreements all dated 30th May 2005, Easywin granted put options in respect of 262,000,000 shares of the Company to independent third parties which are exercisable at an initial exercise price of HK\$2.90 per share (subject to adjustment) on 25th May 2007 (subject to certain accelerating events as provided therein).

All the interests stated above represent long position. Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 336 of the SFO as at 31st December 2006.



## SHARE OPTION SCHEMES

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

During the six months ended 31st December 2006, movement of share options granted to the directors and employees of the Group under the 2000 Share Option Scheme and the 2002 Share Option Scheme was as follows:

(A) Movement of share options to directors was disclosed under the heading "Directors' interests in securities" above.

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

| Description                             | Number of share options  |                             |                          |                                           | Exercise price (HK\$) |
|-----------------------------------------|--------------------------|-----------------------------|--------------------------|-------------------------------------------|-----------------------|
|                                         | Balance at 1st July 2006 | Exercised during the period | Lapsed during the period | Options outstanding at 31st December 2006 |                       |
| 29th June 2001 to 26th July 2001        | 1,277,000                | (888,000)                   | (389,000)                |                                           | 2.910                 |
| 31st August 2001 to 27th September 2001 | 41,000                   | (41,000)                    | –                        |                                           | 2.170                 |
| 26th March 2002 to 22nd April 2002      | 334,000                  | (76,600)                    | –                        | <b>257,400</b>                            | 2.065                 |
| <b>Total</b>                            | <b>1,652,000</b>         | <b>(1,005,600)</b>          | <b>(389,000)</b>         | <b>257,400</b>                            |                       |

## UNITED STATES DOLLARS

| Description                                   | Number of units (note 1)  |                  |                    |                  |                                 | Earnings per unit, HK\$ |
|-----------------------------------------------|---------------------------|------------------|--------------------|------------------|---------------------------------|-------------------------|
|                                               | Balance at 1 January 2006 | Granted (note 3) | Expired (note 5)   | Forfeited        | Outstanding at 31 December 2006 |                         |
| 3rd January 2003 to 30th January 2003         | 730,200                   | -                | (179,600)          | (104,800)        | <b>445,800</b>                  | 1.212                   |
| 12th May 2003 to 6th June 2003                | 1,996,900                 | -                | (532,200)          | -                | <b>1,464,700</b>                | 0.912                   |
| 28th October 2003 to 22nd November 2003       | 69,000                    | -                | -                  | -                | <b>69,000</b>                   | 1.650                   |
| 25th March 2004 to 21st April 2004            | 1,539,200                 | -                | (282,800)          | -                | <b>1,256,400</b>                | 2.252                   |
| 18th June 2004 to 15th July 2004              | 314,400                   | -                | (104,800)          | -                | <b>209,600</b>                  | 1.650                   |
| 4th November 2004 to 1st December 2004        | 256,800                   | -                | -                  | -                | <b>256,800</b>                  | 2.484                   |
| 22nd December 2004 to 18th January 2005       | 797,600                   | -                | (27,200)           | -                | <b>770,400</b>                  | 2.689                   |
| 13th July 2005 to 9th August 2005             | 788,000                   | -                | (187,600)          | (107,600)        | <b>492,800</b>                  | 2.300                   |
| 13th July 2005 to 9th August 2005<br>(note 2) | 950,000                   | -                | (100,000)          | -                | <b>850,000</b>                  | 2.300                   |
| 7th November 2005 to 2nd December 2005        | 39,200                    | -                | (9,600)            | -                | <b>29,600</b>                   | 2.620                   |
| 28th March 2006 to 24th April 2006            | 3,384,000                 | -                | (107,600)          | -                | <b>3,276,400</b>                | 3.915                   |
| 28th June 2006 to 26th July 2006              | -                         | 743,200          | (26,400)           | -                | <b>716,800</b>                  | 2.865                   |
| 17th October 2006 to 13th November 2006       | -                         | 1,134,800        | (12,000)           | -                | <b>1,122,800</b>                | 3.340                   |
| <b>Total</b>                                  | <b>10,865,300</b>         | <b>1,878,000</b> | <b>(1,569,800)</b> | <b>(212,400)</b> | <b>10,961,100</b>               |                         |

## SHARE OPTION SCHEMES *(continued)*

*Notes:*

1. The share options are exercisable within five years commencing from one month after the dates of grant, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of the share options granted together with any unexercised share options carried forward from the previous anniversary years, except otherwise specified in note 2.
2. The share options are exercisable within two years commencing from one month after the dates of grant, provided that the maximum number of share options that can be exercised during each year is 50% of the total number of the share options granted together with any unexercised share options carried forward from the previous anniversary year.
3. The closing price per share immediately before 28th June 2006 and 17th October 2006, the dates of offer to grant, was HK\$2.850 and HK\$3.320, respectively.
4. The weighted average closing price of the shares immediately before the dates on which share options were exercised under the 2000 Share Option Scheme was HK\$3.146.
5. The weighted average closing price of the shares immediately before the dates on which share options were exercised under the 2002 Share Option Scheme was HK\$4.024.

The fair values of the share options granted during the period with exercise prices per share of HK\$2.865 and HK\$3.340 are estimated at HK\$1.068 and HK\$1.230 respectively using the Binomial pricing model. Values are estimated based on the risk-free rate ranging from 3.93% to 4.78% per annum with reference to the rate prevailing on the Exchange Fund Notes, a one-year period historical volatility ranging from 0.45 to 0.46, assuming no dividends and an expected option life of 5 years.

