



New World China Land Limited

(Stock Code: 0917)

Interim Report
2005/2006



To Our Shareholders,

2005 was a memorable year for the real estate market in Mainland China. The macro control measures released since March 2005 marked another stage of the property cycle. Since then, in order to be a successful property developer, one has to be strong in the two items: capital and brand.

Real estate development is always a capital intensive industry. The austerity policies on property market intensify this industry characteristic. For instance, the new land policy since 31st August 2004 and the 35% new capital requirements for property projects substantially raise the entry barrier for new comers and endanger the survival of small players in the property market. Market consolidation is expected with the blue-chip developers as the ultimate beneficiaries.

As at 31st December 2005, New World China Land has a land bank of 15 million square metres, HK\$4,257 million cash on hand and a 4% net gearing. Compared to our competitors, our large land reserve helps us to avoid draining of capital on land acquisitions. In addition, our strong capital base and stable cash from our operations equip us with an ample war chest for expansion and development.

Branding is no longer a fashion gimmick. It is also an important selection criterion for home buyers. Developers' reputation has been increasingly taken on a pivotal role in the Mainland housing market as home purchasers are more concerned with the overall quality and long term value of their investment.

After years of dedication to design and product quality, New World China Land has established a famous brand name throughout the major Mainland cities. In order to strengthen the brand equity, a corporate re-branding exercise has been initiated to reinforce the perception of our brand as one of the most reliable and high quality developers in the market.

With a strong capital base and a modernised national brand, New World China Land will continue to be a key player in the ever-growing Mainland China real estate market.

Dr. Cheng Kar-shun, Henry

Chairman

Hong Kong, 15th March 2006

Financial Highlights

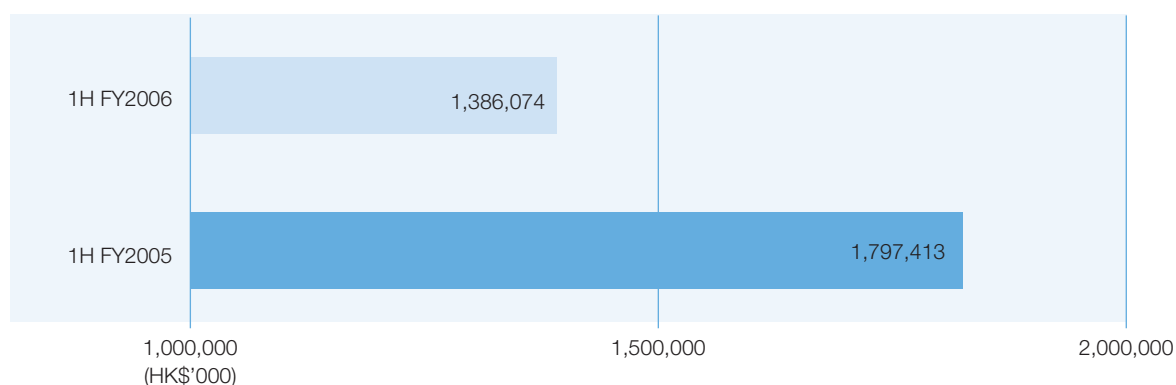
Key Financial Data

	6 months ended 31st December	
	2005	2004
Operating Result	HK\$'000	HK\$'000
Turnover		
Company and subsidiaries	745,131	923,851
Share of associated companies and jointly controlled entities (note 1)	640,943	873,562
	1,386,074	1,797,413
Representing:		
Sale of properties	961,639	1,443,263
Rental income	269,649	212,788
Income from hotel operations	124,987	119,014
Property management services fees income	26,707	22,076
Project management fee income	3,092	272
	1,386,074	1,797,413
Gross Profit		
Company and subsidiaries	283,538	222,482
Share of associated companies and jointly controlled entities (note 2)	177,118	184,338
	460,656	406,820
Profit attributable to equity holders of the Company	196,195	39,786
Earnings per share	HK cents	HK cents
Basic and diluted	5.19	2.67
	As at	As at
	31st December	30th June
	2005	2005
Financial Position	HK\$ million	HK\$ million
Cash and bank balances	4,257.0	6,351.9
Total assets	31,847.1	31,603.8
Total liabilities	8,356.8	8,496.0
Capital and reserves attributable to the Company's equity holders	23,467.7	23,124.9
Financial Ratios		
Current ratio (times)	2.44	2.87
Net debt to equity ratio	4%	–

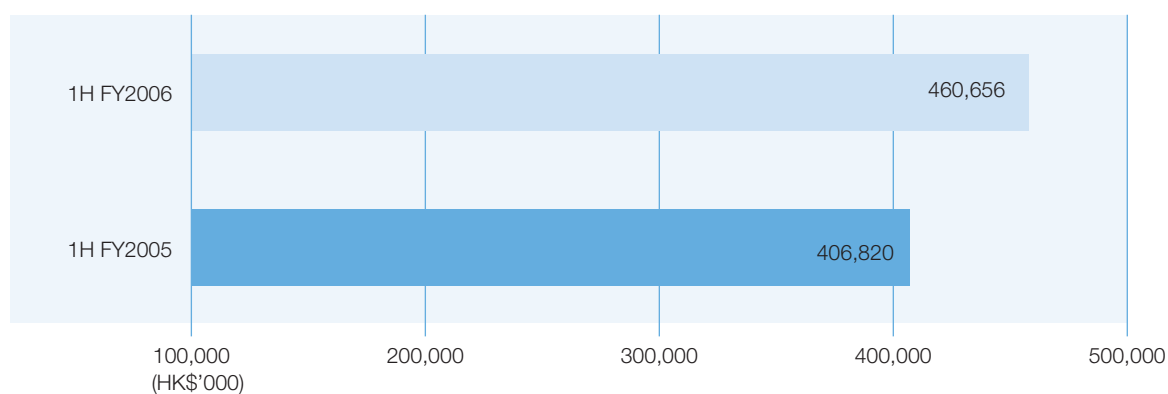
Note 1: It represents attributable share of turnover of associated companies and jointly controlled entities to the Group.

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

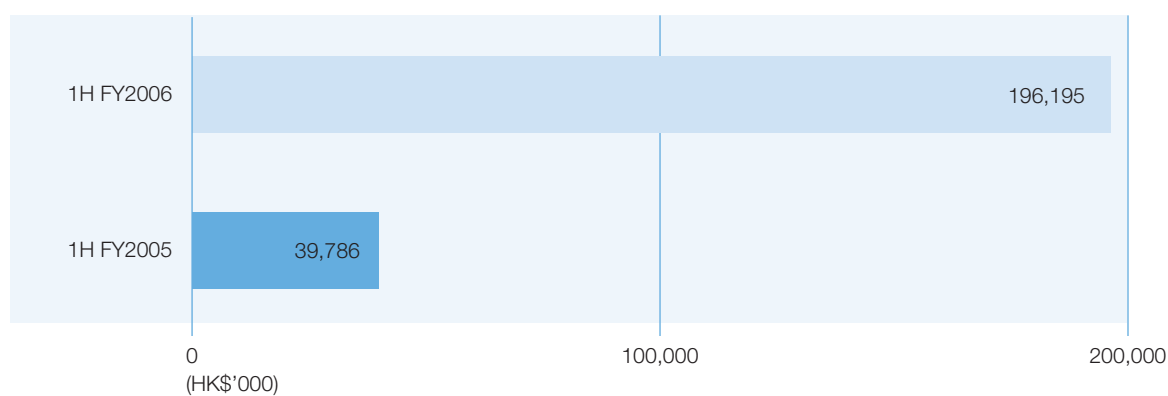
Turnover (note 1)



Gross Profit (note 2)



Profit attributable to equity holders of the Company

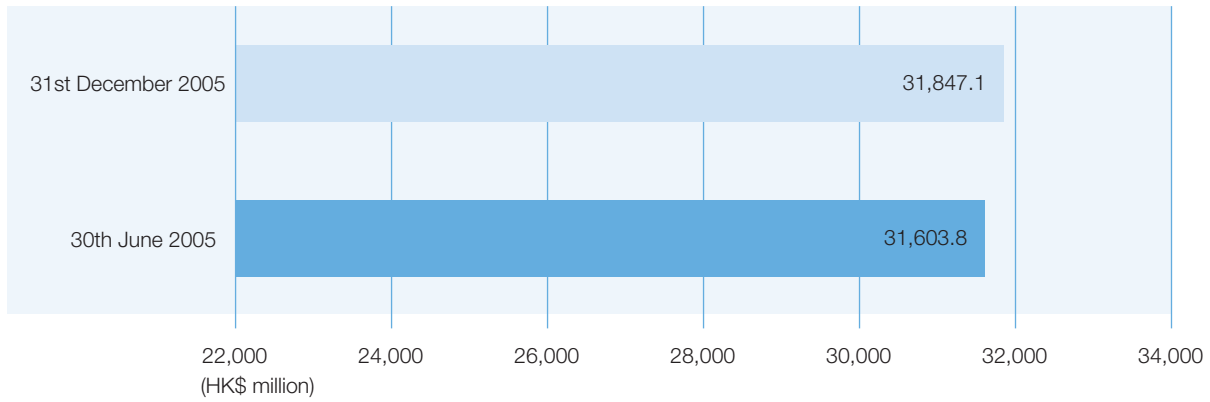


Note 1: It represents turnover of the Company and subsidiaries plus share of associated companies and jointly controlled entities attributable to the Group as tabulated on page 2.

