



新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability) (Stock code: 17)

Annual Results Announcement 2003/2004

RESULTS

AUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2004

	Note	2004 HK\$m	2003 HK\$m (as restated)
Turnover	2	25,653.0	21,056.3
Cost of sales		(20,151.5)	(16,912.8)
Gross profit		5,501.5	4,143.5
Other revenues		48.3	36.6
Other (charge)/income	3	(4,787.2)	(4,732.6)
Selling and marketing expenses		(496.3)	(431.4)
Administrative expenses		(1,175.7)	(1,085.4)
Other operating expenses		(2,068.6)	(1,895.5)
Operating loss before financing costs and income	2	(2,978.0)	(3,964.8)
Financing costs		(1,022.7)	(1,824.1)
Financing income		230.4	337.9
Operating loss	4	(3,770.3)	(5,451.0)
Share of results of			
Associated companies		525.4	93.7
Jointly controlled entities		1,815.9	212.7
Loss before taxation		(1,429.0)	(5,144.6)
Taxation	5	(980.2)	(317.4)
Loss after taxation		(2,409.2)	(5,462.0)
Minority interests		1,433.0	754.3
Loss attributable to shareholders		(976.2)	(4,707.7)
Dividends			
Interim paid HK\$0.02 per share (2003: HK\$0.06)		69.1	131.5
Final of HK\$0.04 per share (2003: nil)		138.3	—
		207.4	131.5
Loss per share	6		
Basic		HK\$(0.35)	HK\$(1.96)
Diluted		N/A	N/A
Dividends per share		HK\$0.06	HK\$0.06

1. Basis of preparation of financial statements

Deferred taxation

In order to comply with Statement of Standard Accounting Practice 12 (revised) "Income taxes" issued by the Hong Kong Institute of Certified Public Accountants (previously named the Hong Kong Society of Accountants), the Group adopted a new accounting policy for deferred tax with effect from 1 July 2003. Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Future deferred tax benefits were not recognised unless their realisation was assured beyond reasonable doubt.

As a result of the adoption of this policy, the Group's opening reserves at 1 July 2002 and 2003 have been reduced by HK\$281.1 million and HK\$179.0 million, respectively. This change has resulted in an increase in net deferred tax liabilities of HK\$94.1 million as at 30 June 2003. The loss for the year ended 30 June 2003 has been reduced by HK\$103.8 million.

The new accounting policy has been adopted retrospectively and certain comparative figures have been adjusted accordingly.

2. Segment information

a Business segments

	Property investment and development HK\$m	Service HK\$m	Infra- structure HK\$m	Telecom- munications HK\$m	Depart- ment stores HK\$m	Others HK\$m	Elimin- ations HK\$m	Consoli- dated HK\$m
Year 2004								
External sales	6,595.0	10,818.3	374.9	2,623.8	3,254.3	1,986.7	—	25,653.0
Inter-segment sales	184.8	1,561.9	—	16.6	—	26.5	(1,789.8)	—
Total turnover	6,779.8	12,380.2	374.9	2,640.4	3,254.3	2,013.2	(1,789.8)	25,653.0
Segment results	1,427.9	540.7	80.9	53.1	103.5	108.0		2,314.1
Other (charge)/income	884.0	(19.6)	275.8	(797.3)	(4.0)	(5,126.1)		(4,787.2)
Unallocated corporate expenses								(504.9)
Operating loss before financing costs and income								(2,978.0)
Year 2003 (as restated)								
External sales	1,745.3	12,092.3	494.7	2,712.4	2,673.3	1,338.3	—	21,056.3
Inter-segment sales	211.0	1,299.9	—	7.0	—	25.6	(1,543.5)	—
Total turnover	1,956.3	13,392.2	494.7	2,719.4	2,673.3	1,363.9	(1,543.5)	21,056.3
Segment results	476.0	377.9	136.3	221.8	40.2	(4.4)		1,247.8
Other (charge)/income	(2,630.3)	—	32.1	(8.5)	(1.9)	(2,124.0)		(4,732.6)
Unallocated corporate expenses								(480.0)
Operating loss before financing costs and income								(3,964.8)

b *Geographical segments*

	Turnover HK\$m	Operating profit/ (loss) before financing costs and income HK\$m
Year 2004		
Hong Kong and Southeast Asia	18,253.1	1,571.2
Mainland China	7,399.9	(1,847.4)
North America	—	(2,701.8)
	25,653.0	(2,978.0)
Year 2003 (as restated)		
Hong Kong and Southeast Asia	15,890.6	(1,952.0)
Mainland China	5,165.7	(1,763.3)
North America	—	(249.5)
	21,056.3	(3,964.8)

