

BUSINESS REVIEW

For the six months ended 31st December 2000, the Group has completed four properties with a total gross floor area ("GFA") of 141,670 sq.m.

Development Projects Completed During 1st Half of FY01

	Usage	Total GFA (sq.m.)	Sold GFA (sq.m.)	Attributable Interest (%)
Community Housing Projects				
Shenyang New World Garden (瀋陽新世界花園)	R	83,720	64,609	90
Beijing Xin Kang Garden Phase I (北京新康家園一期)	R	16,776	16,041	70
Dongguan New World Garden Phase 6B & 10 (東莞新世界花園第6B期及第10期)	R	36,744	16,542	38
Sub-total		137,240	97,192	
Low-cost Community Housing Projects				
Xintang New World Garden – portion of Phase Ia (新塘新世界花園一期第一階段部份)	R	4,430	4,430	Note
Total for the 1st Half		141,670	101,622	

R: Residential

Note: The Group is entitled to a fixed rate return which is predetermined in accordance with the provisions of the joint venture contracts in respect of development of low-cost community housing.

Ten properties with a total GFA of 643,944 sq.m. are under construction and will be completed in the second half of FY01.

Development Projects to be Completed in the 2nd Half of FY01

	Usage	Total GFA (sq.m.)	Attributable Interest (%)
Conventional Property Projects			
Guangzhou New World Casa California (廣州二沙島新世界棕櫚園)	R	20,001	60
Wuhan Tazi Lake Residential Development – Villa (武漢塔子湖住宅發展項目 — 別墅)	R	12,127	50
Sub-total		32,128	
Community Housing Projects			
Beijing Xin Kang Garden Phase IIa (北京新康家園二期第一階段)	R	35,453	70
Beijing New View Garden Phase I (北京新景家園一期)	R	49,478	70
New World Eastern Garden Phase II (廣州東逸花園二期)	R	33,711	45
Dongguan New World Garden Phase 9A (東莞新世界花園第9A期)	R	15,863	38
Hefei New World Garden Phase I (合肥新世界花園一期)	R	48,003	60
Zhuhai New World Harbour-front Garden Phase I (珠海新世界海濱花園一期)	R	19,548	60
Sub-total		202,056	
Low-cost Community Housing Projects			
Xintang New World Garden Phase Ib (新塘新世界花園第一期第二階段)	R	8,013	Note
Wuhan Changqing Garden Phase III (武漢常青花園三期)	R	279,404	Note
Wuhan Changqing Garden – portion of Phase IV (武漢常青花園四期部份)	R	122,343	Note
Sub-total		409,760	
Total for 2nd Half		643,944	

The total number of projects to be completed in FY01 will be eleven projects with a total GFA of 785,614 sq.m.

In anticipation of blooming property market in the People's Republic of China ("PRC") in the coming years, the Group's strategy is to accelerate its development program. Nineteen projects with a total GFA of 1,275,839 sq.m. are scheduled to be completed in FY02.

Property Investment

During the period the Group has completed two shopping arcades in Beijing and Tianjin, Beijing New World Centre Phase II (北京新世界中心二期) and Tianjin Yu Chang Shopping Mall Phase II (天津裕翔商場二期) with a total GFA of 38,730 sq.m. and 10,540 sq.m. respectively. Progress of leasing has been satisfactory so far.

Four investment properties located in Wuhan, Shanghai and Tianjin will be completed in FY02 with a total GFA of 152,201 sq.m.

Current Property Portfolio

The Group's land bank stands at 22.8 million sq.m.

	Projects	GFA (sq.m.)
Conventional Property Projects	39	4,509,148
Community Housing Projects	22	12,836,394
Low-cost Community Housing Projects	7	5,430,091
Total	<u>68</u>	<u>22,775,633</u>

FINANCIAL REVIEW

Overview

The Group recorded a total turnover of HK\$390.2 million for the six months ended 31st December 2000, representing a growth of 16% compared with the same period last year. The increase was largely attributable to the increase in sale of community housing and the improved performance of our investment properties, partially offset by the decrease in sale of low-cost community housing. Profit before taxation rose by 39.5% to HK\$114.9 million. Profit attributable to shareholders grew 14.6% against last year to reach HK\$96.1 million, while earnings per share rose by 15.8%. The increase in profit attributable to shareholders was the result of 11.9% increase in AOP net of 8.1% increase in head office items.