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

Government Policies

Business Opportunities

# 2006/2007 Interim Report

## Financial Section

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## Consolidated Income Statement

31 2006

|                                                 |      | U<br>▼           | 31 D<br>▼  |
|-------------------------------------------------|------|------------------|------------|
|                                                 | 6    | 2006             | 2005       |
|                                                 | Note | HK\$'000         | HK\$'000   |
| Turnover                                        | 2    | <b>1,065,183</b> | 745,131    |
| Cost of sales                                   |      | <b>(692,682)</b> | (461,593)  |
| Gross profit                                    |      | <b>372,501</b>   | 283,538    |
| Other gains, net                                | 3    | <b>223,233</b>   | 118,294    |
| Increase in fair value of investment properties |      | <b>72,729</b>    | 76,808     |
| Selling expenses                                |      | <b>(36,633)</b>  | (39,858)   |
| Administrative expenses                         |      | <b>(28,576)</b>  | (21,857)   |
| Other operating expenses                        |      | <b>(210,017)</b> | (164,860)  |
| Operating profit before financing costs         | 4    | <b>393,237</b>   | 252,065    |
| Finance costs                                   |      | <b>(98,373)</b>  | (91,186)   |
| Share of results of                             |      |                  |            |
| Associated companies                            |      | <b>44,381</b>    | 25,301     |
| Jointly controlled entities                     |      | <b>210,257</b>   | 90,650     |
| Profit before taxation                          |      | <b>549,502</b>   | 276,830    |
| Taxation charge                                 | 5    | <b>(155,220)</b> | (63,311)   |
| Profit for the period                           |      | <b>394,282</b>   | 213,519    |
| Attributable to:                                |      |                  |            |
| Equity holders of the Company                   |      | <b>406,473</b>   | 196,195    |
| Minority interests                              |      | <b>(12,191)</b>  | 17,324     |
|                                                 |      | <b>394,282</b>   | 213,519    |
| Interim dividend                                | 6    | <b>76,577</b>    | –          |
| Earnings per share                              | 7    |                  |            |
| Basic and diluted                               |      | <b>10.62</b>     | 5.19 cents |
| Interim dividend per share                      | 6    | <b>2.00</b>      | –          |

## Consolidated Balance Sheet

A 31

2006

|                                                     | U<br>▼            | A<br>▼ | Audited<br>As at  |
|-----------------------------------------------------|-------------------|--------|-------------------|
|                                                     | 31<br>D           | 2006   | 30th June<br>2006 |
| Note                                                | HK\$'000          |        | HK\$'000          |
| <b>ASSETS</b>                                       |                   |        |                   |
| <b>Non-current assets</b>                           |                   |        |                   |
| Property, plant and equipment                       | <b>939,267</b>    |        | 943,200           |
| Investment properties                               | <b>5,276,962</b>  |        | 4,371,152         |
| Land use rights                                     | <b>327,150</b>    |        | 319,790           |
| Goodwill                                            | <b>73,720</b>     |        | 73,720            |
| Properties held for development                     | <b>5,237,263</b>  |        | 4,243,616         |
| Associated companies                                | <b>1,858,038</b>  |        | 1,598,564         |
| Jointly controlled entities                         | <b>10,403,998</b> |        | 10,377,155        |
| Cash and bank balances, restricted                  | <b>98,803</b>     |        | 121,041           |
|                                                     | <b>24,215,201</b> |        | 22,048,238        |
| <b>Current assets</b>                               |                   |        |                   |
| Hotel inventories, at cost                          | <b>827</b>        |        | 1,117             |
| Debtors, deposits and prepayments                   | <b>3,921,195</b>  | 9      | 2,905,135         |
| Amounts due from group companies                    | <b>132,955</b>    |        | 97,578            |
| Properties under development                        | <b>6,184,465</b>  |        | 4,927,245         |
| Completed properties held for sale                  | <b>1,157,783</b>  |        | 1,291,986         |
| Cash and bank balances, restricted                  | <b>395,990</b>    |        | 368,630           |
| Cash and bank balances, unrestricted                | <b>2,443,792</b>  |        | 2,362,227         |
|                                                     | <b>14,237,007</b> |        | 11,953,918        |
|                                                     | <b>38,452,208</b> |        | 34,002,156        |
| <b>EQUIT</b>                                        |                   |        |                   |
| <b>Equity attributable to owners of the company</b> |                   |        |                   |
| Share capital                                       | <b>382,836</b>    | 10     | 382,578           |
| Reserves                                            | <b>24,258,751</b> |        | 23,499,334        |
| Proposed final dividend                             |                   |        | 153,103           |
| Interim dividend                                    | <b>76,577</b>     |        | -                 |
|                                                     | <b>24,718,164</b> |        | 24,035,015        |
| <b>Minority interests</b>                           | <b>1,020,300</b>  |        | 176,681           |
|                                                     | <b>25,738,464</b> |        | 24,211,696        |

