

2003/2004 Annual Results

(15 October 2004, Hong Kong) New World Development Company Limited (“New World Group” or the “Group”; Hong Kong stock code: 0017) today announced the audited results for the year ended 30 June 2004.

- Turnover recorded at \$25.65 billion, up 22% year-on-year.
- Contributions from property sales and rental, service and infrastructure, department stores and hotels achieved either turnaround or growth. Total segment results grew 200% to \$4.66 billion
- Property sales segment contributed \$1.58 billion against a loss in last year. The Group sold 1,136,977 sq. ft. in Hong Kong against 660,341 sq. ft. in FY2003.
- NWS Holdings Limited reported a profit of \$1.54 billion
- New World China Land Limited recorded a profit of \$127.34 million
- Total turnover of New World Department Stores amounted to \$3.25 billion, up 22%
- Hotels have improved significantly in both occupancy and average room rate
- Net debt down \$10 billion to \$21.61 billion; gearing lowered to 39.7%
- Net finance costs were down 47% to HK\$792.30 million.
- Provisions of \$4.39 billion against the PrediWave related investments and assets
- Loss attributable to shareholders amounted to \$976.20 million
- If stripping out the provisions for PrediWave related investments and assets, the Group should have made a profit of \$1.41 billion
- Proposed a final dividend of 4 HK cents per share, translating to a full-year dividend of 6 HK cents per share



BUSINESS REVIEW

Consolidated Profit and Loss Account (\$ million)

	FY2004	FY2003 (As restated)
Turnover	25,653.0	21,056.3
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 result	4,655.4	1,554.2
Other (charge)/income	(4,787.2)	(4,732.6)
Unallocated corporate expenses	(504.9)	(480.0)
Financing costs	(1,022.7)	(1,824.1)
Financing income	230.4	337.9
Loss before taxation	(1,429.0)	(5,144.6)
Taxation	(980.2)	(317.4)
Net loss after taxation	(2,409.2)	(5,462.0)
Minority interests	1,433.0	754.3
Loss to shareholders	(976.2)	(4,707.7)

Profit/(Loss) Attributable to Shareholders (\$ million)

	FY2004
NWD (stock code: 0017)	(976)
NWSH (stock code: 0659)	1,538
NWCL (stock code: 0917)	127
NWTMT (stock code: 0301)	(5,507)



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 ex pending agricultural land conversion	2,835,219
Total	5,541,775

Agricultural landbank by location	Total land area (sq. ft.)	Attri. 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, so far, 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 during the auctions for 2 major sites in Homantin and San Po Kong on 12 October 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 area (sq. ft.)
<i>Inventory</i>	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 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 back 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.

Name of 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.

Property development projects completed FY2004

Development 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 (北京新裕家園三、四號樓)	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	100%
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.

Property development projects to be completed FY2005

Development 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	100%
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	100%
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 FY2005

Investment 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	



NWS Holdings Limited

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 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 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).

Ports

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. The throughputs grew 25% and 11% respectively.

Telecommunications

New World Mobility (“NWM”)

The subscriber base of NWM grew from 990,000 in June 2003 to 1.25 million in June 2004, representing a 26% increase. In FY2004, NWM recorded an EBIT of \$216.4 million.

NWM became a listed company in July 2004. In order to meet the demand of subscribers, NWM signed a USD 30 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 \$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 \$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.



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 (\$ million)			
HK property			
Provisions write-back:	Kennedy Town	538.5	
	Black's Link	386.4	
	Others	235.4	1,160.3
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			(59.7)
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 \$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 \$213.4 million made in FY2003 on Mainland China hotels, were written back. However, a provision of \$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 \$5,460 million). The Group made provisions of \$4,392.0 million against the PrediWave related investments and assets.

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

Liquidity and Capital Resources

Net Debt (\$ 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 almost \$10 billion. The gearing is reduced from 68% to 39%. Net finance costs were down 47% to \$ 792.3 million.

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

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.

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