

Business Review

For the six months period under review, the Group continued to record growth. Turnover reached HK\$502.4 million, an increase of 29% from previous year's HK\$390.2 million. This was mainly due to the increase in property sales as a result of the accelerated completion of property development projects.

Analysis of AOP by Activities

The Group's attributable operating profit ("AOP") by types of activities is as follows:

	6 months ended 31st December	
	2001 HK\$'000	2000 HK\$'000
Property sales	55,126	74,668
Rental operation	56,707	101,575
Hotel operation	8,812	(9,862)
Others	(386)	(75)
AOP	120,259	166,306
Finance costs	(16,147)	(31,447)
Bank and other interest income	57,685	23,601
Loss on disposal of subsidiaries	(8,088)	–
Corporate administrative expenses	(53,067)	(62,330)
Profit attributable to shareholders	100,642	96,130

Property Development

The Group currently has 41 major property development projects with a total GFA of 18.4 million sq.m.. For the six months period under review, the Group has completed eight property development projects in six cities with a total GFA of 584,265 sq.m.. The total number of projects to be completed in FY02 will be 18 projects in 12 cities with a total GFA of 1,295,576 sq.m. compared to a 337,200 sq.m. completion in FY01 in eight cities.

The AOP from property sales amounted to HK\$55.1 million. Major contributors to AOP came from successful sales of Beijing Xin Kang Garden Phase II, Guangzhou New World Casa California and Wuhan Changqing Garden Phase IVB portion. The decrease in AOP against an increase in turnover from property sales revenue was primarily due to the loss recorded from the sale of certain property projects namely, Guangzhou Dong Yi Garden Phase II, Shanghai Hong Kong New World Garden Phase I, and Tianjin Xin An Garden.

Development Projects Completed During 1st Half of FY02

	Usage	Total GFA (sq.m.)	Attributable Interest (%)
Northern Region			
Beijing New View Garden Phase I (北京新景家園一期)	R	62,576	70
Beijing New World Garden Phase I (北京新世界家園一期)	R	52,305	70
Beijing Xin Kang Garden Phase II (北京新康家園二期)	R	73,955	70
Central Region			
Wuhan Changqing Garden Phase IVB portion (武漢常青花園四期B部份)	R	248,928	Note
Shanghai Hong Kong New World Garden Phase I (上海香港新世界花園一期)	R	45,874	80
Southern Region			
Guangzhou Dong Yi Garden Phase II (廣州東逸花園二期)	R,C	47,230	100
Zhuhai New World Riveria Garden Phase I (珠海新世界海濱花園一期)	R	22,139	60
Xintang New World Garden Phase IB (新塘新世界花園一期B)	R	31,258	Note
Total for the 1st Half		584,265	

R : Residential

C : Commercial

H : Hotel

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

Projects to be Completed in 2nd Half of FY02

12 projects in eight cities with a total of GFA 711,311 sq.m. are scheduled for completion in the 2nd half of the financial year.

Projects that have achieved satisfactory sales so far include Dalian New World Plaza Phase I, Wuhan Xin Hua Garden Phase I, Jinan Sunshine Garden Phase I, Guangzhou Dong Yi Garden Phase III and Guangzhou Covent Garden Phase I. With the substantial increase in completion of property development and the persistent strong demand for housing in China, the Group expects to see further increase in profit contribution from property sales.

Development Projects to be Completed in the 2nd Half of FY02

	Usage	Total GFA (sq.m.)	Attributable Interest (%)
Northern Region			
Shenyang New World Garden Phase IB (瀋陽新世界花園一期B)	R	57,761	90
Dalian New World Plaza Phase I (大連新世界廣場一期)	R	35,228	88
Central Region			
Wuhan Xin Hua Garden Phase I (武漢新華家園一期)	R, C	123,543	60
Wuhan Changqing Garden Phase IVB portion (武漢常青花園四期B部份)	R	175,253	Note
Jinan Sunshine Garden Phase I (濟南陽光花園一期)	R	49,339	65
Hefei New World Garden (合肥新世界花園)	R	21,697	60
Southern Region			
Guangzhou Covent Garden Phase I (廣州逸彩庭園一期)	R	35,699	60
Guangzhou Dong Yi Garden Phase III (廣州東逸花園三期)	R	57,928	100
Guangzhou New World South City Phase IIA (廣州嶺南新世界家園二期A)	R	43,571	60
Fangcao Garden Phase I (廣州天河芳草園一期)	R, C	51,058	20
Shenzhen New World Yi Shan Garden Phase I (深圳新世界倚山花園一期)	R	7,596	90
Haikou New World Garden Phase I (海口新世界花園一期)	R	52,638	60
Sub-total for 2nd Half		711,311	
Total for FY02		1,295,576	

Property Investment

The Group has ten completed investment property projects with a total GFA of 464,040 sq.m.. In the 2nd half of FY02, the Group has one investment property scheduled to be completed in Shanghai, namely Changning Ramada Square (上海長寧華美達廣場) with a total GFA of 122,608 sq.m.. Changning Ramada Square comprised a 4-star hotel with a total GFA of 46,102 sq.m. and 500 guest rooms which would start operation soon.

AOP of the Group's rental properties reduced to HK\$56.7 million from previous HK\$101.6 million mainly due to disposal of the interest in podium floors of Wuhan International Trade and Commerce Centre in June 2001. AOP from hotel operation however turned to a profit contribution of HK\$8.8 million from a loss of HK\$9.9 million as a result of stringent control on operating costs.

Investment Property to be Completed in 2nd Half of FY02

	Usage	Total GFA (sq.m.)	Attributable Interest (%)
Shanghai Changning Ramada Square (上海長寧華美達廣場)	R,C,H	122,608	57
Total		122,608	

Liquidity and Capital Resources

As a result of record high property sales, the Group witnessed a growth of 83% from other revenues from bank and other interest income amounted to HK\$61.8 million from HK\$33.8 million at the same period last year. Finance costs also dropped substantially by 49% which is partly due to substantial cut on interest rate and refinancing of bank loan with better terms. The Group's financial position remained strong albeit, gearing ratio rose to 21% from last year's 17% as a result of increased capital injection to new projects in new locations such as Dalian and Nanjing. Cash and bank balances slid down slightly from HK\$1,252 million to HK\$1,135 million. Current ratio stood at 1.94 times against previous period's 1.87 times.

Major Acquisition and Disposals

Pursuant to Buyback Undertaking given by New World Development Company Limited ("NWD") under the Spin Off Agreement entered in July 1999, on 27th December 2001, the Group disposed of its entire interest in three subsidiaries to NWD for a consideration of approximately HK\$401.1 million, resulting in a loss on disposal of HK\$8.1 million.

Outlook

China's steady economic growth and its entry into the World Trade Organization has created a strong demand for quality residential and commercial developments. The Group is in a good position to expand and grow in the China market given its distinctive advantages: diversified property portfolio across sectors, comprehensive geographic coverage and localised business units and management team to adapt business strategies to local environments. The Group will continue to accelerate the development of its residential projects. The Group's investment property portfolio will also set to grow in the coming years to capture the rising needs of quality office buildings, apartments, hotels and shopping arcades.