



New World China Land Limited

New World China Land

Annual Report 2001

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When the sky is round and the earth is level, then there will be space for living

“

“China’s economy has witnessed remarkable growth in the last few years. A significant increase in disposable income has stimulated demand for a quality living environment. As in the past, New World China Land Limited (“NWCL”) has always dedicated itself fully not only to deliver quality properties but also to create a lifestyle for those who appreciate the joy of living.

What do we mean by ‘the joy of living’? At NWCL, we believe that by delivering superior architecture and design, detailed landscape features, spacious floor layout, fine craftsmanship and finishes, as well as reliable and comprehensive property services, we can share this joy of living with our customers. At NWCL, we believe quite simply in the best.”

”

NWCL, listed on the Stock Exchange of Hong Kong Limited (“SEHK”) in July 1999, is the China property arm of New World Development Company Limited (“NWD”). NWCL’s well-diversified property portfolio comprises 41 major projects ranging from residential communities, service apartments and villas, to multi-use complexes as well as hotels across 22 high growth cities in China.

Building on its mission to become a leading nationwide developer and to meet the nation’s increasing need for quality developments, NWCL is firmly positioned to deliver increasing growth for its shareholders.

Projects with Great Potential

The Company's property projects are concentrated in national and provincial capitals, high-economic growth regions or transportation hubs such as Beijing, Tianjin, Shenyang, Shanghai, Wuhan, Guangzhou and Pearl River Delta. The portfolio encompasses:

41 major development projects for sale with a total GFA of 18,268,737 sq.m. together with investment properties under development of 734,658 sq.m.

10 completed investment properties with a total GFA of 464,040 sq.m.

| Property Portfolio By Type | |
|---|------------------|
| Major development projects for sale | 18,268,737 sq.m. |
| Investment properties under development | 734,658 sq.m. |
| Completed investment properties | 464,040 sq.m. |
| | 19,467,435 sq.m. |

| Major Development Projects For Sale By Location | |
|---|------------------|
| Beijing | 2,889,022 sq.m. |
| Tianjin | 1,800,993 sq.m. |
| Shenyang | 3,109,232 sq.m. |
| Shanghai | 581,049 sq.m. |
| Wuhan | 2,897,795 sq.m. |
| Guangzhou | 3,849,593 sq.m. |
| Pearl River Delta | 2,198,093 sq.m. |
| Other Regions | 942,960 sq.m. |
| | 18,268,737 sq.m. |

| Major Development Projects For Sale By Usage | |
|--|------------------|
| Residential | 14,717,705 sq.m. |
| Commercial | 1,518,010 sq.m. |
| Office | 520,420 sq.m. |
| Others | 1,512,602 sq.m. |
| | 18,268,737 sq.m. |

| Investment Properties Under Development By Location | |
|---|---------------|
| Beijing | 68,346 sq.m. |
| Shanghai | 259,733 sq.m. |
| Wuhan | 216,300 sq.m. |
| Other Regions | 190,279 sq.m. |
| | 734,658 sq.m. |

| Investment Properties Under Development By Usage | |
|--|---------------|
| Residential | 84,405 sq.m. |
| Commercial | 264,412 sq.m. |
| Office | 140,266 sq.m. |
| Hotel | 131,782 sq.m. |
| Others | 113,793 sq.m. |
| | 734,658 sq.m. |

| Completed Investment Properties By Location | |
|---|---------------|
| Beijing | 222,948 sq.m. |
| Tianjin | 101,934 sq.m. |
| Shenyang | 32,200 sq.m. |
| Wuhan | 19,673 sq.m. |
| Pearl River Delta | 87,285 sq.m. |
| | 464,040 sq.m. |

| Completed Investment Properties By Usage | |
|--|---------------|
| Residential | 34,115 sq.m. |
| Commercial | 223,289 sq.m. |
| Office | 46,639 sq.m. |
| Hotel | 104,622 sq.m. |
| Others | 55,375 sq.m. |
| | 464,040 sq.m. |

Shenyang

One major development project for sale with a total GFA of 3,109,232 sq.m.

One completed investment property with a total GFA of 32,200 sq.m.