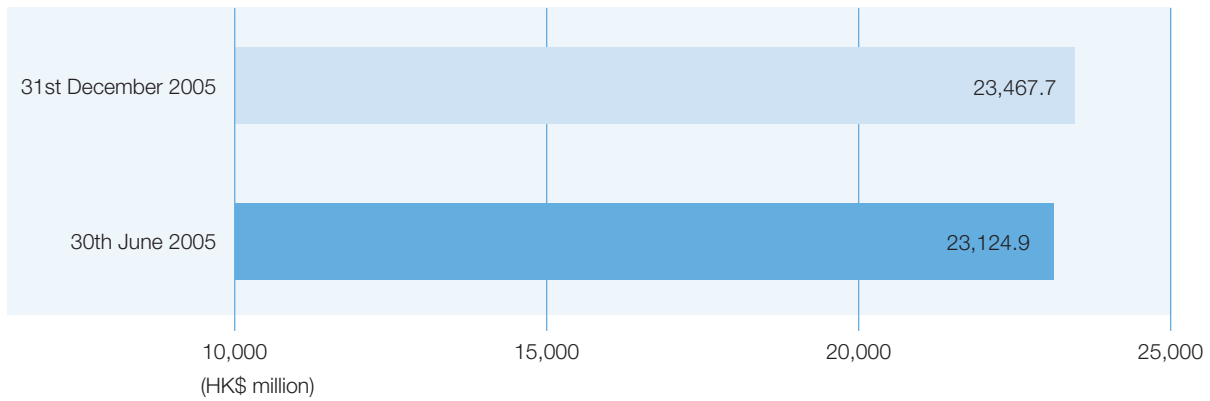
Note 2: It represents gross profit of the Company and subsidiaries plus share of associated companies and jointly controlled entities attributable to the Group as tabulated on page 2.

Financial Highlights

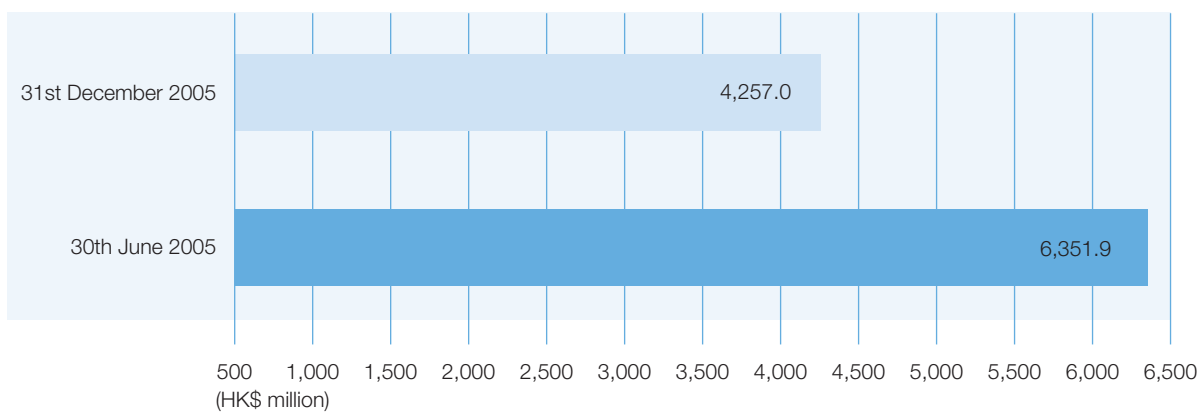
Total Assets



Capital and Reserves attributable to the Company's Equity Holders



Cash and Bank Balances



Business Review

In the first half of FY2006, the Group has recorded a profit of HK\$196.19 million, up 393% year-on-year.

Analysis of Attributable operating profit (“AOP”)

	6 months ended 31st December	
	2005 HK\$'000	2004 HK\$'000 (restated)
Property sales	9,900	33,471
Rental operation	77,176	78,168
Hotel operation	(1,344)	(13,788)
Property management services	(1,258)	(2,312)
Others	(735)	(1,200)
AOP before provisions and finance costs	83,739	94,339
Increase in fair value of investment properties	131,001	–
Provisions written back	49,431	49,326
Finance costs – project loans	(28,352)	(52,669)
Impairment of goodwill	(26,955)	–
AOP	208,864	90,996
Finance costs – corporate loans	(39,573)	(9,030)
Corporate administrative expenses	(43,845)	(47,561)
Bank and other interest income	78,934	5,381
Exchange loss	(8,185)	–
Profit attributable to equity holders of the Company	196,195	39,786

Property sales

In the first half of FY2006, the Group has completed four property development projects in two cities with a total gross floor area (“GFA”) of 141,369 sq.m.. The completion of certain projects was behind schedule as the approval process for completion certificates by local government took longer than expected.

During the period under review, 207,238 sq.m. were sold to generate HK\$1.3 billion gross sale proceeds. Over 60% of the development properties completed during the first half of FY2006 were sold. The total inventory as at 31st December 2005 amounted to 348,724 sq.m., reduced from 433,123 sq.m. as at 30th June 2005. Both inventory and newly completed projects achieved sales margin improvement.

The drop in AOP from property sales was mainly due to higher administrative and operating expenses.

Management Discussion and Analysis

Development property projects completed during 1st half FY2006	Usage	Total GFA (sq.m.)	NWCL's interest
Beijing Xin Cheng Commercial Building (北京新成文化大廈)	C, O	36,964	70%
Guangzhou Park Paradise Phase IIB2 (廣州嶺南新世界家園二期B2)	R	6,789	100%
Guangzhou Park Paradise Phase IIC (廣州嶺南新世界家園二期C)	R	57,383	60%
Guangzhou Covent Garden Phase II (廣州逸彩庭園二期)	R	40,233	60%
Total		141,369	

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

In the second half of FY2006, the Group expects to complete 7 development projects with 473,492 sq.m. GFA of which 269,661 sq.m. was completed after the end of 2005. As at the end of February 2006, approximately 300,000 sq.m. was pre-sold with gross sale proceeds of around HK\$1.85 billion.

Development property projects to be completed in 2nd half FY2006	Usage	Total GFA (sq.m.)	NWCL's interest
Beijing Xin Yi Garden Phase I (北京新怡家園一期)	R	111,443	70%
Beijing New View Garden Phase II (北京新景家園二期)	R, O	86,536	70%
Wuhan Changqing Garden Phase VIA (武漢常青花園六期A)	R	62,353	60%
Wuhan Menghu Garden Phase IIA (武漢夢湖香郡二期A)	R	23,514	70%
Wuhan Xin Hua Garden Phase III (武漢新華家園三期)	R	83,410	60%
Guangzhou Park Paradise Phase IIC (廣州嶺南新世界家園二期C)	R	34,554	60%
Guangzhou Xintang New World Garden Phase III (廣州新塘新世界花園三期)	R, O	71,682	60%
Total		473,492	

Rental operation

The rental operation maintained a steady AOP contribution to the Group during the period under review. Our major investment property, Beijing New World Centre capitalised on the buoyant rental market in Beijing provided growing contributions to the Group. Meanwhile, Wuhan New World International Trade Tower started to provide positive contribution to the Group upon completion. Furthermore, the investment properties in Guangzhou gradually increased its contribution during the period under review.

The Group has completed GFA of 41,902 sq.m. of investment properties in Beijing and Guangzhou during the period under review.

Investment properties completed during 1st half FY2006	Usage	Total GFA (sq.m.)	NWCL's interest
Beijing Xin Kang Garden Phase III (北京新康家園三期)	C, P	13,123	70%
Beijing Xin Cheng Commercial Building (北京新成文化大廈)	P	9,704	70%
Guangzhou Park Paradise Phase IIC (廣州嶺南新世界家園二期C)	C, P	14,161	60%
Guangzhou Covent Garden Phase II (廣州逸彩庭園二期)	P	4,914	60%
Total		41,902	

In the second half of FY2006, the Group plans to complete 6 projects of 197,256 sq.m. in Beijing, Wuhan and Guangzhou to further enhance our investment portfolio.

Investment properties to be completed in 2nd half FY2006	Usage	Total GFA (sq.m.)	NWCL's interest
Beijing Xin Yi Garden Phase I (北京新怡家園一期)	P	24,415	70%
Beijing New View Garden Phase II (北京新景家園二期)	P	11,526	70%
Wuhan New World International Trade Tower (武漢新世界國貿大廈)	O	60,366	100%
Wuhan Xin Hua Garden Phase III (武漢新華家園三期)	C, P	15,708	60%
Guangzhou Park Paradise Phase IIC (廣州嶺南新世界家園二期C)	C, P	8,040	60%
Guangzhou Central Park-view Phase IB (廣州凱旋新世界廣場一期B)	R, C, P	77,201	91%
Total		197,256	

Hotel operation

Our hotel portfolio currently comprises 4 hotels providing 1,790 guest rooms. Apart from the hotel in Shenyang which is under renovation, the occupancy rates and average room rates for the other three hotels were improved during the period under review.

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

The Group now has two hotels in Wuhan and Dalian under construction. When all being completed in 2008, they will enhance the Group's hotel portfolio by around 850 rooms.