3. Other (charge)/income

	2004 HK\$m	2003 HK\$m
Amortisation of		
Cost of investments in jointly controlled entities	—	(10.4)
Development costs	(0.4)	—
Goodwill	(7.1)	(5.4)
Dilution loss on reorganisation of subsidiaries	—	(196.4)
Reorganisation expenses	—	(78.1)
Impairment loss on		
Fixed assets	(1,457.1)	(386.8)
Goodwill	(40.1)	(21.0)
Intangible assets	(401.2)	—
Provision for investments in		
A joint property development project	—	(36.3)
Associated companies	—	(138.2)
Jointly controlled entities	(29.0)	(47.2)
Listed shares	(24.7)	(39.0)
Unlisted shares	(56.6)	(62.4)
Provision for		
Accounts receivable	(160.9)	(35.5)
Advances to associated companies	(150.5)	(62.5)
Advances to jointly controlled entities	(50.2)	(480.8)
Loans to investee companies	(304.2)	—
Other assets	(1,024.9)	(122.4)
Other investments	(2,367.1)	(305.3)
Payments on account	—	(111.6)
Provision for diminution in value of		
properties held for sale	(137.2)	(2,352.3)
Loss on dilution of interests in subsidiaries	(49.6)	(0.3)
Premium on redemption of convertible bond	(0.2)	(1.9)
Write back of/(provision for) revaluation deficit of a hotel property	3.7	(178.3)
Net profit/(loss) on disposal of		
Associated companies	0.2	3.1
Jointly controlled entities	9.3	(24.9)

Listed shares	16.2	—
Other investments	(37.3)	71.4
Subsidiaries	389.4	187.6
Profit on partial disposal of subsidiaries	—	56.4
Surplus on liquidation of a subsidiary	—	64.3
Write down of stocks to net realisable value	(294.4)	(458.4)
Write back of impairment loss on		
Fixed assets	205.1	—
A jointly controlled entity	16.7	—
Write back of provision for		
Diminution in value of properties held for sale	1,160.2	40.0
Unlisted shares	4.7	—
	(4,787.2)	(4,732.6)

4. Operating loss

Operating loss of the Group is arrived at after charging the following:

	2004 HK\$m	2003 HK\$m
Cost of inventories sold	8,351.8	3,132.8
Depreciation and amortisation	1,168.9	1,216.5

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003:17.5%) on the estimated assessable profits for the year. Tax on overseas profits has been calculated on the estimated taxable profits for the year at the rate of taxation prevailing in the countries in which the Group operates.

	2004 HK\$m	2003 HK\$m
Company and subsidiaries		
Hong Kong profits tax	473.2	143.3
Overseas taxation	26.6	25.0
Under/(over) provisions in prior years	3.0	(7.3)
Deferred taxation relating to the origination and reversal of temporary differences	151.5	(39.9)
Deferred taxation resulting from an increase in tax rate	—	38.8
	654.3	159.9
Associated companies		
Hong Kong profits tax	69.4	68.3
Overseas taxation	1.9	0.7
Deferred taxation	(0.4)	(0.2)
	70.9	68.8
Jointly controlled entities		
Hong Kong profits tax	148.4	29.0
Overseas taxation	91.6	61.2
Deferred taxation	15.0	(1.5)
	255.0	88.7
Taxation charge	980.2	317.4

6. Loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$976.2 million (2003: restated loss of HK\$4,707.7 million) and the weighted average number of 2,772.8 million (2003: 2,180.6 million) shares in issue during the year.

No dilution effect was resulted on the loss per share for the current year and the previous year after taking into account the potential dilutive effect of the convertible bonds which expired on 9 June 2004.

7. Comparative figures

Comparative figures for the segment information have been reclassified to conform with the current year's presentation.

QUALIFIED AUDITORS' REPORT

The Directors would like to draw your attention that the report of the joint auditors, PricewaterhouseCoopers and H.C. Watt & Company Limited, on the annual accounts of the Group for the year ended 30 June 2004 has been qualified. The relevant parts of the auditors' report that dealt with the qualification as well as the relevant notes to the accounts to which the auditors' report refers to are quoted as follows:

AUDITORS' REPORT

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. However, the evidence available to us was limited as set out below.