Dalian

One major development project for sale with a total GFA of 120,394 sq.m. together with investment property under development of 52,195 sq.m.

Beijing

Seven major development projects for sale with a total GFA of 2,889,022 sq.m. together with investment properties under development of 68,346 sq.m.

Three completed investment properties with a total GFA of 222,948 sq.m.

Tianjin

Four major development projects for sale with a total GFA of 1,800,993 sq.m.

One completed investment property with a total GFA of 101,934 sq.m.

Shanghai

Four major development projects for sale with a total GFA of 581,049 sq.m. together with investment properties under development of 259,733 sq.m.

Jinan

One major development project for sale with a total GFA of 480,459 sq.m.

Hefei

One major development project for sale with a total GFA of 69,782 sq.m.

Wuhan

Four major development projects for sale with a total GFA of 2,897,795 sq.m. together with investment properties under development of 216,300 sq.m.

Two completed investment properties with a total GFA of 19,673 sq.m.

Nanjing

One major development project for sale with a total GFA of 74,237 sq.m. together with investment property under development of 138,083 sq.m.

Guangzhou

Seven major development projects for sale with a total GFA of 3,849,593 sq.m.

Pearl River Delta

Nine major development projects for sale with a total GFA of 2,198,093 sq.m.

Three completed investment properties with a total GFA of 87,285 sq.m.

Haikou

One major development project for sale with a total GFA of 198,088 sq.m.

