Financial statements analysis

Consolidated profit & loss account

		FY2002 HK$ million	(As restated) FY2001 HK$ million
	Turnover		
	– Property sales	**813.0**	413.9
	– Rental operation	**102.5**	172.5
	– Others	**23.9**	0.8
1	Total turnover	**939.4**	587.2
	Other revenue	**67.1**	48.2
	Other charges	**(45.3)**	(79.5)
2	Operating expenses	**(801.7)**	(445.1)
3	Operating profit before financing	**159.5**	110.8
4	Finance costs	**(24.3)**	(70.0)
5	Share of results of associated companies & JCE	**(2.2)**	38.8
	Profit before taxation	**133.0**	79.6
	Taxation	**(20.5)**	(30.3)
	Minority interests	**24.6**	4.3
6	Profit attributable to shareholders	**137.1**	53.6

Consolidated balance sheet

		30th June 2002 HK$ million	30th June 2001 HK$ million
	Assets		
7	Fixed assets	**3,703.1**	3,248.2
8	Properties held for development	**3,268.1**	2,812.6
9	Associated companies	**1,422.9**	781.2
10	Jointly controlled entities	**10,099.5**	9,305.7
11	Other investments	**1,973.0**	2,925.1
	Other non-current assets	**50.3**	111.6
		20,516.9	19,184.4
	Current assets		
	Debtors, deposits and other receivables	**486.7**	425.2
	Properties under development	**2,244.0**	2,254.1
	Completed properties held for sale	**458.8**	139.2
12	Cash and bank balances	**1,405.1**	1,141.6
		4,594.6	3,960.1
	Current liabilities		
	Creditors and accruals	**319.9**	470.6
	Deposits received on sale of properties	**190.7**	231.4
	Amounts due to fellow subsidiaries	**272.8**	221.3
	Short term loans	**679.4**	801.9
	Current portion of long term liabilities	**834.0**	287.8
	Taxes payable	**105.8**	104.5
		2,402.6	2,117.5
13	Net current assets	**2,192.0**	1,842.6
	EMPLOYMENT OF FUNDS	**22,708.9**	21,027.0
	Shareholders' Equity & Liabilities		
	Share capital	**148.2**	146.9
14	Reserves	**17,703.7**	17,322.9
	Proposed final dividend	**29.6**	–
	Shareholders' funds	**17,881.5**	17,469.8
15	Long term liabilities	**4,334.1**	3,019.3
	Deferred income	**407.8**	475.0
	Minority interests	**85.5**	62.9
	FUNDS EMPLOYED	**22,708.9**	21,027.0

Consolidated cashflow statement

		FY2002 HK$ million	FY2001 HK$ million
16	Net cash (outflow)/inflow from operating activities	**(671.7)**	229.5
	Interest received	**22.8**	55.1
17	Interest paid	**(54.9)**	(67.2)
	Dividend received from a JCE	**43.0**	–
	PRC tax paid	**(11.7)**	–
	Purchase of fixed assets	**(470.7)**	(718.0)
18	Increase in investments in associates and joint ventures	**(1,211.2)**	(324.2)
	Acquisition of subsidiaries & additional interests in subsidiaries	**(1.9)**	(123.6)
19	Other net cash inflow from investing activities	**834.2**	694.3
	Increase in loan financing	**1,634.4**	776.6
20	Other net cash inflow/(outflow) from financing activities	**232.3**	(401.5)
	Net increase in cash & cash equivalents	**344.6**	121.0
	Cash & cash equivalents at year end	**847.8**	503.2

1. The Group's turnover increased over 60%, was mainly due to the increase in sales of property projects in Guangzhou, Shenyang, Wuhan, Tianjin and Dalian. Property sales in commodity housing recorded significant growth of 125% to HK$690 million.

2. Operating expenses increased over 80% to HK$802 million, were mainly due to the increase in cost of properties sold which posted a 127% increase to HK$554 million.