Fundamental uncertainty and limitation of audit scope relating to pending litigations

As described in Note 34 to the accounts, New World TMT Limited ("NWTMT"), a 54.44% owned listed subsidiary, commenced litigations against PrediWave Corporation ("PrediWave") and certain companies associated with PrediWave (collectively the "PrediWave Companies") and Mr. Tony Qu, the president and founder of the PrediWave Companies. NWTMT was seeking recovery of various investments in and other payments made by the Group to the PrediWave Companies (the "NWTMT Complaint"). On the other hand, PrediWave also commenced litigations against NWTMT (the "PrediWave Complaint"), under which PrediWave alleged that NWTMT had failed to make full payments under certain purchase orders and an agreement of approximately US\$59 million (approximately HK\$459 million). PrediWave claimed damages of not less than US\$58 million (approximately HK\$452 million) and loss of profit of unspecified amount.

As more fully described in Note 34 to the accounts, in preparing the accounts, the directors have concluded that a full provision amounting to HK\$3,082 million against the Group's investments in the PrediWave Companies, loans to the PrediWave Companies and deposits paid to PrediWave (collectively the "PrediWave Assets"), is most appropriate for the purpose of the accounts for the year ended 30 June 2004. In addition, the directors have not made any provision for any commitment/loss under the PrediWave Complaint in the accounts as they are of the view that the Group has proper and valid defences to the PrediWave Complaint.

As a result of the uncertainty of the timing and the outcome of the litigations which would have a consequential effect on the amount of assets recoverable, as well as the lack of updated meaningful financial information on the PrediWave Companies, the evidence available to us for assessing the carrying values of the PrediWave Assets, the propriety of the provisions made against the PrediWave Assets and any provision for any commitment/loss under the PrediWave Complaint was limited. There were no other practical satisfactory audit procedures that we could adopt to assess the carrying values of the PrediWave Assets, the propriety of the provisions made against the PrediWave Assets and any provision for any commitment/loss under the PrediWave Complaint. Any adjustments to the carrying values of the PrediWave Assets or provision for any commitment/loss under the PrediWave Complaint that might have been necessary should evidence become available to us would have a consequential impact on the Group's net assets at 30 June 2004 and the Group's loss for the year then ended.

Limitation of audit scope relating to other investments

Included in other investments is an unlisted equity investment of approximately HK\$377 million in Intellambda Systems Inc. ("Intellambda") which was acquired by NWTMT during the year. Mr. Tony Qu is the Chief Executive Officer of Intellambda. As described in Note 18 to the accounts, sufficient financial information on Intellambda was not available to the directors. Notwithstanding that, the directors remain confident in the technology and business operation of Intellambda and consider that no provision for impairment in value of the investment in Intellambda is required. We were unable to obtain sufficient explanations and evidence relating to the future prospect of Intellambda. There were no other practical satisfactory audit procedures that we could adopt to assess the carrying value of the investment in Intellambda as at 30 June 2004. Any adjustment that might have been necessary should evidence become available to us would have a consequential impact on the Group's net assets at 30 June 2004 and the Group's loss for the year then ended.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Qualified opinion arising from limitation of audit scope

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the matters referred to in the "Basis of opinion" paragraphs, in our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2004 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

In respect alone of the limitation on our work relating to the matters described above, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

18. Other investments

- (b) Also included in unlisted equity securities is an unlisted equity investment of approximately HK\$376.9 million in Intellambda Systems Inc. ("Intellambda") which was acquired by NWTMT during the year. Mr. Tony Qu is the Chief Executive Officer of Intellambda. Intellambda's business objective is to develop optical transport and switching platform and provide the optical networking solutions for carriers planning on building or upgrading their metro and regional infrastructures. Based on the latest financial information available to NWTMT, Intellambda was operating at a loss. The director nominated by NWTMT to Intellambda has requested for further financial information from Intellambda for the purpose of assessing the carrying value of the investment in Intellambda. However, Intellambda imposed certain conditions before it would make available further financial information to the director nominated by NWTMT to Intellambda. In view of the conditions imposed, no further information was obtained from Intellambda. Despite the litigation against Mr. Tony Qu, the directors of NWTMT remain confident in the technology held by Intellambda and consider that there is no reason to believe why Mr. Tony Qu would not pursue, if not harder because of the presence of NWTMT as a shareholder keeping a close eye on the performance, the business objective of Intellambda and make it a successful operation. As a result, the directors of the Company consider that no provision for impairment in value of the investment in Intellambda is required.