Liquidity and Capital Resources

As at 31st December 2005, the Group's cash and bank deposits amounted to HK\$4,256.96 million (30th June 2005: HK\$6,351.87 million). The drop in cash and bank deposits was mainly due to repayment of bank loans and increase in capital expenditure for property projects in PRC.

Gearing ratio as at 31st December 2005, calculated on the basis of net debts over shareholders' funds, remained low at 4% compared to zero gearing as at 30th June 2005. The Group's consolidated net debt as at 31st December 2005 amounted to HK\$961.37 million (30th June 2005: Nil).

The Group's bank and other borrowings as at 31st December 2005 totaling HK\$5,218.33 million (30th June 2005: HK\$5,531.51 million) of which 28%, 62%, 7% and 3% are repayable respectively within one year, one to two years, two to five years and over five years. 55% of the Group's total debts are on floating rate basis.

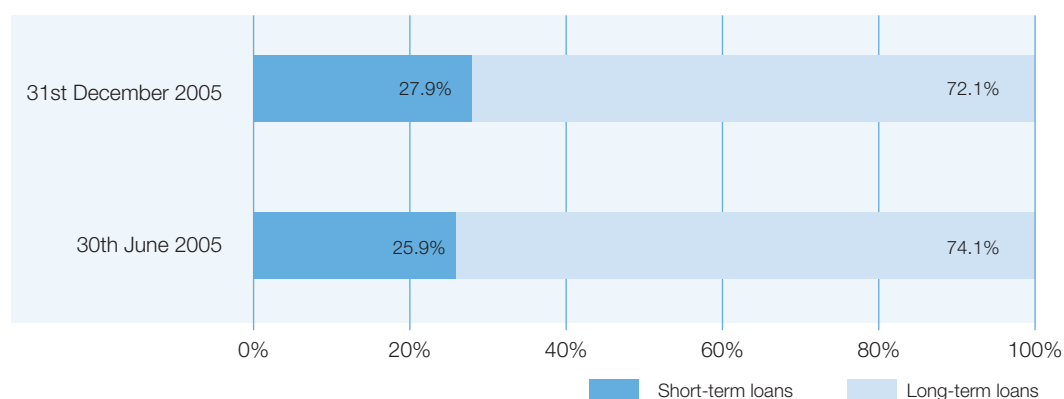
Management Discussion and Analysis

As at 31st December 2005, the Group's committed unutilised bank loan facilities amounted to HK\$511.82 million (30th June 2005: HK\$462.06 million).

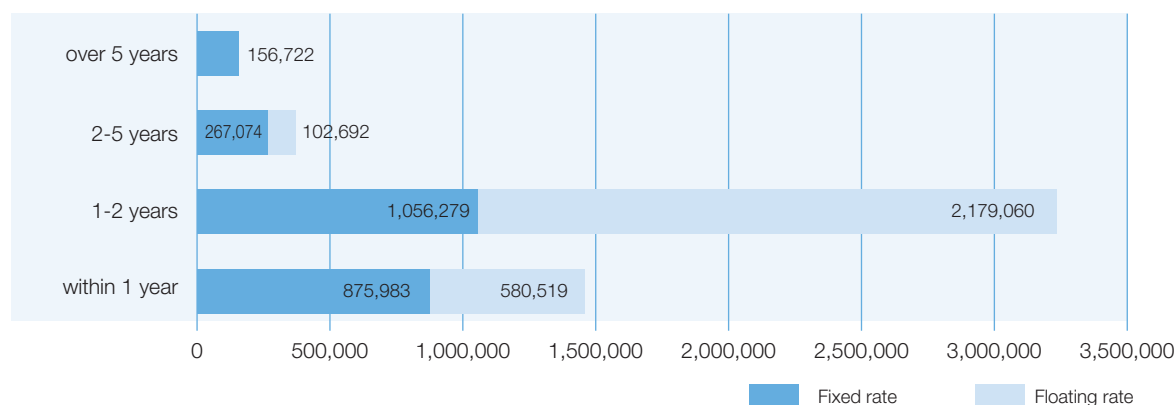
The Group has net Renminbi ("RMB") exposure in the form of net monetary/non-monetary assets held and investment in PRC entities. As majority of the Group's net assets are denominated in RMB, the RMB exchange rate regime, with an initial appreciation of approximately 2% in July 2005, has a positive impact on the Group with appreciation of net asset value by HK\$215.71 million.

There has been no significant change in the Group's policy to leverage funding by straight debts rather than quasi-debt financial instruments. During the period under review, the Group did not engage in any foreign currency hedging activity.

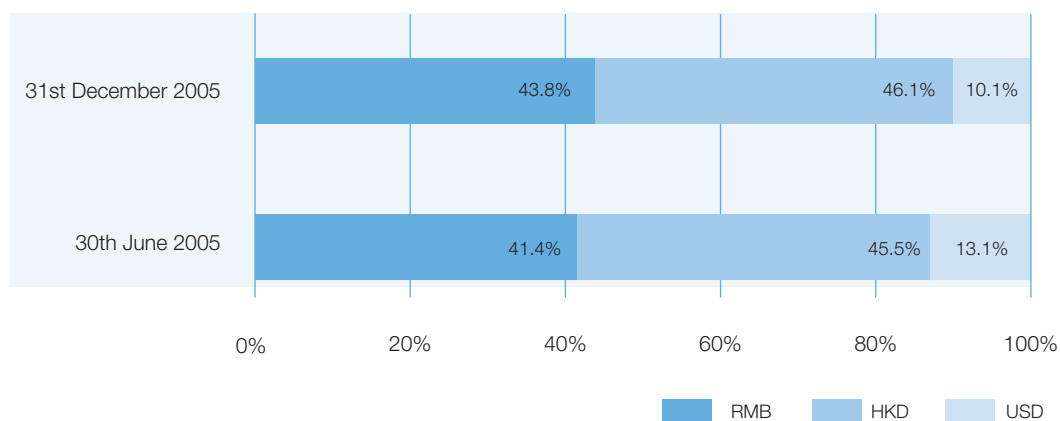
Source of Borrowings



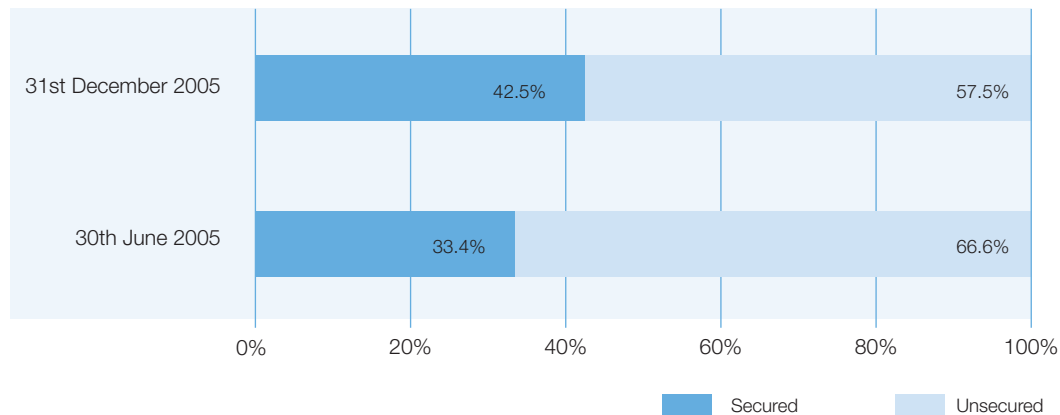
Interest Rate and Maturity Profile (HK\$'000)



Currency Profile of Borrowings



Nature of Debt



Contingent Liabilities

As at 31st December 2005, the Group has contingent liabilities of approximately HK\$1,691,116,000 (30th June 2005: HK\$2,057,808,000) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities. The drop in contingent liabilities reflects the Group's continuing effort to reduce reliance on debt generated from bank borrowings to finance its property projects.

Details of the Charges on Group's Assets

As at 31st December 2005, the Group's property, plant and equipment, investment properties, land use rights, properties held for development, properties held under development, construction in progress and bank deposits of HK\$489,360,000 (30th June 2005: HK\$588,792,000), HK\$764,291,000 (30th June 2005: HK\$767,186,000), HK\$190,133,000 (30th June 2005: HK\$137,472,000), HK\$998,917,000 (30th June 2005: HK\$974,721,000), HK\$315,536,000 (30th June 2005: HK\$328,425,000), HK\$258,211,000 (30th June 2005: Nil), HK\$1,024,047,000 (30th June 2005: HK\$817,517,000) respectively have been pledged as securities for short term and long term loans.

Outlook

After a series of macro control measures released by the State Council, China still achieved a GDP growth of 9.9% in 2005. Apart from some over-speculative areas, most of the Mainland China cities' property market have escaped from the tightening effect of the austerity measures. Transaction volume regains back to its normal level and property price is increasing healthily.

From the recent tightening policies introduced in Shenzhen, we believe the Central Authority would not further release major national tightening measures. Rather, new regulations from local authorities would be issued to calm down the unhealthy property price increase.

