



2006/2007 Annual Results

(11 October 2007, 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 2007.

- Turnover recorded \$23.3 billion
- Property rental, service and infrastructure, hotels and department stores achieved satisfactory growth. Total segment results amounted to \$5,424.1 million, up 10% year-on-year
- Profits attributable to shareholders amounted to \$4,312.9 million, up 307%
- Proposed a final dividend of 25 cents per share
- Net debt and net gearing ratio increased to \$24.1 billion and 30.7% respectively
- The Group’s share of Hong Kong property sales amounted to approximately \$1.5 billion
- Rental portfolio recorded stable growth in both occupancy and average rate
- NWS Holdings Limited reported a profit of \$2,005.4 million, up 21%
- New World China Land Limited recorded a profit of \$1,191.4 million, up 61%
- New World Department Store China Limited recorded a profit of \$302.8 million, up 92%
- Hotel operations, benefited from the booming tourist industry, had a 59% growth in segment contributions to \$675.5 million



BUSINESS REVIEW

Segment result (\$million)	FY2007	FY2006	% change
Property sales	588.0	1,513.9	(61%)
Rental	1,475.7	1,206.5	22%
Infrastructure	1,117.1	1,086.7	3%
Service	1,166.3	741.4	57%
Department stores	247.0	107.4	130%
Hotel operations	675.5	425.5	59%
Telecommunications	420.1	(75.2)	NA
Others	(265.6)	(69.7)	NA
Total segment results	5,424.1	4,936.5	10%

Consolidated Profit and Loss Account (\$ million)	FY2007	FY2006
Turnover	23,284.5	23,910.2
Total segment results	5,424.1	4,936.5
Other income/(charge)	1,651.1	(1,763.9)
Unallocated corporate expenses	(1,313.6)	(556.0)
Fair value changes on investment properties	1,263.9	1,462.9
Operating profit before financing costs and income	7,025.5	4,079.5
Financing costs	(1,173.3)	(1,115.0)
Financing income	817.8	541.2
Profit before taxation	6,670.0	3,505.7
Taxation	(902.5)	(892.6)
Profit after taxation	5,767.5	2,613.1
Minority interests	(1,454.6)	(1,553.3)
Profit attributable to shareholders	4,312.9	1,059.8
Earnings per share (\$)	1.17	0.30
Dividend per share (\$)		
Interim	0.15	0.13
<u>Final</u>	<u>0.25</u>	<u>0.20</u>
Full-year	0.40	0.33

Key consolidated balance sheet figures	30 Jun 2007	30 Jun 2006
Gross debt (\$ million)	39,478	22,607
Net debt (\$ million)	24,078	14,964
Net gearing (%)	30.7	21.6
Cash and cash equivalents (\$ million)	15,400	7,643

Profit Attributable to Shareholders (\$ million)	FY2007	FY2006	% change
New World Development Company Limited (stock code: 0017)	4,312.9	1,059.8	307%
NWS Holdings Limited (stock code: 0659)	2,005.4	1,656.6	21%
New World China Land Limited (stock code: 0917)	1,191.4	740.5	61%
New World Department Store China Limited (stock code: 0825)	302.8	157.9	92%



Hong Kong Property Development

During the period under review, the Group's share of property sales booked amounted to approximately \$1,542 million, down 74% year-on-year. Two projects were launched to the market, namely Deep Bay Grove (深灣畔) at Lau Fau Shan and Prince Ritz (太子滙) at Kowloon City. In FY2007, contribution to property sales mainly came from inventory sales of Deep Bay Grove, The Merton (泓都), The Grandiose (君傲灣) and South Hillcrest (倚嶺南庭).

The Group now has a landbank of 4 million sq ft GFA for development and a total of 20 million sq ft of agricultural land reserve pending conversion.