3. The increase of operating profit before financing was mainly due to impairment of goodwill in FY2001 of HK$153 million by means of prior year adjustment following the Group's adoption of HKSSAP31.

4. Finance costs recorded a 65.3% decrease benefited from the fall of interest rate and refinancing of loans with more favourable terms.

5. The fall on the contributions of associated companies and JCE was mainly due to loss incurred in the sales of certain property projects.

6. Details are shown in analysis of 'Attributable Operating Profit'

7. Fixed assets reported a 14% increase due to further development costs incurred for equipping our investment properties in Shanghai, Dalian and Nanjing.

8. Properties held for development showed a 16.2% increase mainly due to the increased development cost incurred for properties in Guangzhou and Shenzhen.

9. The increase in the carrying cost of associated companies was mainly due to additional investment to a newly-invested 50% owned associated company engaging in property investment in Shanghai.

10. The increase in carrying cost of jointly controlled entities mainly comprised further injection of remaining registered capital for projects in Jinan, Haikou, Wuhan and Beijing, and decrease in investment of disposed projects.

11. Decrease in other investments was mainly due to repayment of shareholders' loans from Wuhan Changqing Garden and reclassification of Guangzhou Park Paradise and Xintang New World Garden to jointly controlled entities.

12. The Group's cash position showed a rise of 23.1% mainly due to increase in property sales.

13. Net current assets showed a 19% increase due to increase in cash and bank balances.

14. Increase in reserves was mainly due to increase in revaluation surplus of investment properties.

15. Long term liabilities increased by 43.5% was mainly due to drawdown of HK$500 million corporate bank loan for refinancing purpose and the drawdown of project loans mainly for financing projects in Nanjing, Guangzhou and Shenzhen.

16. The sharp fall on the net cash flow from operating activities was mainly due to increase in property under development to catch the improving property market in China.

17. Decrease in interest paid resulting from the fall of interest rate and getting more favourable terms for new projects financing.

18. Investments in associates and joint ventures had increased significantly during the year due to investment in newly-invested 50% owned associated company engaging in property investment project in Shanghai and acceleration of property completion.

19. Increase in other net cash inflow from investing activities was mainly due to the increase of the repayment from associated companies and joint ventures which contributed HK$443 million.

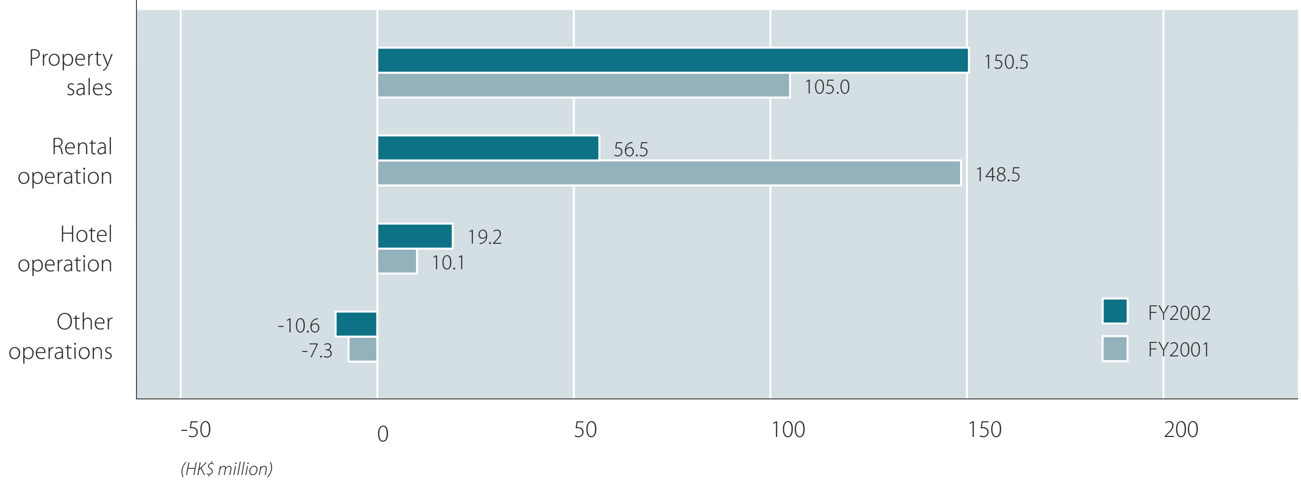
20. The Group's substantial increase in other net cash inflow from financing activities was mainly related to the increase of bank loans and other borrowings in order to accelerate property completion.