34. Pending litigations

- (a) In May 2004, NWTMT, a 54.44% owned listed subsidiary, filed complaints to the Superior Court of the State of California for the County of Santa Clara in the United States of America ("US") ("NWTMT Complaint") against the PrediWave Companies and Mr. Tony Qu, the president and founder of the PrediWave Companies. Under the NWTMT Complaint, NWTMT alleged that, in reliance of the representations given by Mr. Tony Qu and PrediWave, NWTMT entered into various agreements with the PrediWave Companies under which the Group invested in the PrediWave Companies and placed various purchase orders for goods and services relating to the technology (the "Technology") of video-on-demand and other digital broadcasting and related technology and added value services. The Group had paid approximately HK\$5 billion to the PrediWave Companies for investments in and loans to the PrediWave Companies, and purchases of goods and services from PrediWave. NWTMT complained of various breaches, in relation to goods and services relating to the Technology, by Mr. Tony Qu and the PrediWave Companies relating to the parties' agreements. Accordingly, NWTMT claimed damages for an amount to be determined at trial together with interest, rescission of all agreements, restitution of all monies obtained from the Group, punitive and exemplary damages, costs of legal proceedings and other declaratory relief and equitable relief. The total monetary amount sought by NWTMT in the law suit exceeds US\$700.0 million (equivalent to approximately HK\$5,460.0 million).

The directors of NWTMT have been advised by their external legal counsel that the NWTMT Complaint will not be concluded in a short period of time and the outcome of the NWTMT Complaint is uncertain.

Based on the unaudited management accounts of the PrediWave Companies as at 31 December 2003 which were obtained prior to the commencement of the NWTMT Complaint, there was a balance of approximately US\$344.0 million (equivalent to approximately HK\$2,683.0 million) in their bank accounts.

In June 2004, with the objective of preventing improper withdrawals of funds, Mr. Jimmy Li, the director nominated by NWTMT to certain PrediWave Companies sought to exercise the co-signing rights in relation to withdrawals of funds in excess of US\$0.5 million from the bank accounts of certain PrediWave Companies by requesting a temporary restraining order from the court. However, such request was denied by the Superior Court of the State of California for the County of Santa Clara in the US.

In August 2004, the Superior Court of the State of California for the County of Santa Clara in the US made an order in favour of Mr. Jimmy Li permitting him to inspect all corporate books and records of certain PrediWave Companies. Mr. Jimmy Li is assisted by an accounting firm in the US to inspect the books and records but no meaningful financial information has been extracted as of the date of approval of the accounts.

As the directors of NWTMT were unable to freeze the bank accounts or enforce the co-signing rights, the directors of NWTMT consider that they cannot effectively monitor the utilization of funds by the PrediWave Companies. Notwithstanding that the bank balance of the PrediWave Companies were approximately US\$344.0 million as at 31 December 2003 based on their unaudited management accounts, the directors of NWTMT expect that the utilization of funds for legal costs and other causes beyond their control will be significant throughout the period up to the date when the NWTMT Complaint is concluded. In addition, in the absence of the availability of meaningful and updated financial information on the PrediWave Companies and given the uncertainty of the timing and the outcome of the litigation which would have a consequential effect on the amount of assets recoverable, the directors of the Company have concluded that a full provision of HK\$3,082.0 million made against the Group's investments in the PrediWave Companies, loans to the PrediWave Companies and deposits paid to PrediWave is most appropriate for the purpose of the accounts for the year ended 30 June 2004.

- (b) In May 2004, PrediWave filed complaints to the Superior Court of the State of California for the County of Los Angeles in the US against NWTMT (the "PrediWave Complaint"). Under the PrediWave Complaint, PrediWave alleged that NWTMT had failed to make full payments under three purchase orders and one agreement for goods and services delivered or licenses granted by PrediWave to the Group relating to the Technology with an outstanding amount of approximately US\$58.9 million (equivalent to approximately HK\$459.0 million). PrediWave claimed damages against NWTMT in an amount to be proved at trial, but not less than US\$58.0 million (equivalent to approximately HK\$452.0 million) together with interest and costs of legal proceedings, and a declaration that NWTMT should pay PrediWave the profits PrediWave would have received had NWTMT performed its obligations under various purchase order and agreements and that PrediWave should be entitled to retain the deposits made by NWTMT thereunder.

The directors are of the view that the Group has proper and valid defences to the PrediWave Complaint, and accordingly, no provision for commitment/loss has been accounted for in the accounts.

DIVIDENDS

The Directors have resolved to recommend a final dividend in scrip form equivalent to HK\$0.04 per share with a cash option to shareholders registered on 7 December 2004. Together with the interim dividend of HK\$0.02 per share paid in May 2004, the total distribution for 2004 would thus be HK\$0.06 per share (2003: HK\$0.06 per share).

Subject to the Listing Committee of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") granting listing of and permission to deal in the new shares, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholder could elect to receive in cash and that they be given the option to elect to receive payment in cash of HK\$0.04 per share instead of the allotment of shares. Full details of the scrip dividend will be set out in a letter to be sent to shareholders together with a form of election for cash on or about 7 December 2004.