In the economic forecast in the 11th Five-Year Plan (2006-2010) recently announced, the annual GDP growth of China is expected to grow at least 7.5% in the next 5 years. The resilient economic growth, stable increase in average income per capita and the expectation of RMB appreciation support the stable growth of real estate market in Mainland China. The Company ("NWCL") is at the best position to take advantage of this market trend, given the Group's strategic exposure in the downtown areas of the key cities. Our recent re-branding exercise strengthens the Company's brand equity which is one of the key success factors as a national property developer.

NWCL is one of the key players in the Mainland China property market. Our large land reserve is a definite asset to our operation with the ever increasing land prices and difficulties in acquiring new pieces of land under the new land policy which had been in place since 31st August 2004.

80% of NWCL's land bank is in Shenyang, Beijing, Wuhan and Guangzhou. The property projects in Wuhan and Guangzhou have already been progressing at a satisfactory pace. In near future, the property projects in Beijing will join the league after the Group finishes the resettlement of the 1.1 million sq.m. site in Beijing. In addition, NWCL also has two major projects in the pipeline. One is the 500,000 sq.m. Shanghai New World Garden located within the 2010 World Expo site. The other one is the 200,000 sq.m. Dalian New World Tower located in the downtown financial district of Dalian. NWCL will soon be running with full throttle.

Disclosure of Interests

Directors' Interests in Securities

As at 31st December 2005, the interests of the directors and their associates in shares, registered capital and underlying shares of the Company and its associated corporations as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

(A) Long position in shares

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/registered capital as at 31st December 2005
	Personal interests	Family interests	Corporate interests		
New World China Land Limited					
(Ordinary shares of HK\$0.10 each)					
Dr. Cheng Kar-shun, Henry	–	–	52,271,200 ^(note 1)	52,271,200	1.38
Mr. Doo Wai-hoi, William	3,750,000	–	45,050,000 ^(note 2)	48,800,000	1.29
Mr. Cheng Kar-shing, Peter	1,340,000	–	–	1,340,000	0.04
Mr. Leung Chi-kin, Stewart	500,000	–	–	500,000	0.01
Mr. Chow Kwai-cheung	400,126	–	–	400,126	0.01
Mr. Chow Yu-chun, Alexander	3,250,000	–	–	3,250,000	0.09
Mr. Fong Shing-kwong, Michael	600,000	–	–	600,000	0.02
New World Development Company Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	–	300,000	–	300,000	0.01
Mr. Leung Chi-kin, Stewart	32,553	–	–	32,553	0.001
Mr. Chow Kwai-cheung	43,495	–	–	43,495	0.001
New World Mobile Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Mr. Fong Shing-kwong, Michael	6,580	–	–	6,580	0.007
New World TMT Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	–	1,000,000	–	1,000,000	0.11
Mr. Doo Wai-hoi, William	–	–	12,000,000 ^(note 2)	12,000,000	1.26

Disclosure of Interests

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/registered capital as at
	Personal interests	Family interests	Corporate interests		31st December 2005
NWS Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	3,179,199	587,000	8,000,000 ^(note 1)	11,766,199	0.64
Mr. Doo Wai-hoi, William	2,006,566	–	3,130,000 ^(note 2)	5,136,566	0.28
Mr. Cheng Kar-shing, Peter	296,975	–	2,659,700 ^(note 3)	2,956,675	0.16
Mr. Leung Chi-kin, Stewart	3,526,630	–	84,607 ^(note 4)	3,611,237	0.20
Mr. Chow Kwai-cheung	2,264,652	–	–	2,264,652	0.12
Mr. Chow Yu-chun, Alexander	2,504,761	–	–	2,504,761	0.14
Mr. Fong Shing-kwong, Michael	2,187,373	–	–	2,187,373	0.12
Mr. Cheng Wai-chee, Christopher	653,835	–	–	653,835	0.04
Dragon Fortune Limited					
(Ordinary shares of US\$1.00 each)					
Mr. Cheng Kar-shing, Peter	–	–	15,869 ^(note 5)	15,869	27.41
Faith Yard Property Limited					
(Ordinary shares of US\$1.00 each)					
Mr. Doo Wai-hoi, William	–	–	1 ^(note 2)	1	50.00
Fortune Star Worldwide Limited					
(Ordinary shares of US\$1.00 each)					
Mr. Doo Wai-hoi, William	–	–	60 ^(note 2)	60	60.00
Fung Seng Estate Development (Shanghai) Co., Ltd.					
(Registered capital in US\$)					
Mr. Doo Wai-hoi, William	–	–	3,000,000 ^(note 6)	3,000,000	30.00
Grand Make International Limited					
(Ordinary shares of US\$1.00 each)					
Mr. Doo Wai-hoi, William	–	–	10 ^(note 2)	10	10.00

Disclosure of Interests

Directors' Interests in Securities (continued)

(A) Long position in shares (continued)

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/registered capital as at 31st December 2005
	Personal interests	Family interests	Corporate interests		
Guangzhou Ronghe Real Estate Co., Ltd.					
(Registered capital in RMB)					
Mr. Fu Sze-shing	–	–	4,666,500 ^(note 7)	4,666,500	50.00
Master Services Limited					
(Ordinary shares of US\$0.01 each)					
Mr. Leung Chi-kin, Stewart	16,335	–	–	16,335	1.63
Mr. Chow Kwai-cheung	16,335	–	–	16,335	1.63
Mr. Chow Yu-chun, Alexander	16,335	–	–	16,335	1.63
Ramada Property Ltd.					
(Ordinary shares of US\$1.00 each)					
Mr. Doo Wai-hoi, William	–	–	200 ^(note 2)	200	20.00
Shanghai Ju Yi Real Estate Development Co., Ltd.					
(Registered capital in RMB)					
Mr. Doo Wai-hoi, William	–	–	105,000,000 ^(note 6)	105,000,000	30.00
Shanghai Trio Property Development Co. Ltd.					
(Registered capital in US\$)					
Mr. Doo Wai-hoi, William	–	–	28,350,000 ^(note 8)	28,350,000	52.50
Sun City Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-shing, Peter	–	80,000	3,570,000 ^(note 9)	3,650,000	45.63
Sun Legend Investments Limited					
(Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-shing, Peter	–	–	500 ^(note 10)	500	50.00
YE Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Mr. Leung Chi-kin, Stewart	37,500	–	–	37,500	1.50

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/registered capital as at
	Personal interests	Family interests	Corporate interests		31st December 2005
Zhaoqing New World Property Development Limited					
(Registered capital in US\$)					
Mr. Doo Wai-hoi, William	–	–	8,250,000 ^(note 11)	8,250,000	60.00
Zhaoqing New World Property Management Limited					
(Registered capital in HK\$)					
Mr. Doo Wai-hoi, William	–	–	300,000 ^(note 11)	300,000	60.00

Notes:

- (1) These shares are beneficially owned by a company wholly-owned by Dr. Cheng Kar-shun, Henry.
- (2) These shares are beneficially owned by companies wholly-owned by Mr. Doo Wai-hoi, William.
- (3) These shares are beneficially owned by a company wholly-owned by Mr. Cheng Kar-shing, Peter.
- (4) These shares are beneficially owned by a company of which Mr. Leung Chi-kin, Stewart has a direct interest of 55%.
- (5) 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.
- (6) These represent the participating interests held by a company wholly-owned by Mr. Doo Wai-hoi, William.
- (7) The interest is beneficially owned by a company of which Mr. Fu Sze-shing has 50% interest.
- (8) These include 50% direct interests and 2.5% participating interests in the registered capital of Shanghai Trio Property Development Co. Ltd. being held by companies wholly-owned by Mr. Doo Wai-hoi, William.
- (9) These shares are held by a company of which Mr. Cheng Kar-shing, Peter owns an indirect interest of 48.18%.
- (10) 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.
- (11) Mr. Doo Wai-hoi, William is deemed to be interested in the registered capitals of these companies by virtue of his interest in Fortune Star Worldwide Limited, of which Mr. Doo Wai-hoi, William owns an indirect interest of 60%.

Directors' Interests in Securities *(continued)*

(B) Long position in underlying shares – share options

(1) The Company

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

Name of director	Date of grant	Exercisable period (note 1)	Number of share options		Exercise price per share HK\$	
			Balance as at 1st July 2005	Exercised during the period		
Dr. Cheng Kar-shun, Henry	7th February 2001	8th March 2001 to 7th March 2006	12,500,000	–	12,500,000	1.782
Mr. Doo Wai-hoi, William	8th February 2001	9th March 2002 to 8th March 2006	7,000,000	(2,000,000) (note 2)	5,000,000	1.782
Mr. Cheng Kar-shing, Peter	9th February 2001	10th March 2002 to 9th March 2006	3,550,000	(3,550,000) (note 3)	–	1.782
Mr. Chow Yu-chun, Alexander	8th February 2001	9th March 2001 to 8th March 2006	6,250,000	(3,250,000) (note 4)	3,000,000	1.782
Mr. Chow Kwai-cheung	9th February 2001	10th March 2005 to 9th March 2006	250,000	–	250,000	1.782
Mr. Fong Shing-kwong, Michael	17th February 2001	18th March 2004 to 17th March 2006	1,000,000	–	1,000,000	1.782
Total			30,550,000	(8,800,000)	21,750,000	

Notes:

- 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 share options granted together with any unexercised share options carried forward from the previous anniversary years.
- The exercise dates were 13th December 2005 and 20th December 2005 for options representing 1,000,000 shares each. On the trading dates immediately before the aforesaid exercise dates, the closing price per share was HK\$3.625 and HK\$3.450 respectively.
- The exercise dates were 15th July 2005, 29th July 2005, 11th August 2005 and 23rd November 2005 for options representing 350,000 shares, 350,000 shares, 500,000 shares and 2,350,000 shares respectively. On the trading dates immediately before the aforesaid exercise dates, the closing price per share was HK\$2.325, HK\$2.600, HK\$2.625 and HK\$3.000 respectively.
- The exercise date was 10th October 2005. On the trading date immediately before the aforesaid exercise date, the closing price per share was HK\$2.775.
- The cash consideration paid by each director for each grant of the share options is HK\$10.