**Northeast
Region**

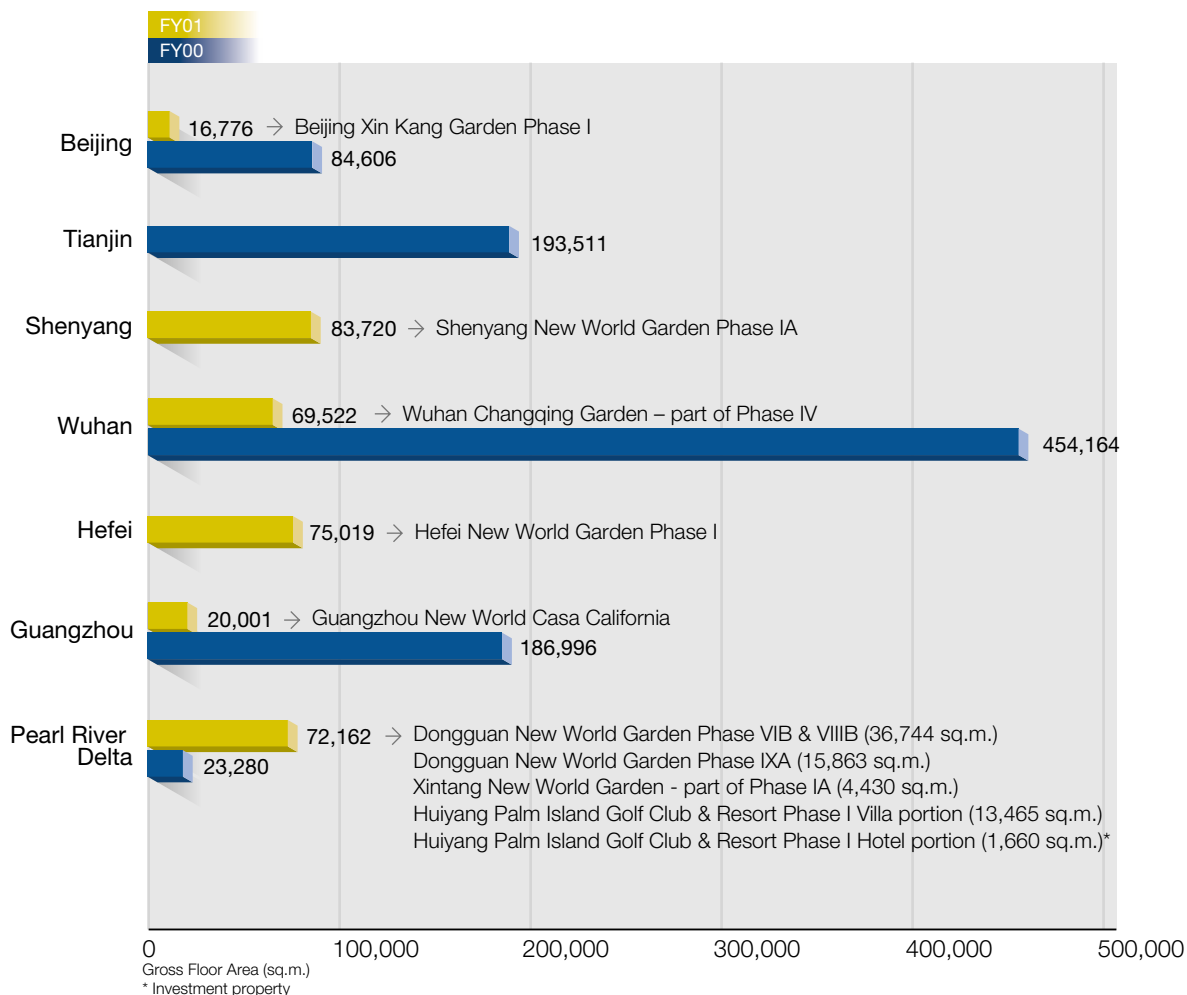
**Northern
Region**

**Central
Region**

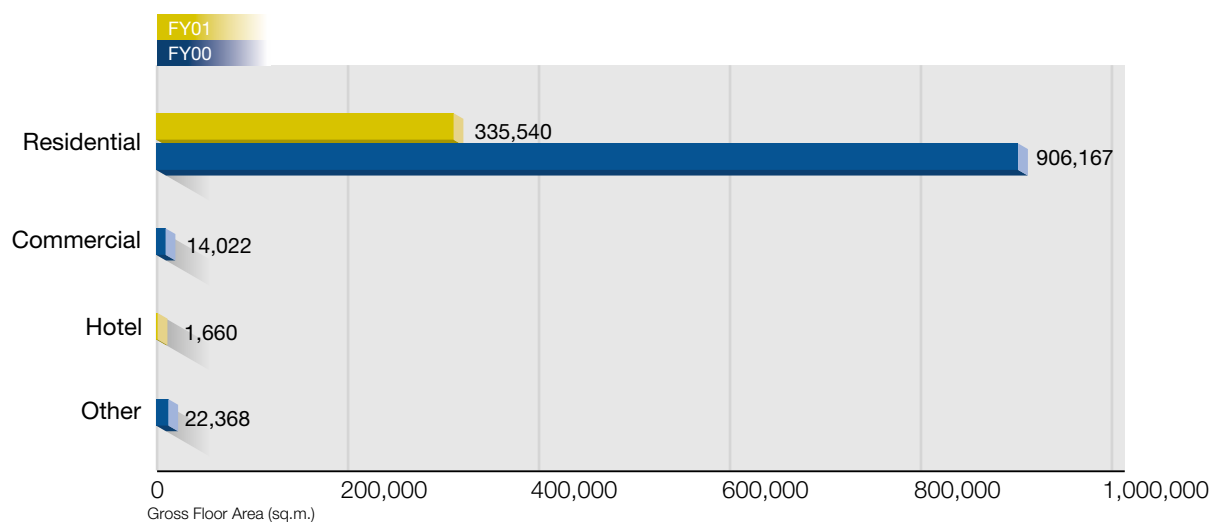
**Southern
Region**

2001 Milestones

Completion of Gross Floor Area By Location



Completion of Gross Floor Area By Usage



Project Acquisitions/Disposals

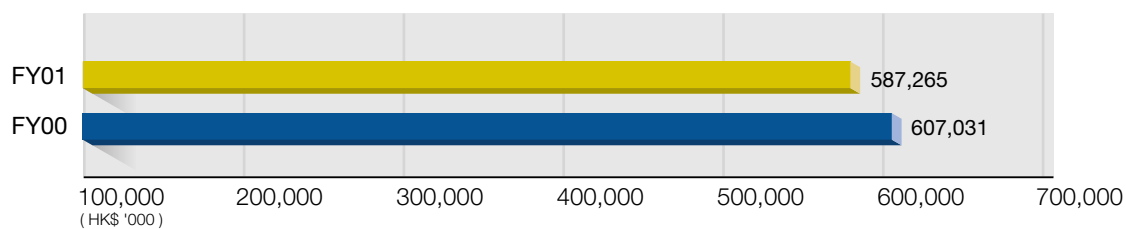
- Increased interests in Tianjin New World Xin An Shopping Centre and Tianjin Xin An Garden from 51% to 100% in November 2000.
- Increased interests in Beijing Lai Loi Garden from 24.5% to 35% in June 2001.
- Increased interests in Nanjing New World Centre from 48% to 92% in June 2001.
- Disposed of interests in Wuhan International Trade Centre Main and Annex Building shopping mall portion in June 2001.

Financial Highlights

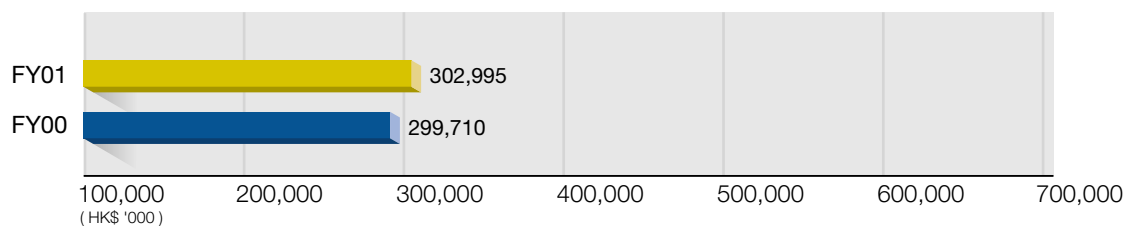
| Key Financial Data | | |
|-------------------------------------|---------------------|---------------------|
| | FY 2001 HK\$'000 | FY 2000 HK\$'000 |
| Operating Results | | |