BOOK CLOSE DATES

Book close dates (both days inclusive)	:	1 December 2004 to 7 December 2004
Latest time to lodge transfer with Registrar	:	30 November 2004, Tuesday 4:00 p.m.
Address of Registrar	:	Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

CONTINGENT LIABILITIES

Except for pending litigations as referred to in note 34 of the accounts quoted above, the Group's other contingent liabilities as at 30 June 2004 amounted to HK\$9,311.1 million.

BUSINESS REVIEW

SEGMENT ANALYSIS (INCLUDING ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES)

	FY2004 HK\$ million	FY2003 (As restated) HK\$ million
Segment contribution		
Property sales	1,577.4	(770.6)
Rental	725.3	576.4
Service	945.6	584.7
Infrastructure	1,353.1	1,352.3
Telecommunications	53.1	221.8
Department stores	103.5	40.2
Others	(102.6)	(450.6)
Segment results	4,655.4	1,554.2

PROPERTY

Hong Kong Property Development

The property market in Hong Kong rebounded in the fourth quarter of 2003. Since then, both volume and pricing recorded solid growth. The Group sold 1,136,977 sq. ft. in Hong Kong comparing to 660,341 sq. ft. in FY2003. In FY2004, the Group completed the development of No. 2 Park Road and Bon-Point at Mid-Levels of Hong Kong Island; Parc Palais, Sky Tower and Kingsford Terrace in Kowloon.

The Group now has a landbank of 5.54 million sq. ft. which is enough for meeting its development needs for three to four years. Moreover, the Group has a total 20 million sq. ft. of agricultural land reserve.

Development projects	Attributable GFA (sq. ft.)
Hong Kong Island	748,645
Kowloon	1,957,911
NT excluding those agricultural and pending for land conversion	2,835,219
Total	5,541,775

Agricultural landbank by location	Total land area (sq. ft.)	Attributable land area (sq. ft.)
Yuen Long	14,420,000	12,937,100
Shatin/Tai Po	3,414,000	2,528,000
Fanling	2,310,000	2,310,000
Tuen Mun	120,000	120,000
Sai Kung	1,905,000	1,668,000
Total	22,169,000	19,563,100

The Group is actively negotiating with government on agricultural land conversion. However, during FY2004, only one site of GFA 260,000 sq. ft. was concluded in June 2004. Several leading developers voiced out difficulties in closing agricultural land premium negotiations with the government due to differences in price expectations.

Strong competition at the auctions for 2 major sites in Homantin and San Po Kong on 12 October 2004 further confirmed the upturn of the Hong Kong property market. In FY2005, on an attributable basis, the Group has 1.8 million sq. ft. property, including inventory and projects to be launched for sale. Projects to be launched in the coming months include Kennedy Town Redevelopment, Black's Link, Tseung Kwan O Area 55b, Lau Fau Shan and Fu Tei projects.

FY2005 Projects	Attributable GFA (sq. ft.)
Inventory completed before FY2005	332,668
Caldecott Hill (郝德傑山)	31,220
33 & 35 Island Road (香島道33及35號)	27,438
Kennedy Town Redevelopment (堅尼地城重建項目)	676,687
6-10 Black's Link (布力徑6-10號)	27,814
Tseung Kwan O Area 55b (將軍澳55b區項目)	411,336
Lot No. 3569 in DD129, Lau Fau Shan (流浮山項目)	66,522
3 Tuen Kwai Road, Fu Tei (虎地屯貴路3號)	196,744
Total	1,770,429

Hong Kong Property Investment

Increase of individual travellers from Mainland China and overseas spur the retail traffic. Located at the Tsimshatsui Promenade and next to New World Centre, the "Avenue of Stars", a major new attraction donated by the Group to honour Hong Kong's film professionals, made a big draw for tourists and locals alike after its completion. The monthly visitor flow for the Avenue of Stars was over 1 million after its launch in April 2004. Pedestrian traffic is expected to be further enhanced with the completion of the KCR East Tsimshatsui Station and its associated road works outside New World Centre by the end of October 2004. Higher traffic may translate into positive rental revision at New World Centre.

Hong Kong office rental market bottomed at end of 2003 with both effective rent and occupancy firming up.

Hotels

Hong Kong hotels have improved significantly in both occupancy and average room rate. The Group's hotel operations regained their profitability to the pre-SARS level.

China Hotel in Guangzhou was reverted to Guangzhou Municipal government after the expiry of the contract in June 2004. In FY2004, the 860-room Mayfair Hotel Shanghai was completed to enhance our Mainland China hotel portfolio to 7 hotels providing 2,968 guest rooms.