Attributable operating profit ("AOP") analysis

Breakdown by business activities

	FY 2002 HK$ million	*(As restated)* FY 2001 HK$ million	Review
Property sales	**150.5**	105.0	Major contributors to AOP came from the successful sale of Beijing New World Centre, Beijing Xin Kang Garden, Wuhan Changqing Garden, Dongguan New World Garden and land disposal in Tianjin.
Rental operation	**56.5**	148.5	The decrease in this sector was mainly due to (1) the disposal of podium floors of Wuhan International Trade and Commerce Centre in FY2001; (2) the high start-up costs of the Group's newly completed investment property, Ramada Plaza, located in Shanghai.
Hotel operation	**19.2**	10.1	The substantial improvement of AOP in our hotel sector was mainly due to Shunde New World Courtyard Hotel's improvement of operating results after a successful cost control.
Other operations	**(10.6)**	(7.3)	Higher maintenance costs incurred from our newly established property management teams in Beijing and Shanghai to provide property management services to our completed properties. These costs are expected to be lower after the establishment of landlord management committees.
AOP	**215.6**	256.3	
Finance costs	**(24.3)**	(70.0)	Finance costs recorded a 65.3% decrease benefited from the fall of interest rates and refinancing of loans with more favourable terms.
Bank and other interest income	**67.2**	48.2	
Impairment of goodwill	**–**	(153.4)	
(Net loss)/gain on disposal of subsidiaries	**(5.2)**	93.8	
Corporate expenses	**(116.2)**	(121.3)	With our Group's mission to control costs, we have endeavoured to reduce the expenses level by watching closely on the Group's headcounts and saving unnecessary administrative costs.
Profit attributable to shareholders	**137.1**	53.6	

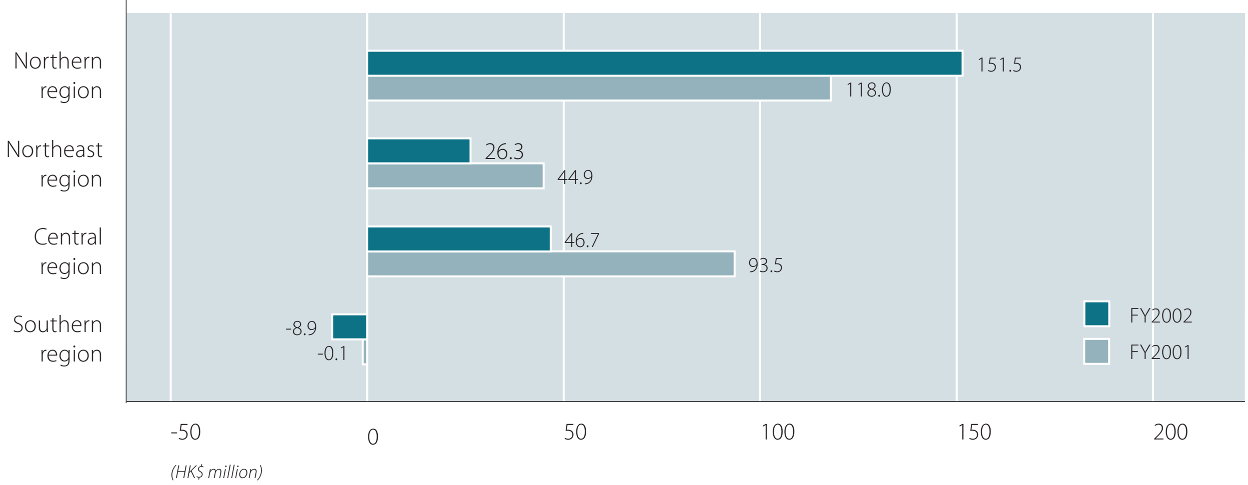
Attributable operating profit by business activities



