



Interim Results Announcement 2001/2002

RESULTS

The unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31st December 2001 were as follows:

	Note	Unaudited 6 months ended 31st December	
		2001 HK\$'000	2000 HK\$'000
Turnover	2	502,380	390,245
Other revenues		61,823	33,823
Operating expenses	3	(418,559)	(275,385)
Other operating charge	4	(8,088)	-
Operating profit before financing		137,556	148,683
Finance costs		(16,147)	(31,447)
Share of results of			
Associated companies		(3,836)	(11,670)
Jointly controlled entities		(13,982)	9,383
Profit before taxation		103,591	114,949
Taxation	5	7,371	19,346
Profit after taxation		96,220	95,603
Minority interests		4,422	527
Profit attributable to shareholders		100,642	96,130
Dividend	6	-	-
Earnings per share	7		
Basic		6.80 cents	6.57 cents
Diluted		6.77 cents	N/A

Notes:

1. Principal accounting policies

The unaudited interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting", issued by the Hong Kong Society of Accountants and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with accounting principles adopted in the preparation of the Group's annual financial statements for the year ended 30th June 2001 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP26:	Segment reporting
SSAP28:	Provisions, contingent liabilities and contingent assets
SSAP29:	Intangible assets
SSAP30:	Business combinations
SSAP31:	Impairment of assets
SSAP32:	Consolidated financial statements and accounting for investments in subsidiaries

The changes to the Group's accounting policies and the effects of adopting these new policies is set out below:

Goodwill

Goodwill represents the excess of purchase consideration over the fair values ascribed to net assets of subsidiaries, associated companies or jointly controlled entities acquired.

In previous years, goodwill on acquisitions of subsidiaries, associated companies or jointly controlled entities was written off directly to reserves in the year of acquisition.

Goodwill on acquisitions occurring on or after 1st July 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Any impairment of the goodwill will be recognised as an expense in the profit and loss account immediately.

The Group has adopted the transitional provisions of SSAP 30 and goodwill previously written off against reserves has not been restated. However, any impairment arising on such goodwill is required to be accounted for in accordance with provisions of SSAP 31 "Impairment of assets".

The adoption of provisions of SSAP31 represents a change in accounting policy and accordingly, the Group has made an assessment on any impairment in goodwill or share of goodwill previously eliminated against reserves and considered that an amount of HK\$153,384,000 being the share of goodwill of a jointly controlled entity was impaired during the six months period ended 30th June 2001. The write-off of this share of impaired goodwill by means of a prior year adjustment has the effect of reducing the profit attributable to shareholders for the year ended 30th June 2001 by HK\$153,384,000.

Negative goodwill

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

In previous years, negative goodwill on acquisitions of subsidiaries, associated companies or jointly controlled entities was taken directly to reserves in the year of acquisition.

For acquisitions on or after 1st July 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average life of those assets; negative goodwill in excess of the fair values of those assets is recognised in the profit and loss account immediately.

The Group has adopted the transitional provisions in SSAP30 and such negative goodwill has not been restated.

The interim financial results, which are unaudited, have been reviewed by the audit committee. At the request of directors, the Group's external auditors have carried out a review of these interim financial statements in accordance with the Statement of Auditing Standards 700 issued by the Hong Kong Society of Accountants.

2. Business segment information

	6 months ended 31st December 2001				
	Property sales HK\$'000	Rental operation HK\$'000	Hotel operation HK\$'000	Others HK\$'000	Total HK\$'000
Turnover	439,766	61,033	-	1,581	502,380
Segment results	103,877	37,152	(40)	37	141,026
Bank and other interest income					57,685
Loss on disposal of subsidiaries					(8,088)
Corporate administrative expenses					(53,067)
Operating profit before financing					137,556
Finance costs					(16,147)
Share of results of					
Associated companies	(4,351)	(369)	884	-	(3,836)
Jointly controlled entities	(38,346)	16,639	7,968	(243)	(13,982)
Profit before taxation					103,591
Taxation					7,371
Profit after taxation					96,220
Minority interests					4,422
Profit attributable to shareholders					100,642

	6 months ended 31st December 2000				
	Property sales HK\$'000	Rental operation HK\$'000	Hotel operation HK\$'000	Others HK\$'000	Total HK\$'000
Turnover	302,616	83,671	3,958	-	390,245
Segment results	84,894	98,336	3,918	264	187,412
Bank and other interest income					23,601
Corporate administrative expenses					(62,330)
Operating profit before financing					148,683
Finance costs					(31,447)
Share of results of					
Associated companies	(4,257)	(950)	(6,463)	-	(11,670)
Jointly controlled entities	13,127	3,837	(7,317)	(264)	9,383
Profit before taxation					114,949
Taxation					19,346
Profit after taxation					95,603
Minority interests					527
Profit attributable to shareholders					96,130

3. Operating expenses

	6 months ended 31st December	
	2001 HK\$'000	2000 HK\$'000
Cost of properties sold	(314,741)	(183,802)
Staff costs	(51,557)	(41,764)
Depreciation	(5,865)	(4,607)
Amortisation of deferred expenditure	(1,825)	(2,794)
Other operating expenses	(44,571)	(42,418)
	(418,559)	(275,385)

4. Other operating charge

	6 months ended 31st December	
	2001 HK\$'000	2000 HK\$'000
Loss on disposal of subsidiaries	(8,088)	-

5. Taxation

	6 months ended 31st December	
	2001 HK\$'000	2000 HK\$'000
Company and subsidiaries PRC income tax	576	10,386
Jointly controlled entities PRC income tax	6,795	8,960
	7,371	19,346

No provision for Hong Kong profits tax has been made within the Group as the Group has no assessable profits in Hong Kong for the period (2000: nil). PRC income tax has been provided on the estimated assessable profits of a subsidiary operating in the PRC at the applicable rate of taxation.

The Group's jointly controlled entities established in the PRC are required to pay income tax at the rate of 33% (2000: 33%).

6. Dividend

The directors do not declare the payment of a dividend for the six months ended 31st December 2001 (2000: nil).

7. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$100,642,000 (2000: HK\$96,130,000) and the weighted average of 1,480,338,406 shares (2000: 1,463,772,938 shares) in issue during the period.

Diluted earnings per share for the period is based on profit attributable to shareholders of HK\$100,642,000 divided by 1,480,338,406 shares which is the weighted average number of shares in issue during the period plus the weighted average of 6,749,129 shares deemed to be issued at no consideration as if all outstanding share options had been exercised. Diluted earnings per share is not presented for 2000 as the Company had no dilutive potential shares as at 31st December 2000.

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)
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. 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 Riviera 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 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 (%)
Northeast 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 operation 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.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON EXCHANGE'S WEBSITE

A detailed results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited.

Dr. Cheng Kar-Shun, Henry
Chairman and Managing Director

Hong Kong, 22nd March 2002