Hotel in Mainland China	Number of rooms
New World Courtyard Hotel, Beijing (北京新世界萬怡酒店)	293
Jing Guang New World Hotel, Beijing (北京京廣新世界酒店)	444
Mayfair Hotel Shanghai (上海巴黎春天大酒店)	860
New World Hotel, Shenyang (瀋陽新世界酒店)	261
New World Courtyard Hotel, Shunde (順德新世界萬怡酒店)	376
New World Courtyard Hotel, Wuxi (無錫新世界萬怡酒店)	243
Grand New World Hotel, Xian (西安古都新世界大酒店)	491
Total	2,968

Mainland China Property

New World China Land Limited ("NWCL"), the Group's 70%-owned Mainland China property arm, has currently a property portfolio of 36 major development property projects with a total GFA of 16 million sq. m. across 17 cities.

For the year under review, NWCL has completed 15 property development projects in 10 cities with a total GFA of 997,283 sq. m., an increase of 39% year-on-year. Area sold surged 62% to 909,772 sq. m. in FY2004.

Development property projects completed during FY2004

Projects	Usage	Total GFA (sq. m.)	NWCL's interest
Beijing Xin Kang Garden Phase III (北京新康家園三期)	R	77,420	70%
Beijing Xin Yu Garden Block 3 & 4 (北京新裕家園3、4號樓)	R, C	70,526	70%
Chateau Regalia Beijing (北京麗高王府)	R	121,505	100%
Tianjin New World Garden Phase I (天津新世界花園一期)	R, C	54,226	60%
Tianjin New World Garden Phase II (天津新世界花園二期)	R, C	77,371	60%
Shenyang New World Garden Phase IC (瀋陽新世界花園一期C)	R	98,023	90%
Dalian Manhattan Tower II (大連曼哈頓大廈二座)	R, O	55,005	88%
Wuhan Menghu Garden Phase IA (武漢夢湖香郡一期A)	R	12,098	70%
Jinan Sunshine Garden Phase I (濟南陽光花園一期)	R	40,597	65%
Nanjing New World Centre (南京新世界中心)	R	70,363	92%
Guangzhou Covent Garden Phase II (廣州逸彩庭園二期)	R	28,918	60%
Guangzhou Central Park-view Phase I (廣州凱旋新世界廣場一期)	R	62,704	91%
Guangzhou New World Oriental Garden Phase I (廣州東方新世界花園一期)	R	117,715	100%

Guangzhou Xintang New World Garden Phase II (廣州新塘新世界花園二期)	R	49,913	60%
Huiyang Palm Island Resort Phase IV (惠陽棕櫚島Resort四期)	R	40,372	34%
Shunde New World Convention & Exhibition Centre Phase II (順德新世界會議展覽中心二期)	R	20,527	35%
Total		997,283	

R : Residential
C : Commercial
O : Office

Shanghai Hong Kong New World Tower was completed in October 2003 with satisfactory occupancy. The Group's investment portfolio now increased to 1.2 million sq. m. comprising retail, office, hotels, service apartments and carpark at prime locations of high growth cities. The Central Government announced austerity measures on the control of financial credit and land supply which are considered for the long-term healthy growth of the real estate industry. The gist of the credit tightening and land policy is to reduce irregularities and improve transparency.

Development property projects to be completed in FY2005

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

Investment properties to be completed in FY2005

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

SERVICE

Hong Kong enjoyed a fast-paced recovery after SARS. With strong support from the Central Government — seen in measures such as the endorsement of CEPA and the lifting of travel restrictions on Mainlanders wishing to visit Hong Kong — the majority of service operations have benefited from the ensuing economic revival. The overall performance of Service operations for FY2004 was satisfactory.

HKCEC achieved an encouraging result due to the quick recovery in tourism, retail, and consumer related businesses, as well as from the spill-over effect of the post-SARS business rescheduling of many exhibitions and conventions. The occupancy of the HKCEC for the year was comparable to those of previous years when mega functions such as ITU — Telecom Asia were held.

Property management produced a satisfactory result. As at 30 June 2004, Urban Property Management managed a total of 1.8 million sq. m. of commercial/industrial areas, 180,000 residential flats, and 33,000 car park spaces. Kiu Lok achieved sound results, mainly attributable to the improved activities in the Mainland China agency and property management businesses.

Construction operations faced tough market environment resulting from the sluggish property construction market.

Sky Connection Limited, which has exclusive right to retail duty free liquor and tobacco in Hong Kong International Airport and ferry terminals, delivered satisfactory results.

