

Financial Review

Financial Statements Analysis

Consolidated Profit & Loss Account		
	FY2001	FY2000
	HK\$'Million	HK\$'Million
Turnover		
Property sales	415.8	439.3
Rental operation	171.5	158.5
Hotel operation	–	9.2
1 Total Turnover	587.3	607.0
Other revenue	48.1	57.2
2 Other operating income	73.9	–
Operating expenses	(445.1)	(243.8)
3 Operating profit before financing	264.2	420.4
4 Finance costs	(70.0)	(79.2)
5 Share of results of associated companies & JCE	38.8	(120.7)
Profit before taxation	233.0	220.5
6 Taxation	(30.3)	(11.6)
Minority interests	4.3	(5.4)
7 Profit attributable to shareholders	207.0	203.5

Consolidated Balance Sheet		
	30 June 2001	30 June 2000
	HK\$'Million	HK\$'Million
Assets		
Investment properties	1,207.7	1,277.1
8 Assets under construction	1,984.5	1,605.6
Other fixed assets	56.0	41.4
Properties held for development	2,812.6	2,660.4
9 Associated companies	781.2	909.6
9 Jointly controlled entities	9,305.7	10,166.5
Other investments	2,925.1	2,934.5
Other non-current assets	0.8	4.9
10 Cash and bank balances	1,252.4	682.3
11 Other net current assets	701.0	139.7
	21,027.0	20,422.0
Shareholders' Equity & Liabilities		
Share capital	146.9	146.4
Share premium	1,243.6	1,234.8
12 Other reserves	15,072.3	14,906.4
Retained profit	1,006.9	700.9
Shareholders' funds	17,469.7	16,988.5
Minority interests	62.9	118.5
Long term liabilities	3,019.4	2,783.6
Deferred income	475.0	531.4
	21,027.0	20,422.0

Consolidated Cash Flow Statement

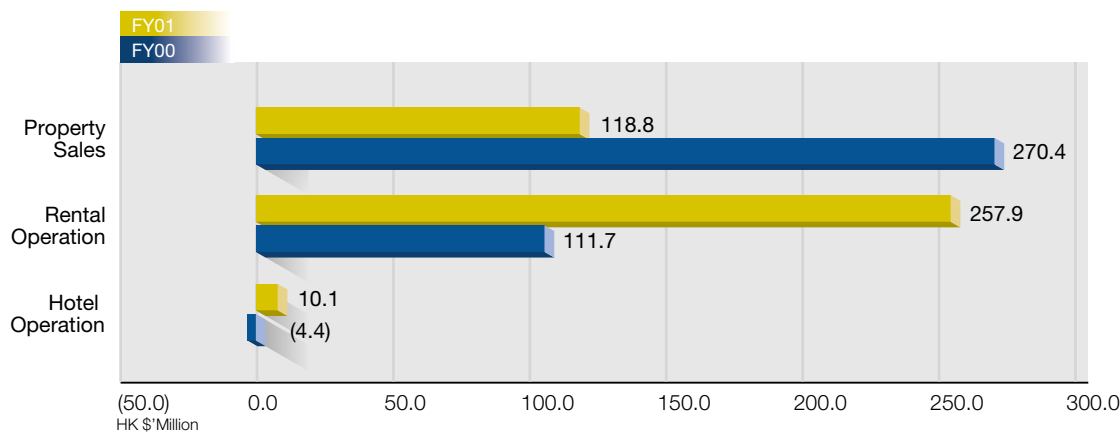
	FY2001	FY2000
	HK\$'Million	HK\$'Million
13 Net cash inflow/(outflow) from operating activities	229.5	(539.8)
Interest received	55.1	72.4
14 Interest paid	(67.2)	(78.8)
Dividends received from a JCE	–	20.4
Purchase of fixed assets	(718.0)	(147.0)
15 Increase in investments in associates and joint ventures	(324.2)	(986.3)
Acquisition of subsidiaries & additional interests in subsidiaries	(123.6)	(245.9)
16 Other net cash inflow from investing activities	694.3	113.4
Increase in Renminbi loan financing	401.1	388.5
17 Other net cash (outflow)/inflow from financing activities	(26.1)	1,401.5
Net increase/(decrease) in cash & cash equivalents	120.9	(1.6)
Cash & cash equivalents at year end	503.2	382.3