Landbank by location	Attributable GFA (sq ft)
Hong Kong Island	412,292
Kowloon	1,336,720
New Territories excluding areas pending agricultural land conversion	2,274,441
Total	4,023,453

Agricultural landbank by location	Total land area (sq ft)	Attributable land area (sq ft)
Yuen Long	14,449,000	13,048,000
Shatin / Tai Po	3,414,000	2,528,000
Fanling	2,260,000	2,260,000
Sai Kung	2,624,000	2,070,000
Tuen Mun	120,000	120,000
Total	22,867,000	20,026,000

In January 2007, the Group was awarded the government tender for Block A of Wylie Court (衛理苑) at Wylie Path, Kowloon. During the period under review, the Group completed the acquisition of 50% interest of New Eastern Terrace (新東方臺) at Tin Hau Temple Road, North Point and 70% interest of Chun Fai Terrace (春暉臺) in Tai Hang. These three projects account for over 520,000 sq ft GFA.

The Group is discussing with the government on the conversion of around 7 million sq ft of agricultural land and is also seeking various sources to replenish its landbank, such as public auctions and tendering for development projects offered by Urban Renewal Authority and the two rail companies.

The Group anticipated to launch five projects in the coming year, namely Hunghom Peninsula (紅灣半島) in Hung Hom, the Hanoi Road Redevelopment Project (河內道重建項目) in Tsim Sha Tsui, Belcher's Street project (卑路乍街項目) in Western District, Ma Tin Road project (馬田路項目) in Yuen Long and 6-10 Black's Link (布力徑 6-10 號) in Mid-Levels to provide a total of over 2.6 million sq ft GFA.



Hong Kong Property Investment

In FY2007, the Group's gross rental income in Hong Kong amounted to \$1,079.4 million. The Group's commercial portfolio was benefited from the growing local economy and the rising tourist number.

During the period under review, The Edge (君薈坊), the shopping mall at The Grandiose at Tseung Kwan O was opened with 100% occupancy.

The pedestrian traffic of New World Centre and Avenue of Stars reached nearly 20 million during the period under review. Together with the stable income from an anchor tenant, SOGO TST, New World Centre maintained a steady contribution to the Group's rental portfolio.

Hong Kong's buoyant economy has continually created higher demand for office space. Both occupancies and rental rates of our office portfolio are expected to be further benefited.

The increasing tourism spending and rising number of visitors to Hong Kong has enhanced the rental rates in prime tourist areas like Tsim Sha Tsui. The 1.1-million sq ft GFA Tsim Sha Tsui Hanoi Road Redevelopment Project, which is scheduled to complete in 2008 has a 340,000-sq ft shopping mall with direct access to MTR Tsim Sha Tsui Station and KCR East Tsim Sha Tsui Station.

Hotels

The visitor arrivals to Hong Kong are growing steadily, with the number increasing to 25 million and 13 million in 2006 and the first six months of 2007 respectively, up 8.1% and 6.8% year-on-year. Benefited from the rising visitor number, the Group's hotels in Hong Kong, namely Grand Hyatt Hong Kong, Renaissance Harbour View Hotel and Renaissance Kowloon Hotel, recorded an average occupancy of 83% and a 15% growth in average room rate achieved during the period under review.

New World Hotel Shenyang completed its renovation in September 2006. The Group's hotels in Mainland China have achieved a satisfactory growth in both occupancy and room rate. Our four hotels in Southeast Asia have a moderate growth in contribution.

To further capture the booming tourist demand, the Group has two hotels in the pipeline in Hong Kong located at Hanoi Road and the KCR University Station. Meanwhile, the Group's two hotels in Wuhan and Dalian are both under construction.



NWS Holdings Limited (“NWSH”)

Infrastructure

Infrastructure operation recorded a stable segment contribution to the Group. Apart from the energy business, roads, water and ports businesses achieved a strong growth in contribution.

Performance of road and expressway projects within the Pearl River Delta Region continues to shine. Average daily traffic flow of Guangzhou City Northern Ring Road increased by 11% and toll income grew by RMB39.7 million in FY2007. Toll income of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) soared by 28% in FY2007 as benefited by the strong economic development of the Pearl River Delta Region. The combined average daily traffic flow of Shenzhen-Huizhou Roadway and Expressway increased by 13% when compared to FY2006.