The Group's transport operations have yet to regain passenger patronage back to the pre-SARS level. Moreover the surging fuel costs coupled with keen competition from other mode of transport have put pressure on the profitability. The Group's investment in Kunming (昆明) bus service which commenced business in early 2004, made an immediate profit contribution.

INFRASTRUCTURE

The Group's power plant operations benefited from surging electricity generation and consumption caused by economic growth, especially in Guangdong Province. Zhujiang Power Phase I & II (珠江電廠第一及第二期) and Macau Power electricity sales increased by 16% and 7% respectively.

The toll income of Guangzhou City Northern Ring Road (廣州市北環高速公路) increased by 19% mainly from the reclassification of toll rates/vehicle types and increased traffic. In addition, Tanjin Expressway (Tianjin North Section) (唐津高速公路天津北段) and Beijing-Zhuhai Expressway (Guangzhou — Zhuhai Section) (京珠高速公路廣珠段) also have satisfactory results.

The Group continuously reviews its investments and divests low-yielding assets. In November 2003, the Group announced the disposal of the Zhaoqing Roadways Network for a consideration of approximately HK\$1.168 billion. These disposals were all completed by the end of March 2004.

The profit contribution from the Water Treatment and Waste Management operations increased in FY2004 due to the improved performance of certain projects in Mainland China. The Macao Water Supply Company Limited (澳門自來水股份有限公司) was once again the highest profit contributor whilst the Chongqing (重慶) operations had a full-year contribution. During the year, the Group contracted new investments in the water sector in Sanya City, Hainan Province (海南省三亞市) and Tanggu District, Tianjin (天津市塘沽區).

Due to the loss of one major customer at Container Terminal No. 3 and fierce competition from Shenzhen ports, the profit contribution from the port operations dropped 33%. CT8 West is operational from October 2004. The ports of Tianjin and Xiamen continued to lead the way in the Mainland China port sector on the back of solid expansion in trade flows and their throughputs grew by 25% and 11% respectively.

TELECOMMUNICATIONS

New World Mobility (“NWM”)

The subscriber base of NWM grew from 990,000 in June 2003 to 1,250,000 in June 2004, representing a 26% increase. In FY2004, NWM recorded an EBIT of HK\$216.4 million.

NWM became a listed company in July 2004. In order to meet the demand of subscribers, NWM signed a USD30 million contract with Nokia in June 2004 for expansion of its GSM network, including EDGE and Push to Talk over Cellular, to provide advanced and innovative multi-media solutions.

New World Telecommunications (“NWT”)

NWT focuses on IDD, data lines and broadband services. During the year, intense competition triggered the plunge of IDD rates which caused a negative EBIT of HK\$163.3 million before other charges.

NEW WORLD DEPARTMENT STORES (“NWDS”)

NWDS benefited from the growing consumer market in Mainland China. Total sales in FY2004 amounted HK\$3.3 billion, up 22% year-on-year. NWDS operations expanded to 15 stores across 10 cities in Mainland China and Hong Kong with a total GFA of 443,000 sq. m.. NWDS opened new stores in Shanghai Hongkou (上海虹口) in October 2003, in Kunming (昆明) in June 2004 and in Shanghai Dingxi Road (上海定西路) in September 2004. The Group plans to open two new stores in Ningbo (寧波) and Nanjing (南京) in coming months.

OTHERS

New World TMT Limited (“NWTMT”)

NWTMT will focus on existing projects to generate cash flow and divest under-performing projects. Furthermore, NWTMT will leverage synergies with NWT and NWM to enhance China TMT market deployment and reinforce its role as intermediary between China and the world in telecom and media sectors.

New World China Enterprises

Since the inception of New World Liberty China Ventures Limited in December 2000, ten projects have been invested in and 65% of the initial USD150 million capital has been invested in small and medium-size enterprises in China. Amongst the investments, healthcare and automobile downstream services achieved steady growth.

PROVISIONS AND OTHER CHARGES

Provisions and Other Charges (HK\$ million)

HK property

Provisions write-back: Kennedy Town	538.5	
Black's Link	386.4	
Others	235.3	1,160.2

NWCL

Provisions write-back: Hotels	213.4	
Provisions made: Properties	(154.6)	58.8

NWTMT

Provisions made: PrediWave related	(4,392.0)	
Other investments	(757.2)	(5,149.2)

Impairment loss on NWT cable assets and others		(797.4)
---	--	----------------

Others		(59.6)
---------------	--	---------------

Total		(4,787.2)
--------------	--	------------------

Hong Kong property had a sharp rebound in the fourth quarter of 2003. Since then, the volume and pricing of Hong Kong property both grew firmly. Provisions of HK\$1,160.3 million made in FY2003 against the Group's property portfolio, such as Kennedy Town and Black's Link, were written back.