(2) New World Mobile Holdings Limited

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

Name of director	Date of grant	Exercise price per share HK\$	Exercisable period	Number of shares entitled to subscribe under the share options as at 31st December 2005
Dr. Cheng Kar-shun, Henry	28th January 2005	1.26	(note)	780,000
Mr. Doo Wai-hoi, William	28th January 2005	1.26	(note)	300,000
Mr. Chow Yu-chun, Alexander	28th January 2005	1.26	(note)	482,000

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

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

Directors' Interests in Securities *(continued)*

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

(3) NWS Holdings Limited

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

Name of director	Date of grant	Exercisable period	Number of share options		Balance as at 31st December 2005	Exercise price per share HK\$
			Balance as at 1st July 2005	Exercised during the period		
Dr. Cheng Kar-shun, Henry	21st July 2003	(note 1)	1,009,849	(1,009,849)	–	3.719
Mr. Doo Wai-hoi, William	21st July 2003	(note 1)	673,233	(673,233)	–	3.719
Mr. Cheng Kar-shing, Peter	21st July 2003	(note 1)	168,308	(168,308)	–	3.719
Mr. Leung Chi-kin, Stewart	21st July 2003	(note 2)	68,669	–	68,669	3.719
Mr. Chow Yu-chun, Alexander	21st July 2003	(note 2)	134,647	–	134,647	3.719
Mr. Fong Shing-kwong, Michael	21st July 2003	(note 1)	168,308	–	168,308	3.719
Mr. Cheng Wai-chee, Christopher	21st July 2003	(note 1)	201,969	(201,969)	–	3.719

Notes:

- (1) Exercisable from 21st July 2005 to 20th July 2008.
- (2) Divided into 2 tranches exercisable from 21st July 2004 and 21st July 2005 to 20th July 2008, respectively.
- (3) The cash consideration paid by the director for each grant of the share options is HK\$10.

Save as disclosed above, as at 31st December 2005, none of the directors, chief executives 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.

Substantial Shareholders' Interests in Shares

As at 31st December 2005, the register of substantial shareholders maintained under Section 336 of the SFO shows that the following parties had interests in 5% or more of the issued share capital of the Company:

Name	Number of shares		Number of shares comprised in derivatives (note 3)		Total	Percentage to the issued share capital as at 31st December 2005
	Beneficial interests	Corporate interests	Beneficial interests	Corporate interests		
Chow Tai Fook Enterprises Limited (note 1)	-	2,714,858,780	-	262,000,000	2,976,858,780	78.47
New World Development Company Limited ("NWD") (note 2)	2,537,632,731	177,226,049	-	262,000,000	2,976,858,780	78.47
Easywin Enterprises Corporation Limited ("Easywin")	113,351,879	-	262,000,000	-	375,351,879	9.89

Notes:

1. Chow Tai Fook Enterprises Limited 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.
2. NWD holds 100% in Easywin and is accordingly deemed to have an interest in the shares held by Easywin in the Company. NWD is also deemed to be interested in 22,508,064 shares held by Great Worth Holdings Limited, its 59% owned subsidiary and 41,366,106 shares held by High Earnings Holdings Limited, its 54% owned subsidiary.
3. 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 2005.

Share Option Schemes

On 18th December 2000, the Company adopted a share option scheme ("2000 Share Option Scheme") pursuant to which employees, including executive directors of the Group, were given opportunity to obtain equity holdings in the Company. The 2000 Share Option Scheme was subsequently terminated at the annual general meeting of the Company held on 26th November 2002 whereby a new share option scheme ("2002 Share Option Scheme") was adopted in compliance with the new requirements of the 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 2005, movement of share options granted to the directors and employees of the Group under the 2000 Share Option Scheme and the 2002 Share Option Scheme was as follows:

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

Under the 2000 Share Option Scheme

Date of grant	Number of share options (note 1)			Outstanding as at 31st December 2005	Exercise price per share HK\$
	Balance as at 1st July 2005	Exercised during the period (note 4)	Lapsed during the period		
5th February 2001 to 2nd March 2001	19,492,400	(12,198,000)	–	7,294,400	1.782
2nd May 2001 to 29th May 2001	560,000	(410,000)	–	150,000	2.375
29th June 2001 to 26th July 2001	3,195,000	(608,000)	–	2,587,000	2.910
31st August 2001 to 27th September 2001	947,000	(836,000)	–	111,000	2.170
26th March 2002 to 22nd April 2002	742,000	(131,200)	(112,400)	498,400	2.065
Total	24,936,400	(14,183,200)	(112,400)	10,640,800	

Under the 2002 Share Option Scheme

Date of grant	Number of share options (note 1)				Outstanding as at 31st December 2005	Exercise price per share HK\$
	Balance as at 1st July 2005	Granted during the period (note 3)	Exercised during the period (note 5)	Lapsed during the period		
3rd January 2003 to 30th January 2003	1,210,200	–	(31,600)	–	1,178,600	1.212
12th May 2003 to 6th June 2003	2,659,700	–	(506,600)	(105,000)	2,048,100	0.912
28th October 2003 to 22nd November 2003	69,000	–	–	–	69,000	1.650
18th December 2003 to 14th January 2004	1,625,000 (note 2)	–	(1,000,000)	–	625,000	1.668
25th March 2004 to 21st April 2004	1,992,200	–	(151,400)	(294,800)	1,546,000	2.252
18th June 2004 to 15th July 2004	883,000	–	(290,800)	(277,800)	314,400	1.650
4th November 2004 to 1st December 2004	707,000	–	–	(279,000)	428,000	2.484
22nd December 2004 to 18th January 2005	1,234,000	–	–	–	1,234,000	2.689
13th July 2005 to 9th August 2005	–	817,600	(29,600)	–	788,000	2.300
13th July 2005 to 9th August 2005	–	1,400,000 (note 2)	(150,000)	–	1,250,000	2.300
7th November 2005 to 2nd December 2005	–	48,800	(9,600)	–	39,200	2.620
Total	10,380,100	2,266,400	(2,169,600)	(956,600)	9,520,300	

Share Option Schemes (continued)

Notes:

- (1) The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of each grant when the offers of share options were accepted, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total share options granted together with any unexercised share options carried forward from the previous anniversary years.
- (2) The share options are exercisable during a period of two years commencing from the expiry of one month after the dates of each grant when the offers of share options were accepted, provided that the maximum number of share options that can be exercised during each anniversary year is 50% of the total number of the share options granted together with any unexercised share options carried forward from the previous anniversary year.
- (3) The closing price per share immediately before 13th July 2005 and 7th November 2005, the dates of grant, was HK\$2.300 and HK\$2.650 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\$3.032.
- (5) The weighted average closing price of the shares immediately before the dates on which share options were exercised under the 2002 Share Option Scheme was HK\$3.130.

The fair values of the share options granted during the period with exercise prices per share of HK\$2.300 and HK\$2.620 are estimated at HK\$0.630 and HK\$1.045 respectively using the Binomial pricing model. Values are estimated based on the risk-free rate ranging from of 3.18% and 4.5% per annum with reference to the rate prevailing on the Exchange Fund Notes, a one-year period historical volatility of 0.53, 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.

Financial Section

Interim Report
2005/2006

Consolidated Profit and Loss Account

For the six months ended 31st December 2005

	Note	Unaudited 6 months ended 31st December	
		2005 HK\$'000	2004 HK\$'000 (restated)
Turnover	3	745,131	923,851
Cost of sales		(461,593)	(701,369)
Gross profit		283,538	222,482
Other gains, net	4	118,294	53,267
Increase in fair value of investment properties		76,808	–
Selling expenses		(39,858)	(45,335)
Administrative expenses		(21,857)	(19,592)
Other operating expenses		(164,860)	(150,416)
Operating profit before financing	5	252,065	60,406
Finance costs		(91,186)	(37,003)
Share of results of			
Associated companies		25,301	22,208
Jointly controlled entities		90,650	11,947
Profit before taxation		276,830	57,558
Taxation charge	6	(63,311)	(25,245)
Profit for the period		213,519	32,313
Attributable to:			
Equity holders of the Company		196,195	39,786
Minority interests		17,324	(7,473)
		213,519	32,313
Earnings per share	8		
Basic and diluted		5.19 cents	2.67 cents