The performance of Zhujiang Power Plant was adversely impacted due to a one-off gain recognized in FY2006 as a result of a change in depreciation rate as required by the tax authority and partly due to more new generation units coming into the market. Such impact was partly compensated by the increase in average tariff of 5% arising from the coal-link tariff adjustments during the current year. The Group is optimistic towards the outlook of the energy business and continue to explore new investment opportunities. NWSH acquired 35% interest in Chengdu Jintang Power Plant, a 2 x 600MW coal-fired power plant. The project commenced operation in June 2007.

In December 2006, NWSH acquired a 9.45% interest in Guangdong Baolihua New Energy Stock Co., Limited, which mainly operates a 2 x 135MW coal-fired power plant in Guangdong and its shares are listed on the Shenzhen Stock Exchange.

Macau Water Plant reported a 10% increase in average daily water sales volume while performance of water projects in Mainland China is promising. Water sales revenue of Tanggu Water Plant in Tianjin increased as its tariff has raised since April 2006. The Chongqing Water Plant and Shanghai SCIP Water Treatment Plant had an impressive growth of 19% and 47% respectively in water sales volume. Both newly acquired projects, Changshu Water Plant and Chongqing Tangjiatuo Waste Water Plant, also started the contribution to the Group during the period under review.

Xiamen New World Xiangyu Terminals Co., Ltd. reported an 8% volume growth to 794,000 TEUs in FY2007. Throughput of Tianjin Orient Container Terminals Co., Ltd. decreased slightly by 1% to 1,136,000 TEUs while there is an increase in average revenue per TEU as a result of more foreign cargo volume in FY2007. Tianjin Five Continents International Container Terminal Co., Ltd., in which interest was acquired in November 2005, produced positive AOP contribution to this segment and handled 1,988,000 TEUs during FY2007.



Service

In FY2007, there was a significant increment in the contribution from the service operations. Contracting, financial services, transport and other businesses in service operations achieved a substantial growth in the profit.

Hong Kong Convention and Exhibition Centre (“HKCEC”) continued to achieve satisfactory result in FY2007. New venues such as the AsiaWorld-Expo and other conference and exhibition facilities in Macau, Mainland China and other Asian countries have increased competition in this market. Construction works of the Atrium Link expansion commenced in August 2006 and is due for completion in 2009. The new 19,400 sq m expansion will increase HKCEC’s available space up to a total of 83,400 sq m.

ATL Logistics Centre recorded a steady profit with average occupancy rate reaching 98% in FY2007. It has benefited from the growth of the local economy and the Mainland China’s market.

Due to a combination of factors including effective cost control measures and increase in volume of work, the contribution from the contracting operation was improved significantly in FY2007. Leveraging its proven expertise in managing mega-sized and high quality construction projects and following the recent recovery of the private property development sector, the contracting business has secured contracts of substantial size with a total contract sum over \$35.9 billion as at 30 June 2007.

The contribution from financial services operation has become more significant after the further acquisition of Taifook Securities Group Limited shareholding and the benefit of buoyant stock market.

During the period under review, the transport operation achieved an increase in the contribution. The increase was mainly contributed by the local bus businesses and investment in Kwoon Chung Bus Holdings.

Free Duty engaged in retail business selling duty free tobacco and liquor at Hong Kong International Airport and the ferry terminals in China Hong Kong City and Shun Tak Centre. Robust patronage arising from the rebound in Hong Kong’s tourism sector made a major contribution to the company’s excellent performance during FY2007. It has commenced the duty free concession at Lok Ma Chau Spur Line in August 2007 while the concession at Lo Wu will start from January 2008.

New World China Land Limited (“NWCL”)

During the period under review, the gross sales proceeds amounted to approximately RMB 5.2 billion. 835,000 sq m GFA of property projects are completed in FY2007. NWCL expects to complete around 1 million sq m GFA of properties in FY2008.



New World Department Store China Limited (“NWDS”)

NWDS has been listed on the Hong Kong Stock Exchange since 12 July 2007. NWDS is one of the largest owners and operators of department stores in Mainland China in terms of sales (excluding sales tax) based on information from Euromonitor. NWDS currently operates a large national network of 22 “New World”-branded department stores and seven Ba Li Chun Tian (“巴黎春天”)-branded department stores in Mainland China and Hong Kong.