|                                         |    | Unaudited<br>As at<br>31 December,<br>2006<br>HK\$'000 | Audited<br>As at<br>30th June<br>2006<br>HK\$'000 |
|-----------------------------------------|----|--------------------------------------------------------|---------------------------------------------------|
| <b>LIABILITIES</b>                      |    |                                                        |                                                   |
| <b>Non-current liabilities</b>          |    |                                                        |                                                   |
| Long term borrowings                    | 11 | <b>7,383,862</b>                                       | 4,813,143                                         |
| Long term payable                       | 12 |                                                        | 124,279                                           |
| Deferred tax liabilities                |    | <b>547,385</b>                                         | 507,152                                           |
|                                         |    | <b>7,931,247</b>                                       | 5,444,574                                         |
| <b>Current liabilities</b>              |    |                                                        |                                                   |
| Creditors and accruals                  | 13 | <b>1,524,962</b>                                       | 1,342,327                                         |
| Deposits received on sale of properties |    | <b>591,801</b>                                         | 862,040                                           |
| Amounts due to group companies          |    | <b>386,594</b>                                         | 328,746                                           |
| Short term bank loans                   |    | <b>587,000</b>                                         | 371,742                                           |
| Current portion of long term borrowings | 11 | <b>1,022,876</b>                                       | 911,341                                           |
| Current portion of long term payable    | 12 | <b>125,965</b>                                         | 77,757                                            |
| Amounts due to minority shareholders    | 14 | <b>325,177</b>                                         | 313,526                                           |
| Taxes payable                           |    | <b>218,122</b>                                         | 138,407                                           |
|                                         |    | <b>4,782,497</b>                                       | 4,345,886                                         |
| <b>Total liabilities</b>                |    | <b>12,713,744</b>                                      | 9,790,460                                         |
| <b>Total assets</b>                     |    | <b>38,452,208</b>                                      | 34,002,156                                        |
| <b>Net assets</b>                       |    | <b>9,454,510</b>                                       | 7,608,032                                         |
| <b>Total equity</b>                     |    | <b>33,669,711</b>                                      | 29,656,270                                        |

## Condensed Consolidated Cash Flow Statement

31 2006

|                                                   | U<br>2006<br>HK\$'000 | 31 D<br>2005<br>HK\$'000 |
|---------------------------------------------------|-----------------------|--------------------------|
| Net cash used in operating activities             | <b>(3,079,230)</b>    | (618,607)                |
| Net cash used in investing activities             | <b>(195,474)</b>      | (1,202,039)              |
| Net cash from/(used in) financing activities      | <b>3,356,269</b>      | (480,790)                |
| Increase/(decrease) in cash and cash equivalents  | <b>81,565</b>         | (2,301,436)              |
| Cash and bank balances at beginning of the period | <b>2,362,227</b>      | 5,534,354                |
| Cash and bank balances at end of the period       | <b>2,443,792</b>      | 3,232,918                |
| Analysis of balances of cash and cash equivalents |                       |                          |
| Cash and bank balances – unrestricted balances    | <b>2,443,792</b>      | 3,232,918                |



## Consolidated Statement Of Changes In Equity

31

2006

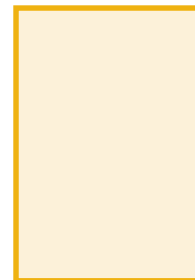
|                                                              | A              |                   | C                |                | S              |              | M                | T                |                   |
|--------------------------------------------------------------|----------------|-------------------|------------------|----------------|----------------|--------------|------------------|------------------|-------------------|
|                                                              | S              | C                 | S                | O              | E              | S            | R                |                  |                   |
|                                                              | HK\$'000       | HK\$'000          | HK\$'000         | HK\$'000       | HK\$'000       | HK\$'000     | HK\$'000         | HK\$'000         |                   |
| Balance at 1st July 2006                                     | 382,578        | 14,608,781        | 7,505,815        | 108,337        | 131,297        | 4,718        | 1,293,489        | 176,681          | 24,211,696        |
| Translation differences                                      |                |                   |                  |                | 422,568        |              |                  | 2,185            | 424,753           |
| Net income recognised directly in equity                     |                |                   |                  |                | 422,568        |              |                  | 2,185            | 424,753           |
| Profit for the period                                        |                |                   |                  |                |                |              | 406,473          | (12,191)         | 394,282           |
| Total recognised income for the period                       |                |                   |                  |                | 422,568        |              | 406,473          | (10,006)         | 819,035           |
| Issue of shares                                              | 258            |                   | 5,383            |                |                |              |                  |                  | 5,641             |
| Acquisition of subsidiaries                                  |                |                   |                  |                |                |              |                  | 2,632            | 2,632             |
| Transfer of reserve upon exercise and lapse of share options |                |                   | 697              |                |                | (865)        | 168              |                  |                   |
| Capital contribution from minority interests                 |                |                   |                  |                |                |              |                  | 850,993          | 850,993           |
| Share-based payments                                         |                |                   |                  |                |                |              | 1,583            |                  | 1,583             |
| Dividend paid                                                |                | (153,116)         |                  |                |                |              |                  |                  | (153,116)         |
|                                                              | 258            | (153,116)         | 6,080            |                |                | 718          | 168              | 853,625          | 707,733           |
| <b>Balance at 31 December 2006</b>                           | <b>382,836</b> | <b>14,455,665</b> | <b>7,511,895</b> | <b>108,337</b> | <b>553,865</b> | <b>5,436</b> | <b>1,700,130</b> | <b>1,020,300</b> | <b>25,738,464</b> |
| Balance at 1st July 2005                                     | 376,825        | 14,722,334        | 7,404,883        | 49,369         | 14,226         | 2,625        | 552,095          | (17,051)         | 23,105,306        |
| Translation difference                                       | -              | -                 | -                | -              | 215,712        | -            | -                | 1,019            | 216,731           |
| Net income recognised directly in equity                     | -              | -                 | -                | -              | 215,712        | -            | -                | 1,019            | 216,731           |
| Profit for the period                                        | -              | -                 | -                | -              | -              | -            | 196,195          | 17,324           | 213,519           |
| Total recognised income for the period                       | -              | -                 | -                | -              | 215,712        | -            | 196,195          | 18,343           | 430,250           |
| Issue of shares                                              | 2,515          | -                 | 43,147           | -              | -              | -            | -                | -                | 45,662            |
| Acquisition of additional interest in a subsidiary           | -              | -                 | -                | -              | -              | -            | -                | 21,262           | 21,262            |
| Transfer of reserve upon exercise and lapse of share options | -              | -                 | 283              | -              | -              | 757          | (1,040)          | -                | -                 |
| Share-based payments                                         | -              | -                 | -                | -              | -              | -            | 1,362            | -                | 1,362             |
| Dividend paid                                                | -              | (113,553)         | -                | -              | -              | -            | -                | -                | (113,553)         |
|                                                              | 2,515          | (113,553)         | 43,430           | -              | -              | 757          | 322              | 21,262           | (45,267)          |
| Balance at 31st December 2005                                | 379,340        | 14,608,781        | 7,448,313        | 49,369         | 229,938        | 3,382        | 748,612          | 22,554           | 23,490,289        |