Consolidated Balance Sheet

As at 31st December 2005

	Note	Unaudited As at 31st December 2005 HK\$'000	Restated As at 30th June 2005 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,556,419	1,398,250
Investment properties		3,020,376	2,886,030
Land use rights		420,606	416,066
Goodwill		13,484	–
Properties held for development		4,211,245	3,918,668
Associated companies		1,458,668	1,527,193
Jointly controlled entities		11,078,355	9,936,477
Available-for-sale investment		350	–
Other investments		–	115,876
Other non-current assets		341,235	166,896
		22,100,738	20,365,456
Current assets			
Hotel inventories		923	1,392
Debtors, deposits and other receivables	9	1,360,930	838,547
Amounts due from group companies		20,312	31,234
Properties under development		2,994,173	2,614,492
Completed properties held for sale		1,277,680	1,567,735
Cash and bank balances		4,092,305	6,184,975
		9,746,323	11,238,375
Total assets		31,847,061	31,603,831
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	10	379,340	376,825
Reserves		23,088,395	22,634,855
Proposed final dividend		–	113,236
		23,467,735	23,124,916
Minority interests		22,554	(17,051)
Total equity		23,490,289	23,107,865

Consolidated Balance Sheet (continued)

As at 31st December 2005

	Note	Unaudited As at 31st December 2005 HK\$'000	Restated As at 30th June 2005 HK\$'000
LIABILITIES			
Non-current liabilities			
Long term borrowings	11	3,895,289	4,073,027
Long term payable	12	120,530	196,350
Deferred tax liabilities		348,206	311,712
		4,364,025	4,581,089
Current liabilities			
Creditors and accruals	13	925,702	1,124,247
Deposits received on sale of properties		726,481	387,107
Amounts due to group companies		374,164	481,991
Short term bank loans			
Secured		655,769	557,807
Unsecured		–	9,346
Current portion of long term borrowings	11	799,647	810,394
Current portion of long term payable	12	77,352	72,440
Amounts due to minority shareholders	14	292,974	368,092
Taxes payable		140,658	103,453
		3,992,747	3,914,877
Total liabilities		8,356,772	8,495,966
Total equity and liabilities		31,847,061	31,603,831
Net current assets		5,753,576	7,323,498
Total assets less current liabilities		27,854,314	27,688,954

Condensed Consolidated Cash Flow Statement

For the six months ended 31st December 2005

	Unaudited	
	6 months ended 31st December	
	2005	2004
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(618,607)	132,717
Net cash used in investing activities	(1,202,039)	(75,969)
Net cash (used in)/from financing activities	(480,790)	52,098
(Decrease)/increase in cash and cash equivalents	(2,301,436)	108,846
Cash and bank balances at beginning of the period	5,534,354	817,166
Cash and bank balances at end of the period	3,232,918	926,012
Analysis of balances of cash and cash equivalents		
Cash and bank balances – unrestricted balances	3,232,918	926,012

Consolidated Statement of Changes in Equity

For the six months ended 31st December 2005

	Attributable to equity holders of the Company							Minority interests	Total
	Share capital	Contributed surplus	Share premium	Investment properties revaluation reserve	Exchange reserve	Share option reserve	Revenue reserve	HK\$'000	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 30th June 2004, as previously reported	148,886	14,722,334	1,294,729	622,956	14,047	-	(433,730)	-	16,369,222
Balance at 30th June 2004, as previously separately reported as minority interests	-	-	-	-	-	-	-	(1,141)	(1,141)
Effects of changes in accounting policies									
- HKAS 17	-	-	-	-	-	-	(24,292)	(1,680)	(25,972)
- HKAS 40	-	-	-	-	-	-	(12,452)	(893)	(13,345)
- HKFRS 2	-	-	-	-	-	571	(571)	-	-
- HK-INT 2 & HKAS 16	-	-	-	-	-	-	(62,218)	(6,673)	(68,891)
Balance at 30th June 2004, as restated	148,886	14,722,334	1,294,729	622,956	14,047	571	(533,263)	(10,387)	16,259,873
Release of reserve upon sale of properties	-	-	-	9,514	-	-	-	-	9,514
Translation difference	-	-	-	-	(187)	-	-	-	(187)
Net income/(expense) recognised directly in equity	-	-	-	9,514	(187)	-	-	-	9,327
Profit for the period	-	-	-	-	-	-	39,786	(7,473)	32,313
Total recognised income/(expense) for the period	-	-	-	9,514	(187)	-	39,786	(7,473)	41,640
Issue of shares	974	-	17,859	-	-	-	-	-	18,833
Acquisition of a subsidiary	-	-	-	-	-	-	-	90	90
Share based payment	-	-	257	-	-	259	208	-	724
	974	-	18,116	-	-	259	208	90	19,647
Balance at 31st December 2004, as restated	149,860	14,722,334	1,312,845	632,470	13,860	830	(493,269)	(17,770)	16,321,160

Consolidated Statement of Changes in Equity (continued)

For the six months ended 31st December 2005

	Attributable to equity holders of the Company									Minority interests	Total
	Share capital	Contributed surplus	Share premium	Investment properties revaluation reserve	Hotel properties revaluation reserve	Other reserve	Exchange reserve	Share option reserve	Revenue reserve		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 30th June 2005, as previously reported	376,825	14,722,334	7,404,883	902,257	19,054	49,369	14,226	-	(212,186)	-	23,276,762
Balance at 30th June 2005, as previously separately reported as minority interests	-	-	-	-	-	-	-	-	-	21,077	21,077
Effects of changes in accounting policies											
- HKAS 17	-	-	-	-	-	-	-	-	(19,143)	(980)	(20,123)
- HKAS 40	-	-	-	(6,611)	-	-	-	-	(15,320)	(1,032)	(22,963)
- HKFRS 2	-	-	-	-	-	-	-	2,625	(2,625)	-	-
- HK-INT 2 & HKAS 16	-	-	-	26,246	(19,054)	-	-	-	(117,964)	(36,116)	(146,888)
Balance at 30th June 2005, as restated	376,825	14,722,334	7,404,883	921,892	-	49,369	14,226	2,625	(367,238)	(17,051)	23,107,865
Opening adjustments:											
- HKAS 39	-	-	-	-	-	-	-	-	(2,559)	-	(2,559)
- HKAS 40	-	-	-	(921,892)	-	-	-	-	921,892	-	-
Balance at 1st July 2005, as restated	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
Share based payment	-	-	283	-	-	-	-	757	322	-	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

Notes to the Accounts

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 (“HKICPA”) 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 2005 annual financial statements.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in 2005 annual financial statements except that the Group has changed certain of its accounting policies following its adoption of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively “HKFRS”).

2. Changes in accounting policies

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

The following is a summary of the material changes in the principal accounting policies or presentation of accounts as a result of the adoption of those new or revised HKFRS.

(i) **HKAS 1 Presentation of financial statements**

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

(ii) **HKAS 17 Leases**

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

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

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

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

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

(iv) HKAS 40 Investment properties

The adoption of revised HKAS 40 has resulted in a change in accounting policy of which the changes in fair value of investment properties are recognised in the profit and loss account.

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

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

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

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

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

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

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

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

(vii) HKFRS 2 Share-based payments

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

2. Changes in accounting policies (continued)

The effects of the changes in the accounting policies on the results for the current and prior periods are as follows:

For the six months ended 31st December 2005

	Increase/(decrease) in profit for the period Effect of adopting						Total HK\$'000
	HKAS 1 HK\$'000	HKAS 17 HK\$'000	HKAS 39 HK\$'000	HK (SIC)- Int 21 HK\$'000	HK-INT 2 & HKAS 16 HK\$'000	HKFRS 2 HK\$'000	
Turnover	-	-	-	-	-	-	-
Cost of sales	-	2,747	-	-	-	-	2,747
Gross profit	-	2,747	-	-	-	-	2,747
Other gains, net	-	-	1,230	-	-	-	1,230
Increase in fair value of investment properties	-	-	-	76,808	-	-	76,808
Selling expenses	-	-	-	-	-	-	-
Administrative expenses	-	-	-	-	-	(1,362)	(1,362)
Other operating expenses	-	(2,069)	-	(1,782)	(28,040)	-	(31,891)
Operating profit before financing	-	678	1,230	75,026	(28,040)	(1,362)	47,532
Finance costs	-	-	-	-	-	-	-
Share of results of Associated companies	(38,659)	-	-	16,057	(2,528)	-	(25,130)
Jointly controlled entities	(389)	502	160	63,500	(4,235)	-	59,538
Profit before taxation	(39,048)	1,180	1,390	154,583	(34,803)	(1,362)	81,940
Taxation charge	39,048	-	-	(25,721)	-	-	13,327
Profit for the period	-	1,180	1,390	128,862	(34,803)	(1,362)	95,267
Attributable to:							
Equity holders of the Company	-	1,072	1,390	128,015	(28,471)	(1,362)	100,644
Minority interests	-	108	-	847	(6,332)	-	(5,377)
	-	1,180	1,390	128,862	(34,803)	(1,362)	95,267
Earnings per share							
Basic and diluted	-	0.03 cents	0.04 cents	3.39 cents	(0.76) cents	(0.04) cents	2.66 cents

