Because of our

diversification

strategy, we have successfully built up

multiple income streams

to mitigate the impact of any economic instability

Fellow Shareholders

New World Development's strategic plan is both clear and decisive. We aim to strengthen our four core divisions so as to achieve sustainable earnings growth, and we aim to underpin this growth with financial discipline.

Bold Initiatives to Consolidate Financial Position

We are committed to bold initiatives that establish solid grounds for growth in the years to come. During 2001, we made solid progress in consolidating our financial position. Your Group's liquidity was revitalised over the year with an increase in cash levels from HK$6,369.1 million to HK$9,809.6 million. Key items generating significant cash inflows were:

- Disposal of our H-share/red chip portfolio
- Timely launch of our properties for sale in both Hong Kong and China
- The sale of the Guangzhou Three New Bridges

"We are committed to bold initiatives to establish solid ground for the delivery of earnings growth in the years to come."

Although some of these items had a negative impact on our net profit for this year, such moves demonstrate the Group's overriding resolve: to focus on developing core businesses within the framework of financial prudence. Due to significant cash inflow from these sales and given the full year impact of a low interest rate environment, net interest expense is expected to drop next year.

> "We aim to strengthen our four core divisions so as to achieve sustainable earnings growth."

In 2002, we look forward to more property sales in both Hong Kong and Mainland China. Profits will be booked for the disposal of the Regent which was completed in August 2001. In addition to our trading portfolio, we will continue to enjoy recurrent cash flows from our multiple business platforms in property investment, hotels, infrastructure, services and telecommunications. Our financial position is, therefore, solid.

Our Business Dynamic

1. Building critical mass and competitive stengths

In order to improve the Group's performance as a whole, we have taken specific steps to develop each of our businesses and sought appropriate opportunities as they arise. In sum, our four core businesses have reached critical mass and gained competitive strengths in each of their fields. The investments we made over time, and in view of the low interest rate environment, will justify themselves in the coming years, and we ask our investors to share our commitment.

2. Building multiple sources of revenue and brand equity

A multi-platform enterprise cannot operate successfully without taking into account the particular macroeconomic and business environment of each of its divisions. Because of our diversification strategy, we have successfully built up multiple income streams to mitigate the impact of any economic instability. We have also sought to capitalise on our brand equity and continue to maintain product and service excellence, thus increasing our prospects for success and market growth.

“We have sought to capitalise on our brand equity and continue to maintain product and service excellence, thus increasing our prospects for success and market growth.”

Looking Forward

Overall, we can look back on a year highlighted with decisive moves, namely, in the disposal of non-core and trading assets. We also managed to increase our cash position, thus establishing our businesses on firmer grounds. In implementing such actions, we are grateful for the understanding of our strategy by investors, customers, business partners and employees. It is a strategy laid out in more detail in the Business Review, Analysis and Outlook that follows.

Understanding would be impossible without our keen belief in communication and interaction. We are determined to reach out as best possible with our investors both large and small, with analysts and fund managers, and to the general public. Overleaf, we have set out to answer some of your most frequently asked questions.

Once more, I would like to thank all of you and our staff for your advice, support and contributions.

Dr. Cheng Kar-Shun, Henry

Managing Director

Hong Kong, 10 October, 2001