Note: Included in capital contribution from minority interests is HK\$850,718,000 contributed by the participating interest of certain property projects.

# Notes to the Interim Financial Statements

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The unaudited condensed interim financial statements should be read in conjunction with the 2006 annual financial statements.





| 6 months ended<br>31st December 2005                                                                                                            | Property<br>sales<br>HK\$'000 | Rental<br>operation<br>HK\$'000 | Hotel<br>operation<br>HK\$'000 | Property<br>management<br>services<br>HK\$'000 | Other<br>operations<br>HK\$'000 | Total<br>HK\$'000 |
|-------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|---------------------------------|--------------------------------|------------------------------------------------|---------------------------------|-------------------|
| Segment revenues                                                                                                                                | 524,535                       | 119,535                         | 94,200                         | 6,861                                          | –                               | 745,131           |
| Segment results                                                                                                                                 | 131,206                       | 85,094                          | 4,299                          | (893)                                          | (518)                           | 219,188           |
| Bank and other interest income                                                                                                                  |                               |                                 |                                |                                                |                                 | 84,907            |
| Corporate expenses                                                                                                                              |                               |                                 |                                |                                                |                                 | (52,030)          |
| Operating profit before financing costs                                                                                                         |                               |                                 |                                |                                                |                                 | 252,065           |
| Finance costs                                                                                                                                   |                               |                                 |                                |                                                |                                 | (91,186)          |
| Share of results of                                                                                                                             |                               |                                 |                                |                                                |                                 |                   |
| Associated companies                                                                                                                            | (1,604)                       | 27,975                          | (823)                          | (247)                                          | –                               | 25,301            |
| Jointly controlled entities                                                                                                                     | (28,112)                      | 119,846                         | (626)                          | (118)                                          | (340)                           | 90,650            |
| Profit before taxation                                                                                                                          |                               |                                 |                                |                                                |                                 | 276,830           |
| Taxation charge                                                                                                                                 |                               |                                 |                                |                                                |                                 | (63,311)          |
| Profit for the period                                                                                                                           |                               |                                 |                                |                                                |                                 | 213,519           |
| Capital expenditure                                                                                                                             | 6,239                         | 102,988                         | 17,289                         | 282                                            | –                               | 126,798           |
| Depreciation and amortisation                                                                                                                   | 7,902                         | 25,949                          | 28,004                         | 321                                            | 832                             | 63,008            |
| Provision for/(write back of provision for)<br>amounts due from jointly controlled entities,<br>associated companies and an investee<br>company | (59,473)                      | 114                             | (983)                          | –                                              | –                               | (60,342)          |
| Impairment of goodwill                                                                                                                          | –                             | 8,629                           | 18,326                         | –                                              | –                               | 26,955            |

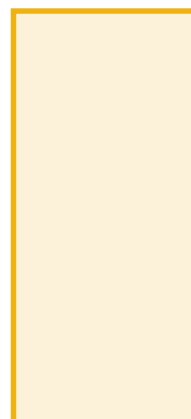
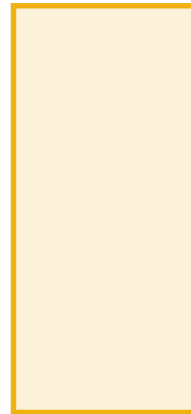
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|                                                         | P, 2006<br>HK\$'000 | R, 2006<br>HK\$'000 | H, 2006<br>HK\$'000 | P, 2005<br>HK\$'000 | O, 2005<br>HK\$'000 | T, 2005<br>HK\$'000 |
|---------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Segment assets                                          | <b>18,126,232</b>   | <b>5,784,630</b>    | <b>963,087</b>      | <b>66,425</b>       | <b>10,066</b>       | <b>24,950,440</b>   |
| Associated companies and<br>jointly controlled entities | <b>5,599,794</b>    | <b>6,282,360</b>    | <b>341,155</b>      | <b>(5,340)</b>      | <b>44,067</b>       | <b>12,262,036</b>   |
| Unallocated assets                                      |                     |                     |                     |                     |                     | <b>1,239,732</b>    |
| Total assets                                            |                     |                     |                     |                     |                     | <b>38,452,208</b>   |
| Segment liabilities                                     | <b>5,301,696</b>    | <b>1,116,972</b>    | <b>942,054</b>      | <b>28,616</b>       | <b>9,854</b>        | <b>7,399,192</b>    |
| Unallocated liabilities                                 |                     |                     |                     |                     |                     | <b>5,314,552</b>    |
| Total liabilities                                       |                     |                     |                     |                     |                     | <b>12,713,744</b>   |