For the six months ended 31st December 2004

	Increase/(decrease) in profit for the period					Total HK\$'000
	Effect of adopting					
	HKAS 1 HK\$'000	HKAS 17 HK\$'000	HKAS 40 HK\$'000	HK-INT 2 & HKAS 16 HK\$'000	HKFRS 2 HK\$'000	
Turnover	-	-	-	-	-	-
Cost of sales	-	5,384	-	(368)	-	5,016
Gross profit	-	5,384	-	(368)	-	5,016
Other gains, net	-	-	-	-	-	-
Selling expenses	-	-	-	-	-	-
Administrative expenses	-	-	-	-	(724)	(724)
Other operating expenses	-	(1,763)	(695)	(25,976)	-	(28,434)
Operating profit before financing	-	3,621	(695)	(26,344)	(724)	(24,142)
Finance costs	-	-	-	-	-	-
Share of results of						
Associated companies	(1,735)	12	(32)	(2,457)	-	(4,212)
Jointly controlled entities	(6,636)	444	(183)	(4,154)	-	(10,529)
Profit before taxation	(8,371)	4,077	(910)	(32,955)	(724)	(38,883)
Taxation charge	8,371	-	-	-	-	8,371
Profit for the period	-	4,077	(910)	(32,955)	(724)	(30,512)
Attributable to:						
Equity holders of the Company	-	3,816	(922)	(24,480)	(724)	(22,310)
Minority interests	-	261	12	(8,475)	-	(8,202)
	-	4,077	(910)	(32,955)	(724)	(30,512)
Earnings per share						
Basic and diluted	-	0.26 cents	(0.06) cents	(1.64) cents	(0.05) cents	(1.49) cents

2. Changes in accounting policies (continued)

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

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

3. Turnover and segment information

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

	6 months ended 31st December	
	2005 HK\$'000	2004 HK\$'000
Sale of properties	521,442	741,251
Rental income	115,258	83,627
Income from hotel operation	94,200	89,559
Property management services fee income	11,138	9,142
Project management fee income	3,093	272
	745,131	923,851

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

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

6 months ended 31st December 2005	Property sales HK\$'000	Rental operation HK\$'000	Hotel operation HK\$'000	Property management services HK\$'000	Other operations HK\$'000	Total 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						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) amounts due from jointly controlled entities, associated companies and an investee company	(59,473)	114	(983)	-	-	(60,342)
Impairment of goodwill	-	8,629	18,326	-	-	26,955

3. Turnover and segment information (continued)

	Property sales	Rental operation	Hotel operation	Property management services	Other operations	Total
As at 31st December 2005	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	11,862,869	3,939,920	968,977	40,583	4,553	16,816,902
Associated companies and jointly controlled entities	6,557,807	5,637,943	349,738	(10,174)	1,709	12,537,023
Unallocated assets						2,493,136
Total assets						31,847,061
Segment liabilities	(4,421,646)	(1,791,580)	(959,453)	(26,862)	(5,602)	(7,205,143)
Unallocated liabilities						(1,151,629)
Total liabilities						(8,356,772)
	Property sales	Rental operation	Hotel operation	Property management services	Other operations	Total
6 months ended 31st December 2004	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenues	741,523	88,973	89,559	3,796	–	923,851
Segment results	61,790	16,344	(2,031)	(525)	(882)	74,696
Bank and other interest income						33,270
Corporate expenses						(47,560)
Operating profit before financing						60,406
Finance costs						(37,003)
Share of results of						
Associated companies	6,940	18,311	(2,700)	(343)	–	22,208
Jointly controlled entities	(27,671)	44,593	(1,780)	(1,995)	(1,200)	11,947
Profit before taxation						57,558
Taxation charge						(25,245)
Profit for the period						32,313
Capital expenditure	27,304	15,728	3,319	310	27	46,688
Depreciation and amortisation	7,962	17,788	28,195	257	476	54,678
Provision for/(write back of provision for) amount due from jointly controlled entities	(1,953)	453	–	732	–	(768)
Write back of provision for properties	(19,229)	–	–	–	–	(19,229)

As at 30th June 2005 (as restated)	Property sales	Rental operation	Hotel operation	Property management services	Other operations	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	10,220,324	3,550,533	964,597	27,546	4,878	14,767,878
Associated companies and jointly controlled entities	5,961,915	5,139,407	362,807	(10,611)	10,152	11,463,670
Unallocated assets						5,372,283
Total assets						31,603,831
Segment liabilities	(4,523,988)	(1,883,189)	(874,086)	(18,461)	(5,490)	(7,305,214)
Unallocated liabilities						(1,190,752)
Total liabilities						(8,495,966)

4. Other gains, net

	6 months ended 31st December	
	2005	2004
	HK\$'000	HK\$'000
Bank and other interest income	84,907	33,270
Write back of provision for amount due from an investee company	60,545	–
Write back of provision for amount due from an associated company	983	–
Impairment of goodwill	(26,955)	–
Provision for amounts due from jointly controlled entities	(1,186)	(6,709)
Write back of provision for diminution in values of properties under development	–	19,229
Write back of provision for amounts due from jointly controlled entities	–	7,477
	118,294	53,267

5. Operating profit before financing

	6 months ended 31st December	
	2005 HK\$'000	2004 HK\$'000
Operating profit before financing is arrived at after crediting:		
Gross rental income from investment properties	52,834	40,967
and after charging:		
Cost of properties sold	346,103	607,986
Staff costs including directors' remunerations	71,618	54,917
Depreciation and amortisation	63,008	54,678
Rental for leased premises	18,963	19,536
Outgoings in respect of investment properties	20,546	11,778
Retirement benefits costs	1,875	1,883

6. Taxation charge

	6 months ended 31st December	
	2005 HK\$'000	2004 HK\$'000
PRC income tax – deferred		
Origination and reversal of temporary differences	37,590	25,245
Increase in fair value of investment properties	25,721	–
	63,311	25,245

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 (2004: 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% (2004: 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, no such tax indemnity was effected (2004: Nil).

Share of taxation of associated companies and jointly controlled entities for the six months ended 31st December 2005 are HK\$38,658,000 (2004: HK\$1,735,000) and HK\$389,000 (2004: HK\$6,636,000) respectively and are included in the share of results of associated companies and jointly controlled entities.

7. Dividend

The directors do not declare the payment of a dividend for the six months ended 31st December 2005 (2004: Nil).

8. Earnings per share

The calculation of earnings per share is based on the profit attributable to equity holders of the company of HK\$196,195,000 (2004: HK\$39,786,000) and the weighted average of 3,777,236,194 shares (2004: 1,491,890,208 shares) in issue during the period.

As the outstanding share options have no dilutive effect on earnings per share for both periods, the basic earnings per share is equal to the diluted earnings per share for both periods.

9. Debtors, deposits and other receivables

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

The ageing analysis of trade debtors is as follows:

	As at 31st December 2005 HK\$'000	As at 30th June 2005 HK\$'000
0 to 30 days	124,332	111,234
31 to 60 days	28,596	11,175
61 to 90 days	16,576	5,737
Over 90 days	59,842	67,779
	229,346	195,925

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.

10. Share capital

	As at 31st December 2005 HK\$'000	As at 30th June 2005 HK\$'000
Authorised:		
8,000,000,000 shares of HK\$0.1 each	800,000	800,000
Issued and fully paid:		
3,793,401,632 shares of HK\$0.1 each (30th June 2005: 3,768,248,832 shares of HK\$0.1 each)	379,340	376,825

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

	Number of shares of HK\$0.1 each	HK\$'000
At 1st July 2004	1,488,862,294	148,886
Rights issue (note(i))	2,255,294,538	225,530
Exercise of share options	24,092,000	2,409
At 30th June 2005	3,768,248,832	376,825
At 1st July 2005	3,768,248,832	376,825
Exercise of share options (note(ii))	25,152,800	2,515
At 31st December 2005	3,793,401,632	379,340

10. Share capital (continued)

- (i) During the year ended 30th June 2005, 2,255,294,538 shares of HK\$0.1 each were issued at HK\$2.8 per share by way of rights issue on the basis of three rights shares for every two existing shares.
- (ii) 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 2005 are as follows:

Date of offer to grant	Exercise price per share HK\$	Exercisable period	Number of shares				At 31st December 2005
			At 1st July 2005	Granted during the period	Exercised during the period	Lapsed during the period	
5th February 2001	1.782	(1)	50,042,400	-	(20,998,000)	-	29,044,400
2nd May 2001	2.375	(1)	560,000	-	(410,000)	-	150,000
29th June 2001	2.910	(1)	3,195,000	-	(608,000)	-	2,587,000
31st August 2001	2.170	(1)	947,000	-	(836,000)	-	111,000
26th March 2002	2.065	(1)	742,000	-	(131,200)	(112,400)	498,400
3rd January 2003	1.212	(1)	1,210,200	-	(31,600)	-	1,178,600
12th May 2003	0.912	(1)	2,659,700	-	(506,600)	(105,000)	2,048,100
28th October 2003	1.650	(1)	69,000	-	-	-	69,000
18th December 2003	1.668	(2)	1,625,000	-	(1,000,000)	-	625,000
25th March 2004	2.252	(1)	1,992,200	-	(151,400)	(294,800)	1,546,000
18th June 2004	1.650	(1)	883,000	-	(290,800)	(277,800)	314,400
4th November 2004	2.484	(1)	707,000	-	-	(279,000)	428,000
22nd December 2004	2.689	(1)	1,234,000	-	-	-	1,234,000
13th July 2005	2.300	(1)	-	817,600	(29,600)	-	788,000
13th July 2005	2.300	(2)	-	1,400,000	(150,000)	-	1,250,000
7th November 2005	2.620	(1)	-	48,800	(9,600)	-	39,200
			65,866,500	2,266,400	(25,152,800)	(1,069,000)	41,911,100

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.