Breakdown by region

	FY 2002 HK$ million	*(As restated)* FY 2001 HK$ million	Review
Northern region	**151.5**	118.0	
– Beijing	**39.7**	37.0	The successful sale of Beijing New World Centre Phase II, Beijing Xin Kang Garden Phase I and II, and improvement in operating results of New World Courtyard Hotel, Beijing caused a steady AOP growth.
– Tianjin	**112.8**	83.7	The successful land disposal caused a remarkable AOP growth.
– Shijiazhuang	**(1.0)**	(2.7)	
Northeast region	**26.3**	44.9	
– Shenyang	**28.1**	46.7	The construction cyclical effect caused less GFA completed for sale during the year resulted in smaller contribution of AOP from Shenyang New World Garden.
– Dalian	**(1.8)**	(1.8)	
Central region	**46.7**	93.5	
– Shanghai	**(36.4)**	(12.8)	The decrease of AOP from Shanghai was mainly due to the high start-up costs of the Group's newly completed investment property, Ramada Plaza.
– Wuhan	**89.6**	109.2	The drop of AOP from Wuhan was mainly due to the disposal of podium floors of Wuhan International Trade and Commerce Centre in FY2001.
– Nanjing	**(6.5)**	(2.9)	
Southern region	**(8.9)**	(0.1)	
– Guangzhou	**(9.7)**	26.0	The drop in AOP was mainly due to smaller contribution of New World Casa California.
– Pearl River Delta	**0.8**	(26.1)	The region posted increased AOP from property sales, rental and hotel operation as a result of strengthened marketing campaign and financial control on operating costs.
AOP	**215.6**	256.3	

Attributable Operating Profit by Region



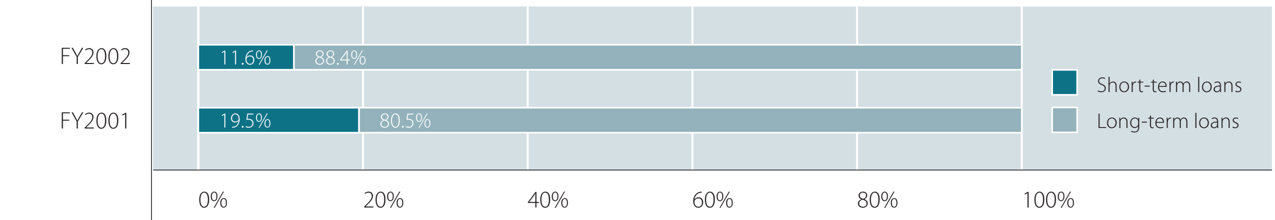
Liquidity & capital resources

As at 30 June 2002, the Group's cash and bank deposits amounted to HK$1,451 million (2001: HK$1,252 million). Its consolidated net debt amounted to HK$4,017 million (2001: HK$2,524 million), translating into a gearing ratio of 22% (2001: 17%). The increase in net debt reflected the Group's financing requirement to match the accelerated development pace. The borrowing requirements thus bear no direct connection to any seasonality factors.