## Notes to the Interim Financial Statements

**2. TURNOVER AND SEGMENT INFORMATION** *(continued)*

| As at 30th June 2006                                 | Property sales<br>HK\$'000 | Rental operation<br>HK\$'000 | Hotel operation<br>HK\$'000 | Property management services<br>HK\$'000 | Other operations<br>HK\$'000 | Total<br>HK\$'000 |
|------------------------------------------------------|----------------------------|------------------------------|-----------------------------|------------------------------------------|------------------------------|-------------------|
| Segment assets                                       | 15,157,755                 | 4,877,082                    | 960,077                     | 55,040                                   | 6,839                        | 21,056,793        |
| Associated companies and jointly controlled entities | 5,836,334                  | 5,783,071                    | 351,587                     | (7,898)                                  | 12,625                       | 11,975,719        |
| Unallocated assets                                   |                            |                              |                             |                                          |                              | <u>969,644</u>    |
| Total assets                                         |                            |                              |                             |                                          |                              | <u>34,002,156</u> |
| Segment liabilities                                  | 5,071,960                  | 1,093,364                    | 915,398                     | 31,142                                   | 3,193                        | 7,115,057         |
| Unallocated liabilities                              |                            |                              |                             |                                          |                              | <u>2,675,403</u>  |
| Total liabilities                                    |                            |                              |                             |                                          |                              |                   |



## 5. TAXATION CHARGE

|                                                   | 6 Months ended 31 December, 2006<br>HK\$'000 | 2005<br>HK\$'000 |
|---------------------------------------------------|----------------------------------------------|------------------|
| PRC income tax – current                          | 73,552                                       | –                |
| PRC income tax – deferred                         |                                              |                  |
| Origination and reversal of temporary differences | 50,747                                       | 37,590           |
| Revaluation of investment properties              | 30,921                                       | 25,721           |
|                                                   | <b>155,220</b>                               | 63,311           |

Share of taxation of associated companies and jointly controlled entities for the six months ended 31st December 2006 are HK\$17,754,000 (2005: HK\$38,658,000) and HK\$60,796,000 (2005: HK\$389,000) respectively and are included in the consolidated income statement as share of results of associated companies and jointly controlled entities.

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 (2005: Nil). PRC income tax has been provided on the estimated assessable profits of subsidiaries, associated companies and jointly controlled entities operating in the PRC at 33% (2005: 33%).

In July 1999, a deed of tax indemnity was entered into between New World Development Company Limited ("NWD"), 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 31st March 1999. During the period, tax indemnity amounting to HK\$64,357,000 (2005: Nil) was effected.

## 6. INTERIM DIVIDEND

|                                                    | 6 Months ended 31 December, 2006<br>HK\$'000 | 2005<br>HK\$'000 |
|----------------------------------------------------|----------------------------------------------|------------------|
| Interim dividend of HK\$0.02 (2005: Nil) per share | 76,577                                       | –                |

The directors have declared an interim dividend of HK\$0.02 per share. It will be payable on 14th May 2007 to shareholders whose names appear on the Register of Members of the Company on 18th April 2007.

## 7. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$406,473,000 (2005: HK\$196,195,000) and the weighted average of 3,827,470,253 shares (2005: 3,777,236,194 shares) in issue during the period.

For the period ended 31st December 2006, diluted earnings per share is based on profit attributable to shareholders of HK\$406,473,000 divided by 3,828,951,125 shares which is the weighted average number of shares in issue of 3,827,470,253 shares plus the weighted average of 1,480,872 potential shares deemed to be issued at no consideration assuming all outstanding share options had been exercised.

For the period ended 31st December 2005, the outstanding share options had no dilutive effect on the basic earnings per share.

## Notes to the Interim Financial Statements

**8. CAPITAL EXPENDITURE**

For the six months ended 31st December 2006, the Group acquired property, plant and equipment, investment properties and land use rights of HK\$155,975,000 (2005: HK\$126,978,000).

**9. DEBTORS, DEPOSITS AND PREPAYMENTS**

Debtors, deposits and prepayments include trade debtors, utility and other deposits, interest and other receivables and prepayments for land cost and proposed development projects.

The ageing analysis of trade debtors is as follows:

|               | A ▼<br>31 D<br>2006<br>HK\$'000 | As at<br>30th June<br>2006<br>HK\$'000 |
|---------------|---------------------------------|----------------------------------------|
| 0 to 30 days  | 34,360                          | 74,265                                 |
| 31 to 60 days | 32,483                          | 28,318                                 |
| 61 to 90 days | 5,814                           | 50,296                                 |
| Over 90 days  | 89,838                          | 59,329                                 |
|               | <b>162,495</b>                  | <b>212,208</b>                         |

Sale proceeds 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. Monthly property management fees are payable in advance in accordance with the agreements.

**10. SHARE CAPITAL**

|                                                                                                                                 | A ▼<br>31 D<br>2006<br>HK\$'000 | As at<br>30th June<br>2006<br>HK\$'000 |
|---------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------------|
| <i>Authorised:</i><br>8,000,000,000 shares of HK\$0.1 each                                                                      | <b>800,000</b>                  | 800,000                                |
| <i>Issued and fully paid:</i><br>3,828,359,232 shares of HK\$0.1 each<br>(30th June 2006: 3,825,783,832 shares of HK\$0.1 each) | <b>382,836</b>                  | 382,578                                |

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

|                                     | Number of shares     | HK\$'000       |
|-------------------------------------|----------------------|----------------|
| At 1st July 2005                    | 3,768,248,832        | 376,825        |
| Exercise of share options           | 57,535,000           | 5,753          |
| At 30th June 2006                   | 3,825,783,832        | 382,578        |
| Exercise of share options (note(i)) | 2,575,400            | 258            |
| At 31st December 2006               | <b>3,828,359,232</b> | <b>382,836</b> |

