

## Analysis of Group's Attributable Operating Profit

	FY2001 (HK\$m)	FY2000 (HK\$m)	Change
<b>New World Development Company Limited</b>			
Property Sales	731.1	327.6	123.2%
Rental Income	706.9	913.4	-22.6%
Hotels & Restaurants Operations	643.6	300.8	114.0%
Telecommunications & Technology	(334.4)	(178.2)	87.7%
Others	(181.1)	964.4	-118.8%
Provisions and Dilution Loss	(554.6)	(1,642.6)	-66.2%
Sub-Total	1,011.5	685.4	47.6%
Net Financing Cost	(1,089.4)	(1,345.8)	-19.1%
Minority Interests	(143.3)	(154.8)	-7.4%
Taxation	(133.0)	(260.1)	-48.9%
Total	(354.2)	(1,075.3)	-67.1%
<b>New World China Land</b>	207.0	203.5	1.7%
<b>New World Infrastructure</b>	15.1	1,267.9	-98.8%
<b>New World Services</b>	818.9	738.7	10.9%
<b>Minority Interests of Major Subsidiaries</b>	(466.3)	(919.8)	-49.3%
<b>Profit attributable to shareholders</b>	<b>220.5</b>	<b>215.0</b>	<b>2.6%</b>

<b>New World China Land</b>			
Property Sales	118.8	270.4	-56.1%
Rental Income	257.9	111.7	130.9%
Hotel Operations	10.1	(4.4)	329.5%
Others	(0.1)	(0.2)	-50.0%
Sub-Total	386.7	377.5	2.4%
Net Financing Cost	(70.0)	(79.2)	-11.6%
Corporate Expenses	(109.7)	(94.8)	15.7%
Profit attributable to shareholders	207.0	203.5	1.7%
<b>New World Infrastructure</b>			
Roads & Bridges	418.5	543.0	-22.9%
Cargo Handling	242.4	268.1	-9.6%
Energy & Water Treatment	530.4	538.4	-1.5%
e-Infrastructure/Technology	(33.3)	(1.7)	1858.8%
Sub-Total	1,158.0	1,347.8	-14.1%
Net Financing Cost	(439.6)	(391.8)	12.2%
Net (Loss)/Gain on Disposal and Provisions	(545.1)	478.5	-213.9%
Gain on Repurchase of Convertible Bonds	1.8	24.2	-92.6%
Other Corporate Expenses	(160.0)	(190.8)	-16.1%
Profit attributable to shareholders	15.1	1,267.9	-98.8%

## Review

Major contributors to AOP were the high block of Grand Millennium Plaza at Sheung Wan, Dragon Pride at Tin Hau and Rhythm Garden at Choi Hung.

Even with a stable occupancy and rental rate, AOP from rental income decreased by 22.6% mainly because of the substantial drop in rental income from New World Centre Shopping Mall due to its renovation.

Hotels in Hong Kong have all reported growth in occupancy and average room rates. Meanwhile, hotels in China and Southeast Asia also performed well given China's robust economic growth and the influx of business travellers preceding China's accession to the WTO, whilst Asia Pacific economies were continuing on the path of steady development.

Driven by the improving trading results for both NWT and NWM, the Group increased its stake in these companies by 7% in this FY2001. However, it was offset by an enlarged attributable loss of NWCB and thus, a larger Attributable Operating Loss of HK\$334.4 million was incurred in this sector.

In the absence of profit on disposal of listed and unlisted shares and the substantial drop in dividend income in FY2001, the disposal of the non-core assets (e.g., H-Share portfolio) had negatively impacted the Group's earnings.

For FY2000, it was attributable to the dilution loss on New World China Land Ltd. For FY2001, the Group made provisions on some property development projects such as Monte Carlton at Tai Po Road, Methodist House at Wanchai, Grand Millennium Plaza and Queen Street project at Sheung Wan.

Excluding the debts for its major subsidiaries, the net gearing for NWD was lower than the previous year. Meanwhile, with the consecutive interest rate cuts in the second half of the FY2001, the financing cost has dropped by 19.1%.

All minority interests for non-wholly owned subsidiary companies except 70%-owned NWCL, 61%-owned NWI and 51%-owned NWS.

See below

See below

All five operating divisions under NWS (Facilities, Contracting, Transport, Financial and Environmental) recorded satisfactory growth despite an unfavourable market environment. The increase in profit was mainly due to increase in market share, stringent cost control initiatives and productivity gains.

Minority interests of NWCL, NWI and NWS.

Major contributors to AOP came from the sales of Shenyang New World Garden Phase I, Wuhan Changqing Garden Phase IV and Guangzhou New World Casa California.

The increase in this sector is due to the continuing improving performance of rental properties in the Beijing New World Centre, Tianjin Xin An Plaza and Wuhan International Trade and Commerce Centre. The sharp rise in AOP was also partly attributable to the gain on disposal of interest in the podium floors of Wuhan International Trade and Commerce Centre.

The substantial improvement of AOP in our hotel sector was mainly due to amelioration of Shenyang New World Hotel's operating result after a successful cost control exercised by the management. This hotel was previously affected by higher operating costs and spillover of borrowing costs.

Financing cost recorded a 11.6% drop benefited from the fall of interest rate and refinancing of loans with more favorable terms.

The AOP for the Road and Bridge Segment decreased by 22.9% to HK\$418.5 million mainly due to the reduced contribution from Guangzhou City Northern Ring Road as a result of construction work in the surrounding road networks and the withdrawal from the Guangzhou Three New Bridges project in January 2001.

AOP of the Cargo Handling Segment decreased by 9.6% to HK\$242.4 million mainly because of NWI's reduced effective interest in the port projects after its injection of these projects into the listed Pacific Ports Company Limited in March 2000.

With the disposal of the stake in Beijing Datang Power Generation Co. Ltd., the total AOP for this segment dropped by 1.5% in FY2001. Zhujiang Power Station Phase I & Phase II were the major AOP contributors in this segment, whilst both CEM in Macau and Qianwei Dali Power Plants in Sichuan Province also reported steady business growth.

Though this segment has not produced a major AOP contribution, technology investment, most notably chinadotcom, has generated capital gains.

Given higher net gearing at 54% (FY2000: 50%), net financing cost increased by 12.2%.

HK\$241.9 million provisions made on the e-infrastructure/technology investments, coupled with the loss on the sales of Beijing Datang and Sichuan Expressway, have been mitigated by the disposal gains from Jiangsu Expressway and chinadotcom.

HK\$74.2 million of 5% convertible bonds due on 15 July 2001 has been repurchased during the year.

Despite a 11.7% increase in turnover to HK\$1,103 million in FY2001, the other corporate expenses fell by 16.1%, evidencing the stringent cost controls exercised by NWI.