Provisions of HK\$213.4 million made in FY2003 on Mainland China hotels, were written back. However, a provision of HK\$154.6 million was made for property projects Foshan Golf & Country Club (佛山榮山高爾夫球場), Tianjin Xin Chun Hua Yuan (天津新春花苑) and Tianjin Xin An Garden (天津新安花園).

In May 2004, NWTMT filed complaints against the PrediWave Companies at the Superior Court of the State of California for the County of Santa Clara seeking recovery of investments and damages in excess of USD700 million (equivalent to approximately HK\$5,460 million). The Group made provisions of HK\$4,392.0 million against the PrediWave related investments and assets.

A provision of HK\$797.4 million on the impairment loss of cable assets and others was made by NWT.

LIQUIDITY AND CAPITAL RESOURCES

Net Debt (HK\$ million)	FY2004	FY2003
Consolidated net debt	21,613	31,231
NWSH (stock code: 0659)	4,618	6,893
NWCL (stock code: 0917)	4,878	5,122
NWTMT (stock code: 0301)	2,703	1,838
Net debt (exclude listed subsidiaries)	9,414	17,378

The Group reduced its consolidated net debt by HK\$9,618 million. The gearing is reduced from 68% to 40%. Net finance costs were down 47% to HK\$792.3 million.

The Group's long term borrowing and short term borrowing as at 30 June 2004 were HK\$25,307.4 million and HK\$2,935.9 million respectively. Cash and bank balances as at 30 June 2004 amounted to HK\$6,630.0 million. The maturity of long term borrowing as at 30 June 2004 is as follows:

	HK\$ million
Within one year	5,959.9
In the second year	7,006.4
In the third to fifth year	12,080.8
After the fifth year	260.3
	25,307.4

Shareholders' funds for the Group as at 30 June 2004 increased to HK\$54.4 billion against HK\$46.0 billion (restated) as of last year.

As at 30 June 2004, HK\$17,231.0 million (2003: HK\$14,258.0 million) of total Group's assets were pledged as securities for loans.

OUTLOOK

Both the Mainland China and Hong Kong economies continue to prosper. Pearl River Delta regional co-operation will further drive the Hong Kong economy. The Group will leverage on its exposure in the region to explore new opportunities and fuel the growth of its core businesses. The Group's core businesses, including properties and hotels, service and infrastructure and department stores, will continue to perform well and generate strong cash flow and aim at maintaining the gearing at a comfortable level.

While the Group expects no major capital expenditure on TMT projects, it will consolidate the TMT businesses to generate stable cash flow.

EMPLOYEES

The Group has over 30,000 employees at 30 June 2004, compared to 33,000 at 30 June 2003. Remuneration policies are reviewed annually. Remuneration and bonuses are awarded to employees based on individual performances and market practices. Education subsidies will be granted to employees who are taking job-related courses. Periodic in-house training programs are also offered. Under the share option schemes of NWTMT, NWCL and NWSH, options may be granted to certain Directors of the Company and certain employees of the Group to subscribe for shares in NWTMT and/or NWCL and/or NWSH.

AUDIT COMMITTEE

The annual results for the year have been reviewed by the Audit Committee of the Company. The consolidated financial statements have been audited by the joint auditors of the Company, and they have issued a qualified opinion. Please refer to the Qualified Auditors' Report section above.

DETAILED RESULTS ANNOUNCEMENT

All the financial and other related information of the Company required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange will be published on the Stock Exchange's website in due course.

For and on behalf of the Board
Dr. Cheng Kar-Shun, Henry
Managing Director

Hong Kong, 15 October 2004

As at the date of this announcement, (a) the executive directors of the Company are Dato' Dr. CHENG Yu-Tung, Dr. CHENG Kar-Shun, Henry, Dr. SIN Wai-Kin, David, Mr. LIANG Chong-Hou, David and Mr. LEUNG Chi-Kin, Stewart; (b) the non-executive directors of the Company are Mr. CHENG Yue-Pui, Mr. CHENG Kar-Shing, Peter, Mr. CHOW Kwai-Cheung, Mr. HO Hau-Hay, Hamilton and Mr. LIANG Cheung-Biu, Thomas and (c) the independent non-executive directors of the Company are Lord SANDBERG, Michael, Mr. YEUNG Ping-Leung, Howard, Dr. CHA Mou-Sing, Payson, JP, Mr. CHA Mou-Zing, Victor (as alternate director to Dr. CHA Mou-Sing, Payson) and Mr. LEE Luen-Wai, John, JP.

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