- (i) Pursuant to the share option schemes adopted on 18th December 2000 and 26th November 2002, the Company may grant options to executive directors and employees of the Company to subscribe for shares in the Company. The movements in the number of share options granted during the period and the balance outstanding at 31st December 2006 are as follows:

| Date of grant      | Exercise price per share | Number of shares  |                  |                    |                          | Balance outstanding at 31st December 2006 |
|--------------------|--------------------------|-------------------|------------------|--------------------|--------------------------|-------------------------------------------|
|                    |                          | Granted           | Exercised        | Expired            | Balance at 1st July 2006 |                                           |
|                    | HK\$                     |                   |                  |                    |                          |                                           |
| 29th June 2001     | 2.910 <sup>(1)</sup>     | 1,277,000         | –                | (888,000)          | (389,000)                |                                           |
| 31st August 2001   | 2.170 <sup>(1)</sup>     | 41,000            | –                | (41,000)           | –                        |                                           |
| 26th March 2002    | 2.065 <sup>(1)</sup>     | 334,000           | –                | (76,600)           | –                        | <b>257,400</b>                            |
| 3rd January 2003   | 1.212 <sup>(1)</sup>     | 730,200           | –                | (179,600)          | (104,800)                | <b>445,800</b>                            |
| 12th May 2003      | 0.912 <sup>(1)</sup>     | 1,996,900         | –                | (532,200)          | –                        | <b>1,464,700</b>                          |
| 28th October 2003  | 1.650 <sup>(1)</sup>     | 69,000            | –                | –                  | –                        | <b>69,000</b>                             |
| 25th March 2004    | 2.252 <sup>(1)</sup>     | 1,539,200         | –                | (282,800)          | –                        | <b>1,256,400</b>                          |
| 18th June 2004     | 1.650 <sup>(1)</sup>     | 314,400           | –                | (104,800)          | –                        | <b>209,600</b>                            |
| 4th November 2004  | 2.484 <sup>(1)</sup>     | 256,800           | –                | –                  | –                        | <b>256,800</b>                            |
| 22nd December 2004 | 2.689 <sup>(1)</sup>     | 797,600           | –                | (27,200)           | –                        | <b>770,400</b>                            |
| 13th July 2005     | 2.300 <sup>(1)</sup>     | 788,000           | –                | (187,600)          | (107,600)                | <b>492,800</b>                            |
| 13th July 2005     | 2.300 <sup>(2)</sup>     | 1,050,000         | –                | (100,000)          | –                        | <b>950,000</b>                            |
| 7th November 2005  | 2.620 <sup>(1)</sup>     | 39,200            | –                | (9,600)            | –                        | <b>29,600</b>                             |
| 28th March 2006    | 3.915 <sup>(1)</sup>     | 3,384,000         | –                | (107,600)          | –                        | <b>3,276,400</b>                          |
| 28th June 2006     | 2.865 <sup>(1)</sup>     | –                 | 743,200          | (26,400)           | –                        | <b>716,800</b>                            |
| 17th October 2006  | 3.340 <sup>(1)</sup>     | –                 | 1,134,800        | (12,000)           | –                        | <b>1,122,800</b>                          |
|                    |                          | <b>12,617,300</b> | <b>1,878,000</b> | <b>(2,575,400)</b> | <b>(601,400)</b>         | <b>11,318,500</b>                         |

Exercisable period:

- (1) On dates of grant, the share options are divided into 5 tranches and exercisable within a period of 5 years commencing on the expiry of one month after the dates on which the options were accepted.
- (2) On dates of grant, the share options 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.



## Notes to the Interim Financial Statements

## 11. LONG TERM BORROWINGS

|                                                  | As at<br>30th June<br>2006<br>HK\$'000 | As at<br>30th June<br>2006<br>HK\$'000 |
|--------------------------------------------------|----------------------------------------|----------------------------------------|
| Bank loans (note (i))                            |                                        |                                        |
| Secured                                          | <b>1,606,124</b>                       | 1,679,603                              |
| Unsecured                                        | <b>2,783,636</b>                       | 958,927                                |
| Loans from fellow subsidiaries (note (ii))       | <b>3,202,992</b>                       | 2,939,989                              |
| Loans from minority shareholders (note (iii))    | <b>150,054</b>                         | 145,965                                |
| Advances from participating interest (note (iv)) | <b>663,932</b>                         | –                                      |
|                                                  | <b>8,406,738</b>                       | 5,724,484                              |
| Current portion included in current liabilities  | <b>(1,022,876)</b>                     | (911,341)                              |
|                                                  | <b>7,383,862</b>                       | 4,813,143                              |

Notes:

(i) The bank loans are repayable as follows:

|                               | As at 30th<br>June<br>2006<br>HK\$'000 | As at 30th<br>June<br>2006<br>HK\$'000 | As at 30th<br>June<br>2006<br>HK\$'000 |
|-------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|
| Within one year               | <b>321,184</b>                         | 294,317                                | <b>481,184</b>                         |
| Between one and<br>two years  | <b>267,234</b>                         | 239,250                                | <b>487,234</b>                         |
| Between two and<br>five years | <b>884,373</b>                         | 1,002,134                              | <b>3,288,009</b>                       |
| After five years              | <b>133,333</b>                         | 143,902                                | <b>133,333</b>                         |
|                               | <b>1,606,124</b>                       | 1,679,603                              | <b>4,389,760</b>                       |

Included in bank loans of the Group is an amount of HK\$266,667,000 (30th June 2006: HK\$269,231,000) which is repayable by instalments up to December 2016 and has been on-lent to an associated company on the same terms of the bank loan.