Attributable operating profit ("AOP")

	6 months ended 31st December		
	2000 HK\$'000	1999 HK\$'000	Change %
Conventional property projects	66,850	(28,325)	336.0
Community housing projects	41,962	18,727	124.1
Low-cost community housing projects	52,583	153,901	(65.8)
Land improvement project	(75)	(107)	29.9
Attributable operating profit	<u>161,320</u>	<u>144,196</u>	11.9
Head office items	(65,190)	(60,307)	(8.1)
Profit attributable to shareholders	<u>96,130</u>	<u>83,889</u>	14.6

Conventional property

The AOP of conventional property rose 336% to a profit of HK\$66.9 million from a loss of HK\$28.3 million in 1999. The remarkable increase mainly came from the strong performance of investment property of Tianjin New World Anderson Centre and recovery from the loss suffered from Shanghai's soft market in 1999. With the increased occupancy and rental rate, Tianjin New World Anderson Centre contributed approximately HK\$69.3 million to the increment of AOP. In 1999, loss on sale of properties in Shanghai amounted to HK\$35 million. A total gross floor area of 11,598 sq.m. of conventional property were sold in the 1st half of FY01 against 59,380 sq.m. in last interim period.

Community housing

The AOP of community housing rose to HK\$42 million, an increase of 124%. The increase was mainly due to the completion and the sale of Shenyang New World Garden and Beijing Xin Kang Garden Phase I and the continued satisfactory performance of Dongguan New World Garden. A total gross floor area of 97,973 sq.m. of community housing were sold for the six months ended 31st December 2000, compared with 24,099 sq.m. in last interim period.

Low-cost community housing

The AOP of low-cost community housing dropped 66% to HK\$52.6 million. During the period, the Group completed gross floor area of approximately 4,430 sq.m., compared with 375,130 sq.m. in last interim period. Approximately 409,760 sq.m. of low-cost community housing are scheduled to be completed and launched for sale in the second half of this fiscal year.

Head office items

The increase in head office items was mainly attributable to the increase in staff costs as a result of our increased development activities.

Corporate Finance

The Group's net debt to equity ratio maintained at steady level of below 20% as at 31st December 2000. The Group has continued its objective to make use of the low-interest-rate environment in the PRC to leverage its low gearing and hence improving returns to shareholders.

The calculation of the Group's net debt to equity ratio was based on net debt and shareholders' fund. Net debt is the aggregate of long term and short term bank and other loans net of cash and bank balances.

OUTLOOK

The continued housing demand in the PRC resulting from increased government spending to stimulate the economy and mortgage relaxation will boost the Group's earnings outlook in the coming years with the Group's strategy of expediting its development program.

The imminent accession to the World Trade Organisation will definitely result in increased foreign business activities. The influx of foreign enterprises will stimulate demand for high-grade office facilities, villas, service apartments and hotels together with demand in residential units. The Group will continue its effort on the establishment of a strong recurring income base as more investment properties are to be completed in the next two years.

DEBT PROFILE

	As at 31st December 2000 HK\$'million	As at 30th June 2000 HK\$'million
Maturity Profile		
<i>Long term liabilities maturing</i>		
Within one year	467.8	582.1
1 to 2 years	2,007.7	28.1
2 to 5 years	177.6	1,553.3
Terms as specified in joint venture contracts	69.3	67.5
No specific repayment terms	639.6	1,134.7
	<u>3,362.0</u>	<u>3,365.7</u>
Short term loans	734.2	549.0
	<u>4,096.2</u>	<u>3,914.7</u>
Interest Rate Profile		
Fixed rate	2,018.0	2,022.9
Floating rate	1,438.6	993.2
Interest free	639.6	898.6
	<u>4,096.2</u>	<u>3,914.7</u>
Nature of Debts		
Secured	995.9	810.7
Unsecured	3,100.3	3,104.0
	<u>4,096.2</u>	<u>3,914.7</u>