- 1** The Group's turnover decreased slightly, mainly due to the decrease in turnover from low-cost housing projects. Property sales in commodity housing however recorded a 89% growth to HK\$307 million. Rental operation also reported steady growth of 8.2% to HK\$171 million.
- 2** Other operating income included a disposal gain of HK\$93.8 million related to the disposal of interest in Wuhan New Eagle Development Company Limited which owns the Wuhan International Trade and Commerce Centre.
- 3** The drop of operating profit before financing was partly due to the decline of turnover from low-cost housing projects and increase in corporate expenses.
- 4** Finance costs recorded a 11.6% decrease benefited from the fall of interest rate and refinancing of loans with more favourable terms.
- 5** Profits of associated companies and JCE showed substantial improvement due to increased property sales and improved rental and hotel operation.
- 6** Increased tax expenses were the result of profits from increased property sales payable.
- 7** Details are shown in analysis of "Attributable Operating Profit".
- 8** Assets under construction showed a 23.6% increase due to additional construction payment to complete properties in Dalian, Nanjing and Shanghai.
- 9** The decrease in the carrying cost of associated companies and JCE was mainly due to reclassification of Dong Yi Garden and New World Oriental Garden from JCE to subsidiary.
- 10** The Group's cash position showed a rise of 83.6% mainly due to increase in property sales and deposits from presale of properties.
- 11** Other net current assets posted a substantial increase mainly because of increase in properties under development such as Dong Yi Garden, New World Oriental Garden, Beijing Lingal Garden and New World Triumph Plaza.
- 12** Increase in other reserves was mainly due to increase in revaluation of investment properties.
- 13** The Group's substantial increase in net cash inflow from operating activities was mainly related to property sales proceeds and deposits received on presale of properties.
- 14** Decrease in interest paid resulting from the fall of interest rate and more favourable terms on refinancing.
- 15** Increase in investments in associates and joint ventures had dropped significantly during the year due to the increase in cashflow from property sales and rolling over into the project, which in turn decrease in corporate injection.
- 16** During the year, the Group received substantial cash inflow from 1) disposal of interest in a subsidiary, Wuhan New Eagle Development Company Limited and 2) repayment of investments from joint venture as a result of successful property sales, amounting to HK\$386 million and HK\$277 million respectively.
- 17** The sharp fall on other net cash inflow from financing activities was mainly due to IPO proceeds on listing of the Group last year.

Attributable Operating Profit Analysis

Breakdown by Business Activities			
	FY2001 HK \$'Million	FY2000 HK \$'Million	Review
Property sales	118.8	270.4	Major contributors to Attributable Operating Profit ("AOP") came from the successful sale of Shenyang New World Garden Phase I, Wuhan Changqing Garden Phase IV, and Guangzhou New World Casa California.
Rental operation	257.9	111.7	The promising increase in this sector is due to the continuing improving performance of rental properties in the Beijing New World Centre, Tianjin New World Xin An Shopping Centre and Wuhan International Trade and Commerce Centre. The sharp rise in AOP was also partly attributable to the gain from disposal of interest in the podium floors of Wuhan International Trade and Commerce Centre.
Hotel operation	10.1	(4.4)	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. The hotel was previously affected by higher operating costs and spillover of borrowing costs.
Others	(0.1)	(0.2)	
Finance costs	386.7	377.5	
Corporate expenses	(70.0)	(79.2)	
	(109.7)	(94.8)	
Profit attributable to shareholders	207.0	203.5	

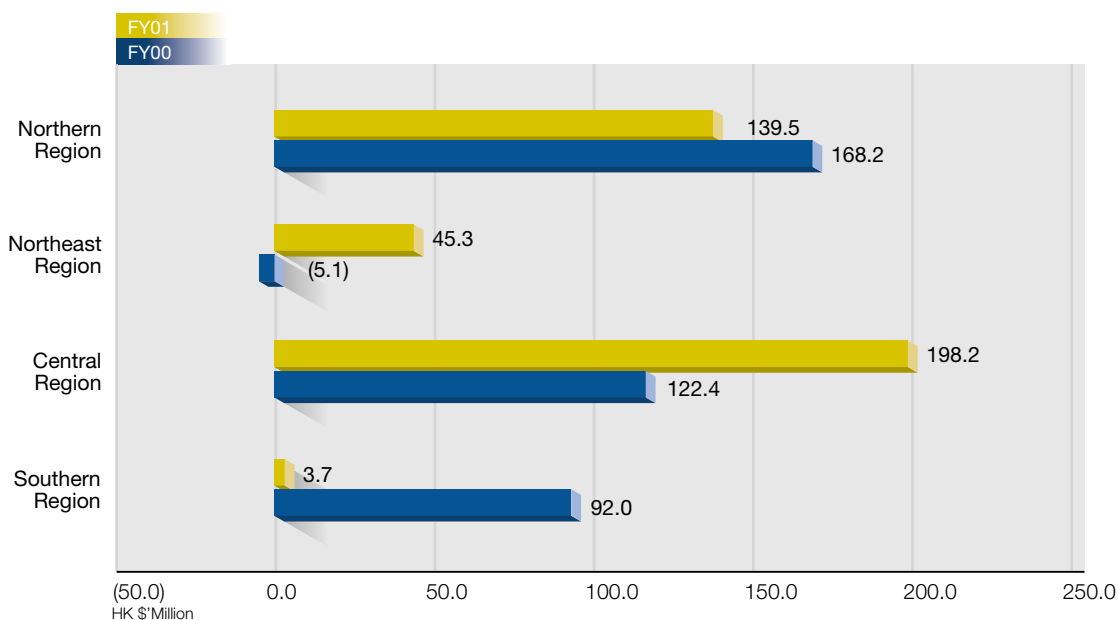
Attributable Operating Profit By Business Activities