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

|                            | As at<br>30th June<br>2006<br>HK\$'000 | As at<br>30th June<br>2006<br>HK\$'000 |
|----------------------------|----------------------------------------|----------------------------------------|
| Within one year            | <b>541,692</b>                         | 592,985                                |
| Between one and two years  | <b>726,055</b>                         | 370,207                                |
| Between two and five years | <b>1,935,245</b>                       | 1,976,797                              |
|                            | <b>3,202,992</b>                       | 2,939,989                              |

The loans from fellow subsidiaries are unsecured and bear interest at rates ranging from 0.5% above three months Hong Kong Interbank Offered Rate ("HIBOR") to 1% above London Interbank Offered Rate ("LIBOR") (30th June 2006: 0.5% above three months HIBOR to 1% above LIBOR) per annum.

- (iii) The loans from minority shareholders are unsecured, bear interest at 5% to 5.85% (30th June 2006: 5% to 5.85%) per annum and have repayment terms as specified in the joint venture contracts.
- (iv) The advances from participating interest of certain property projects are unsecured, interest free and repayable in accordance with the terms as specified in the agreements entered into between the Group and the participating interest.

## 12. LONG TERM PAYABLE

Long term payable is repayable as follows:

|                           | 31 D<br>2006<br>HK\$'000 | As at<br>30th June<br>2006<br>HK\$'000 |
|---------------------------|--------------------------|----------------------------------------|
| Within one year           | <b>125,965</b>           | 77,757                                 |
| Between one and two years |                          | 124,279                                |
|                           | <b>125,965</b>           | 202,036                                |

## 13. CREDITORS AND ACCRUALS

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

|               | 31 D<br>2006<br>HK\$'000 | As at<br>30th June<br>2006<br>HK\$'000 |
|---------------|--------------------------|----------------------------------------|
| 0 to 30 days  | <b>94,733</b>            | 257,390                                |
| 31 to 60 days | <b>437</b>               | 96,282                                 |
| 61 to 90 days | <b>39,400</b>            | 41,472                                 |
| Over 90 days  | <b>469,334</b>           | 270,757                                |
|               | <b>603,904</b>           | 665,901                                |

## 14. AMOUNTS DUE TO MINORITY SHAREHOLDERS

The amounts due to minority shareholders are unsecured, interest free and repayable on demand.

## Notes to the Interim Financial Statements

## 15. CONTINGENT LIABILITIES

- ( ) **C** The Group has contingent liabilities of approximately HK\$2,088,283,000 (30th June 2006: HK\$1,279,322,000) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities. As at 31st December 2006, the Group's attributable portion of the outstanding amount under these bank loan facilities granted to the associated companies and jointly controlled entities was approximately HK\$1,401,738,000 (30th June 2006: HK\$918,985,000).
- ( ) **G** As at 31st December 2006, the Group had provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of properties developed by certain subsidiaries of the Group and the outstanding mortgage loans under these guarantees amounted to HK\$196,236,000 (30th June 2006: HK\$407,066,000). Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties.

## 16. COMMITMENTS

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

|                                                           | 31 D<br>2006<br>HK\$'000 | As at<br>30th June<br>2006<br>HK\$'000 |
|-----------------------------------------------------------|--------------------------|----------------------------------------|
| Authorised but not contracted for                         |                          |                                        |
| Purchase consideration for a proposed development project | <b>108,000</b>           | 108,000                                |
| Contracted but not provided for                           |                          |                                        |
| Property, plant and equipment                             |                          | 7,870                                  |
| Purchase consideration for proposed development projects  | <b>38,462</b>            | 665,589                                |
|                                                           | <b>38,462</b>            | 673,459                                |
|                                                           | <b>146,462</b>           | 781,459                                |

- (b) The Group did not have any share of capital commitments of the jointly controlled entities (30th June 2006: Nil).

## 17. RELATED PARTY TRANSACTIONS

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

| (i)                                                                                      | 6                | 31               | D                |
|------------------------------------------------------------------------------------------|------------------|------------------|------------------|
|                                                                                          | 2006<br>HK\$'000 | 2006<br>HK\$'000 | 2005<br>HK\$'000 |
| Interest on loans from fellow subsidiaries                                               | <b>50,872</b>    |                  | 53,190           |
| Rental expense for leased premises<br>to a fellow subsidiary                             | <b>2,116</b>     |                  | 1,423            |
| Rental expense for leased premises<br>to an associated company                           | <b>15,196</b>    |                  | 14,904           |
| Property agency fee to a fellow subsidiary                                               | <b>2,388</b>     |                  | 836              |
| Interest income from jointly controlled entities                                         | <b>15,520</b>    |                  | 7,132            |
| Estate management fee income from a fellow<br>subsidiary and jointly controlled entities | <b>15,001</b>    |                  | 3,734            |
| Rental income from fellow subsidiaries                                                   | <b>30,164</b>    |                  | 25,564           |
| Rental income from an associated company                                                 | <b>3,137</b>     |                  | 2,885            |

These related party transactions were in accordance with the terms as disclosed in 2006 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 amounted to HK\$47,990,000 for the period (31st December 2005: HK\$35,752,000). 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. During the period, tax indemnity amounting to HK\$64,357,000 (2005: Nil) was effected.