11. Long term borrowings

	As at 31st December 2005 HK\$'000	As at 30th June 2005 HK\$'000
Bank loans (note (i))		
Secured	1,562,318	1,217,031
Unsecured	416,273	778,934
Loans from fellow subsidiaries (note (ii))	2,581,796	2,756,161
Loans from minority shareholders (note (iii))	134,549	131,295
	4,694,936	4,883,421
Current portion included in current liabilities	(799,647)	(810,394)
	3,895,289	4,073,027

Notes:

(i) The bank loans are repayable as follows:

	Secured		Unsecured		Total	
	As at 31st December 2005 HK\$'000	As at 30th June 2005 HK\$'000	As at 31st December 2005 HK\$'000	As at 30th June 2005 HK\$'000	As at 31st December 2005 HK\$'000	As at 30th June 2005 HK\$'000
Within one year	241,487	191,536	22,952	130,841	264,439	322,377
Between one and two years	794,342	405,316	393,321	264,916	1,187,663	670,232
Between two and five years	369,767	458,185	–	355,140	369,767	813,325
After five years	156,722	161,994	–	28,037	156,722	190,031
	1,562,318	1,217,031	416,273	778,934	1,978,591	1,995,965

Included in the total bank loan balance is an amount of HK\$282,051,000 (30th June 2005: HK\$286,604,000) which is wholly repayable by instalments up to December 2016 and has been on-lent to an associated company.

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

	As at 31st December 2005 HK\$'000	As at 30th June 2005 HK\$'000
Within one year	535,208	488,017
Between one and two years	2,046,588	2,268,144
	2,581,796	2,756,161

The loans from fellow subsidiaries are unsecured and bear interest ranging from three months HIBOR to 1% above London Interbank Offered Rate ("LIBOR") (30th June 2005: three months HIBOR to 1% above LIBOR) per annum.

(iii) The loans from minority shareholders are unsecured, bear interest at 5% to 5.76% (30th June 2005: 5% to 5.76%) per annum and have repayment terms as specified in the joint venture contracts.

12. Long term payable

Long term payable is repayable as follows:

	As at 31st December 2005 HK\$'000	As at 30th June 2005 HK\$'000
Within one year	77,352	72,440
Between one and two years	120,530	72,986
Between two and five years	–	123,364
	197,882	268,790

13. Creditors and accruals

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

	As at 31st December 2005 HK\$'000	As at 30th June 2005 HK\$'000
0 to 30 days	260,371	232,733
31 to 60 days	54,705	23,212
61 to 90 days	189	88,074
Over 90 days	196,307	382,301
	511,572	726,320

14. Amounts due to minority shareholders

The amounts are unsecured, interest free and have no fixed repayment terms.

15. Contingent liabilities

The Group has contingent liabilities of approximately HK\$1,691,116,000 (30th June 2005: HK\$2,057,808,000) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities. As at 31st December 2005, the Group's attributable portion of the outstanding amount under these bank loan facilities granted to the associated companies and jointly controlled entities was approximately HK\$1,198,202,000 (30th June 2005: HK\$1,440,955,000).

16. Commitments

(i) Capital expenditure commitments

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

	As at 31st December 2005 HK\$'000	As at 30th June 2005 HK\$'000
Contracted but not provided for		
Property, plant and equipment	50,698	153,895
Investment in a jointly controlled entity	96,154	–
	146,852	153,895

(b) The Group did not have any share of capital commitments of the jointly controlled entities (30th June 2005: Nil).

(ii) Other commitments

As at 31st December 2005, the Group had issued performance guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of properties developed by certain subsidiaries of the Group and the outstanding mortgage loans under these guarantees amounted to HK\$386,187,000 (30th June 2005: HK\$388,535,000). Pursuant to the terms of the performance guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties.

17. Related party transactions

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

	6 months ended 31st December	
	2005 HK\$'000	2004 HK\$'000
(i)		
Interest on loans from fellow subsidiaries	53,190	13,566
Rental for leased premises to a fellow subsidiary	1,423	2,445
Rental for leased premises to an associated company	14,904	14,486
Property agency fee to a fellow subsidiary	836	4,530
Interest income from jointly controlled entities	(7,132)	(31,362)
Estate management fee income from a fellow subsidiary and jointly controlled entities	(3,734)	(2,613)
Rental income from fellow subsidiaries	(25,564)	(25,806)
Rental income from an associated company	(2,885)	(2,804)

These related party transactions were governed in accordance with the terms as disclosed in 2005 annual report.

(ii) Total fees for the provision of project management, construction and engineering consultancy services in respect of certain of the Group's property projects and payable to certain fellow subsidiaries amount to HK\$35,752,000 (31st December 2004: HK\$124,407,000). Such fees are charged at fixed amounts in accordance with the terms of the respective contracts.

(iii) A deed of tax indemnity was entered into between NWD and the Group whereby NWD undertakes to indemnify the Group in respect of IT and LAT payable in consequence of the disposal of certain properties (note 6).

18. Comparative figures

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

Continuing Obligations under Chapter 13 of the Listing Rules

(A) Advance to entities

In accordance with the requirements under rule 13.20 of the Listing Rules, the directors of the Company reported below details of advances made by the Group to the following entities which individually exceeded 8% of the Company's market capitalisation as at 31st December 2005, as follows:

Names of affiliated companies	Attributable interest held by the Group	Advances as at 31st December 2005		Interest rate per annum	Guarantee given (C)	Total (A+B+C)
		Interest bearing (A)	Non-interest bearing (B)			
		HK\$'000	HK\$'000		HK'000	HK'000
Jointly controlled entities						
Beijing Chong Wen-New World Properties Development Co., Ltd.	70%	1,226,047	-	8.5%	480,769	1,706,816
Beijing Chong Yu Real Estate Development Co., Ltd.	70%	1,129,896	-	8.5%	96,154	1,226,050
China New World Electronic Ltd.	70%	1,004,380	-	HK prime rate	28,846	1,033,226
Total		3,360,323	-		605,769	3,966,092

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

Note: The market capitalisation of the Company as at 31st December 2005 amounted to HK\$12,423,092,000 based on the total number of 3,793,310,632 shares of the Company in issue on 31st December 2005 and the average closing price per share of HK\$3.28 for the five business days immediately preceding 31st December 2005.

(B) Financial assistance and guarantees to affiliated companies

As at 31st December 2005, the Group had made loans and advances totalling HK\$8,734,832,000 to affiliated companies, guaranteed bank loans and other borrowing facilities for the benefit of affiliated companies in the amount of HK\$1,691,116,000. These amounts in aggregate exceed 8% of the Company's market capitalisation as at 31st December 2005. In accordance with the requirements 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 2005 are presented below:

	Combined balance sheet	Group's attributable interests
	HK\$'000	HK\$'000
Non-current assets	18,313,609	10,848,614
Current assets	7,361,289	4,688,007
Current liabilities	(7,352,182)	(4,583,240)
Non-current liabilities	(3,895,186)	(1,961,667)
Shareholder's loans and advances	(8,738,243)	(5,249,195)
	5,689,287	3,742,519

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

In accordance with the requirements under rule 13.21 of the Listing Rules, the directors of the Company reported below details of loan facilities, which exist at any time during the 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"), an indirect wholly-owned subsidiary of the Company, was granted a 2-year term loan facility of up to RMB200,000,000. Upon the granting of the loan facility, the Company undertook to the lender that New World Development Company Limited would retain an interest of at least 51% in the issued share capital of the Company throughout the term of the facility. Failure to perform the undertaking which continues for a period of 7 days next following the date of notice given by the lender requiring the same to be remedied will constitute an event of default which will render the outstanding liability of Beijing Lingal under the loan facility to become immediately due and payable and the loan facility to be terminated.

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 HKICPA.

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 2005, except for the following deviations:-

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.

Code provisions A.4.1

The code provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company were not appointed for a fixed term during the period under review as they are subject to retirement by rotation at annual general meeting in accordance with Article 116 of the Company's articles of association.

To comply with this code provision, service contracts were entered into between the non-executive directors and the Company whereby the non-executive directors are appointed for a fixed term of three years commencing from 1st January 2006 subject to the retirement and reappointment provisions in the articles of association of the Company.

Code provision A.4.2

The code provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

To comply with this code provision, the directors had proposed amendment to the articles of association of the Company in accordance with this code provision which was subsequently approved by the shareholders at the annual general meeting of the Company held on 29th November 2005.

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 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 this code provision, instead, the relevant provisions for insider dealing as set out in the Securities (Insider Dealing) Ordinance have been included in the in-house "Human Resources & Administration Manual" so that the employees are reminded of their obligation under the Ordinance. The Company is now in the course of setting up written guidelines for employees in respect of their dealing in the Company's securities in compliance with this code provision.

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 2005, the Group had 2,244 full-time employees. Total staff related costs including directors' remuneration incurred were HK\$71.6 million (2004: HK\$54.9 million), of which retirement benefits was included. Remuneration of the employees is reviewed annually based on the assessment of individual performance. Discretionary year-end bonus was paid to employees based on individual performance.

Major Acquisition or Disposal

There is 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

Dr. Cheng Kar-shun, Henry

Chairman

Hong Kong, 15th March 2006



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