During the period under review, seven stores were opened, adding 251,000 sq m GFA to the total store area. The Group plans to open three new stores in Beijing (Chaoyang) (北京朝陽), Wuhan (Xudong) (武漢徐東) and Liaoning (Anshan) (遼寧鞍山) by the end of 2008.

CSL New World Mobility Group (“CSLNW”)

CSLNW is a Hong Kong based mobile group which was formed in March 2006. CSLNW operates in the highly competitive Hong Kong mobile market, with the CSL business being one of Hong Kong's premium providers of mobile voice and data services and New World PCS targeting value conscious customers with a low cost business model. The merged entity provides a broad customer base for growth.

In order to streamline the structure of the Group, a wholly owned subsidiary of the Company acquired 23.6% of CSLNW from New World Mobile Holdings Limited (“NWMHL”) in January 2007. After the acquisition, the Group disposed all its interests in NWMHL.

New World Telecommunications Limited (“NWT”)

During the period under review, NWT reported a loss due to intense competition in the fixed-line telecommunications market. Extending its position as the next generation IP and telecom service provider in town, NWT will focus on three business streams, namely telecom services, ICT services and iMedia solutions (e-business). With the establishment of two dedicated business units and extensive partnerships with renowned companies, NWT will maximize its momentum on “NWT Hosted Exchange” and “Search’n Click” services.

New World China Enterprises Projects Limited (“NWCEP”)

NWCEP focuses on making strategic investments in high growth companies with listing potential. NWCEP invests in companies in Greater China, involving in sectors such as industrial manufacturing, consumer goods production, production management and retail distribution chain stores, etc.

New World TMT Limited

The Group won the PrediWave litigation in December 2006 and an amount of approximately \$1.6 billion has been written back for the year ended 30 June 2007. The amount that can eventually be recovered is uncertain.



OUTLOOK

Hong Kong property market is gaining momentum after the lukewarm environment in 2006. During January to June 2007, the property transactions in Hong Kong recorded a significant year-on-year growth in both primary and secondary markets. For the transaction consideration during January to June 2007, Hong Kong recorded over \$55 billion and \$122 billion for primary and secondary market respectively, which represent an increase of 42% and 45% compared to July to December 2006.

As an international financial centre, Hong Kong ranked No. 1 in Asia and No. 2 in the world in terms of the total amount of funds raised through initial public offerings in our stock market in 2006. The office spaces in prime districts are continuously under strong demand. Our office portfolio in Central and Tsim Sha Tsui has continued to achieve positive rental reversion. Meanwhile, the increasing tourism expenditure and rising number of visitors to Hong Kong have benefited the Group's rental portfolio and hotel operations.

The Group's infrastructure and service arm, NWS Holdings Limited is actively looking for new investment opportunities. NWSH acquired 35% interest in Chengdu Jintang Power Plant, a 2 x 600MW coal-fired power plant, which supplies electricity in Chengdu, Sichuan Province. The project commenced operation in June 2007. In addition, NWSH acquired 55% interest in Wenzhou Zhuangyuan Ao New World International Terminals Company Limited, which operates two multi-purpose berths in Zhuangyuanzo, Zhejiang Province. The project is expected to be operational by 2008. In September 2006, NWSH acquired a 22% stake in China United International Rail Containers Co. Ltd. Terminals in Shanghai and Kunming have already completed while construction work will soon start at Chongqing, Zhengzhou and Qingdao. Ultimately, the project will construct a total of 18 terminals in 18 major cities in Mainland China by 2010.

China has achieved a double-digit GDP growth since 2003. The resilient economic growth and stable increase of average income per capita have supported the stable growth of real estate market in Mainland China. In 2006, the population in urban area accounted for 43.9% of the total population in Mainland China. Our Mainland China property arm New World China Land will tap the benefit from the urbanization in Mainland China by continuously producing quality products to the market.

The spin-off of NWDS is beneficiary to both the Group itself and NWDS. Firstly, the spin-off increases the operational and financial transparency of the Group. Secondly, it allows NWDS to establish a higher profile as a separately listed entity with the ability to access the debt and equity capital markets to fund its future investments. Thirdly, it helps the Group achieve the valuation potential and at the same time the Group will continue to benefit from the business prospects and results of NWDS through its shareholding.

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