## Notes to the Interim Financial Statements

## 18. BUSINESS COMBINATIONS

During the period, the Group acquired 65% equity interest in New World Hotel Management (BVI) Ltd and additional 19% equity interest in Beijing New World Property Management Limited for a total consideration of HK\$1,404,000. Details of net liabilities acquired and the goodwill and excess of fair value of net assets acquired over cost of acquisition of subsidiary are as follows:

|                                                                                      | <b>2006</b><br>HK\$'000 |
|--------------------------------------------------------------------------------------|-------------------------|
| Purchase consideration                                                               | 1,404                   |
| Fair value of net liabilities acquired                                               | 3,799                   |
|                                                                                      | <u>5,203</u>            |
| Represented by:                                                                      |                         |
| Goodwill                                                                             | 7,096                   |
| Excess of fair value of net assets acquired over cost of acquisition of a subsidiary | (1,893)                 |
|                                                                                      | <u>5,203</u>            |

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

|                                                                      | 2006<br>HK\$'000 | 2007<br>HK\$'000 |
|----------------------------------------------------------------------|------------------|------------------|
| Net liabilities acquired                                             |                  |                  |
| Property, plant and equipment                                        | 1,224            | 1,224            |
| Debtors, deposits and prepayments                                    | 7,331            | 6,705            |
| Cash and bank balances                                               | 4,205            | 4,205            |
| Creditors and accruals                                               | (1,111)          | (1,111)          |
| Tax payable                                                          | (1,525)          | (1,525)          |
| Balances with group companies                                        | (15,392)         | (15,392)         |
|                                                                      | <u>(5,268)</u>   | <u>(5,894)</u>   |
| Minority interests                                                   | 2,632            |                  |
| Interest originally held by the Group as a jointly controlled entity | (1,163)          |                  |
| Net liabilities acquired                                             | <u>(3,799)</u>   |                  |

The acquired subsidiaries contributed revenues of approximately HK\$1,315,000 and incurred net loss of approximately HK\$761,000 for the period since the respective dates of acquisition. If the acquisition had occurred on 1st July 2006, the Group's revenue would have been HK\$1,066,498,000, and profit for the period would have been HK\$390,170,000.

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

Excess of fair value of net assets acquired over cost of acquisition of interests in a subsidiary was resulted since the acquisition was accomplished by way of the increase in registered capital of a profit making jointly controlled entity originally held by the Group, the Group had wholly taken up increased capital stake while diluting the other shareholders' interests.

## CONTINUING OBLIGATIONS UNDER CHAPTER 13 OF THE LISTING RULES

### (A) Advances and guarantees

In accordance with the requirements under rule 13.20 of the Listing Rules, the directors of the Company reported that none of the entities of which the Group made advances and guarantees individually exceeded 8% of the Company's total asset value as at 31st December 2006.

### (B) Financial assistance to affiliated companies

As at 31st December 2006, the Group had made loans and advances totalling HK\$8,309,629,000 to affiliated companies, guaranteed bank loans and other borrowing facilities for the benefit of affiliated companies in the amount of HK\$2,138,283,000. These amounts in aggregate exceed 8% of the Company's total asset value as at 31st December 2006. In accordance with the requirement under rule 13.22 of the Listing Rules, a combined balance sheet of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 31st December 2006 are presented below:

|                                  | C<br>Company<br>HK\$'000 | G,<br>Group<br>HK\$'000 |
|----------------------------------|--------------------------|-------------------------|
| Non-current assets               | 14,071                   | 8,283                   |
| Current assets                   | 16,257                   | 14,173                  |
| Current liabilities              | (9,126)                  | (5,503)                 |
| Non-current liabilities          | (4,713)                  | (2,757)                 |
| Shareholders' loans and advances | (8,593)                  | (8,310)                 |
|                                  | 7,896                    | 5,886                   |

### (C) Details of loan facilities

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

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

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

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

## INTERIM DIVIDEND

The directors have declared an interim dividend of HK\$0.02 per share for the six months ended 31st December 2006. It will be payable on 14th May 2007 to shareholders whose names appear on the Register of Members of the Company on 18th April 2007.

## CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 16th April 2007 to 18th April 2007 (both days inclusive). In order to establish entitlements to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Standard Registrars Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 13th April 2007.

## AUDIT COMMITTEE

Audit committee was established in accordance with requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee consists of three independent non-executive directors of the Company. The audit committee has reviewed the unaudited interim financial statements and discussed the financial related matters with management. At the request of directors, the Group's external auditors have carried out a review of the interim financial statements in accordance with Statement of Auditing Standards 700 issued by the Hong Kong Institute of Certified Public Accountants.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code of Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the six months ended 31st December 2006, except for the following derivation:

### Compliance with Code Provision A.2.1

The code provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Dr. Cheng Kar-shun, Henry acts as the Chairman and Managing Director of the Company. He is responsible for effective running of the board and formulating business strategies. He also provides leadership for effective running of the Company's business and implementing the policies devised by the board. The board believes that Dr. Cheng Kar-shun, Henry, in his dual capacity as the Chairman and Managing Director of the Company, can provide strong and consistent leadership for the development of the Group.

### Compliance with Code Provision A.5.4

The code provision A.5.4 provides that there should be written guidelines on no less exacting terms than the Model Code for Securities Transaction by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules for relevant employees in respect of their dealing in the securities of the issuer.

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

## EMPLOYEES AND REMUNERATION POLICY

As at 31st December 2006, the Group has 3,883 full-time employees. Total staff related costs incurred during the period under review were HK\$93 million (2005: HK\$72 million), of which retirement benefits was included. Remuneration of the employee is reviewed annually based on assessment of individual performance. Discretionary year-end bonus was paid to employee based on individual performance.

## MAJOR ACQUISITION OR DISPOSAL

There was no major acquisition or disposal undertaken by the Group during the period under review.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

On behalf of the Board

**D. C. Kwok, H.**  
*Chairman and Managing Director*

Hong Kong, 16th March 2007







**New World China Land Limited**

(incorporated in the Cayman Islands with limited liability)

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