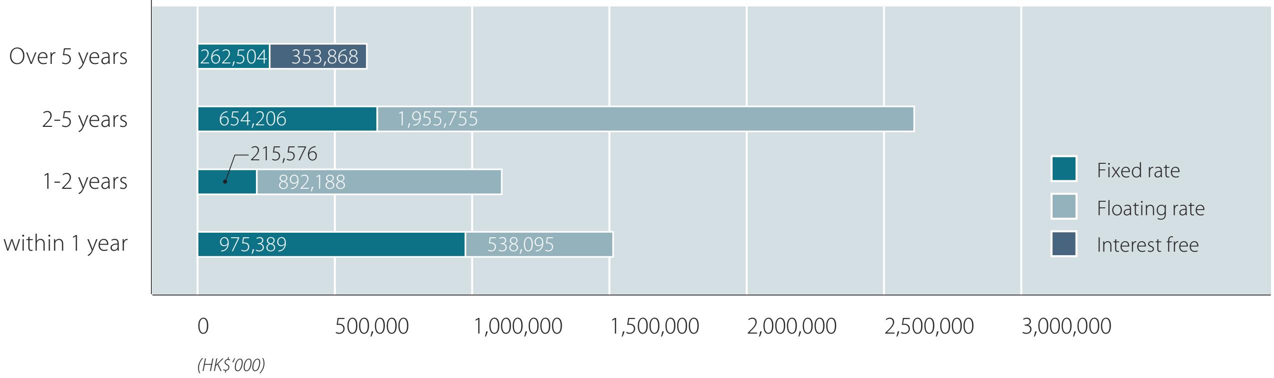
The Group maintained a balanced debt profile with adequate risk diversification through specifying the preferred mix of fixed and floating rate debt, the permitted currency exposure and a well-balanced spread of maturity. The Group's capital structure strikes a balance between equity, bank loans, loans from fellow subsidiaries and loans from minority shareholders of certain subsidiaries of the Group. The Group policy is to leverage funding by straight debts rather than quasi-debt financial instruments and to borrow in local currencies where possible. The proportion of bank loans denominated in Renminbi that the Group has procured directly in Mainland China are continuously being increased to mitigate the foreign currency exposure of the Group.

The amount of debt due within the FY2003 amounts to HK$1,513 million, which should be comfortably served by our cash on hand of HK$1,451 million and by improved property sales proceeds and rental income.

Source of borrowings



Interest rate and maturity profile



As at 30 June 2002, 25% (2001: 23%) of the total outstanding loans were secured by the Group's assets.

Over 57% (2001: 66%) of the Group's total debts are on a floating rate basis, whilst fixed rate borrowings are mainly related to the Renminbi loan facilities. As at 30 June 2002, the Group's committed unutilised bank loan facilities amounted to HK$514 million (2001: HK$46 million).

Foreign currency exposure

The Group's property projects are all located in Mainland China. Funding for their development is inevitably achieved by cross-border investments through numerous Sino-foreign owned joint ventures in the form of registered capital injected into these joint ventures and shareholders' loan advances. As a result of this locality restriction, the return of such funding is either through repayment of shareholders' advance, interest costs or cash dividend. The funding made from Hong Kong to Mainland China is all denominated in either US dollars or Hong Kong dollars and this quasi-capital investment funding is legally required to go through the registration process in Foreign Exchange Bureaus in China before being converted to Renminbi for funding the development costs. The return of these fundings out of China has to be made in the same original currency remitted from Hong Kong and has to go through the releasing registration procedures. Hence the Group is effectively not exposed to foreign currency risk on return of our investments. Owing to the unique nature of China's foreign currency control system, and our Group's view on the foreseeable continuity of the Hong Kong Dollar peg, the exposure to foreign currency fluctuation is not regarded as substantial. The Group has hence conducted minimal hedging activities.

Contingent liabilities

As at 30 June 2002, the Group has contingent liabilities of approximately HK$1,381 million (2001: HK$844 million) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities and an other joint venture. The rise in contingent liabilities indicates that there are continuing financing requirements for the Group's property projects undertaken by the Group's associated companies and jointly controlled entities.

Currency profile of borrowings