Breakdown by Region (Major Cities)

	FY2001 HK \$'Million	FY2000 HK \$'Million	Review
Northern region	139.5	168.2	
- Beijing	50.6	(28.0)	Beijing posted increased AOP from property sales, rental and hotel operation as a result of strengthened marketing campaign and financial control on operating costs. The drop of AOP was mainly due to no completion of new low-cost community housing during the year.
- Tianjin	91.6	197.7	
Northeast region	45.3	(5.1)	
- Shenyang	47.0	(2.2)	The successful sale of Shenyang New World Garden Phase I and improved performance of hotel operation caused a remarkable AOP growth.
Central region	198.2	122.4	
- Wuhan	203.7	171.5	The growth in AOP was due to disposal gain of interests in the podium floor of the Wuhan Commerce Centre which is partly offset by less completion of low-cost community housing.
Southern region	3.7	92.0	
- Guangzhou	25.4	55.3	The drop in AOP was due to more completion of low-cost housing in last year. Smaller contribution of AOP from Dongguan New World Garden was the main reason for the drop of performance in the region.
- Pearl River Delta	(21.7)	36.7	
Attributable Operating Profit	386.7	377.5	

Attributable Operating Profit By Region

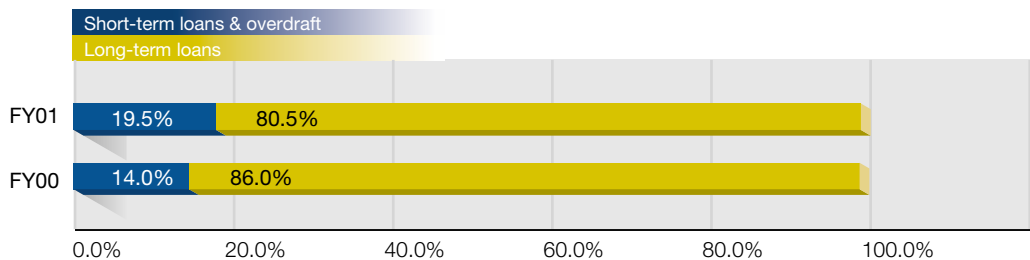


Liquidity & Capital Resources

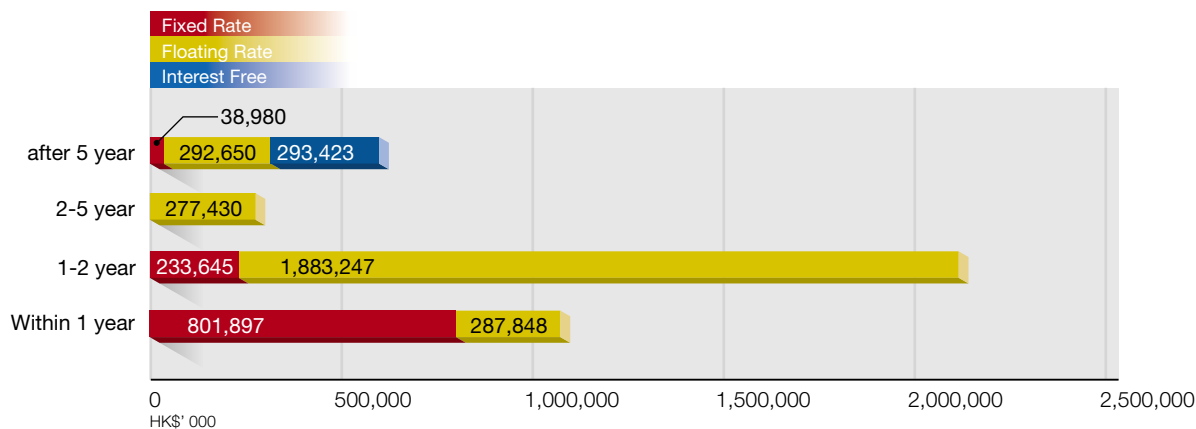
As at 30 June 2001, the Group's cash and bank deposits increased from last year's HK\$682.3 million to HK\$1,252.4 million. Its consolidated net debt amounted to HK\$2,856.7 million (2000: HK\$3,232.4 million), translating into a fall of gearing ratio from 19% to 17%.

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.

Source of Borrowings



Interest Rate and Maturity Profile



Amount of debt due within the FY2002 amounts to HK\$1,089.7 million, which should be comfortably served by our cash on hand of HK\$1,252.4 million and by improved property sales proceeds and rental incomes.

Over 66% (2000: 25%) of the Group's total debts are on a floating rate basis, whilst fixed rate borrowings mainly related to the RMB loan facilities.