| Turnover | | |
| Property sales | 415,798 | 439,272 |
| Rental operation | 171,467 | 158,535 |
| Hotel operation | - | 9,224 |
| Total turnover | 587,265 | 607,031 |
| Finance costs | (69,996) | (79,173) |
| Profit before taxation | 232,999 | 220,537 |
| Profit attributable to shareholders | 206,994 | 203,529 |
| Earnings per share | | |
| Basic | 14.13 cents | 13.90 cents |
| Diluted | 14.08 cents | N/A |
| Financial Position | | |
| Cash and bank balances | 1,252,375 | 682,302 |
| Total assets | 23,144,442 | 22,049,563 |
| Total liabilities | 5,611,812 | 4,942,505 |
| Shareholders' funds | 17,469,752 | 16,988,519 |
| Financial Ratios | | |
| Current ratio | 1.87 | 1.44 |
| Net debt to equity ratio | 17% | 19% |

| Bank Borrowings Profile | | |
|-------------------------|---|---|
| Outstanding Amount | 30 June 2001 HK\$'Million Equivalent | 30 June 2000 HK\$'Million Equivalent |
| Renminbi loans | 1,035 | 589 |
| US Dollar loans | - | 373 |

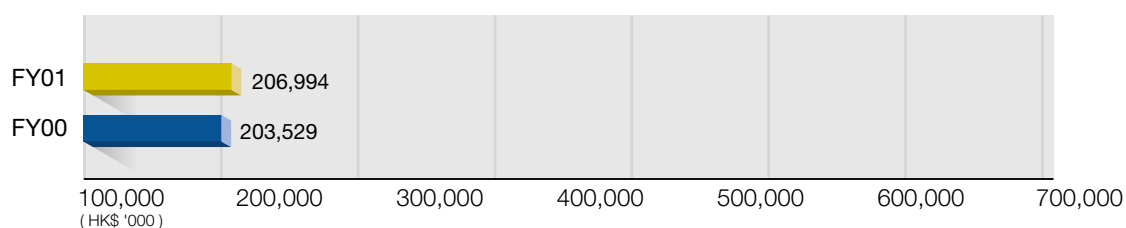
Turnover



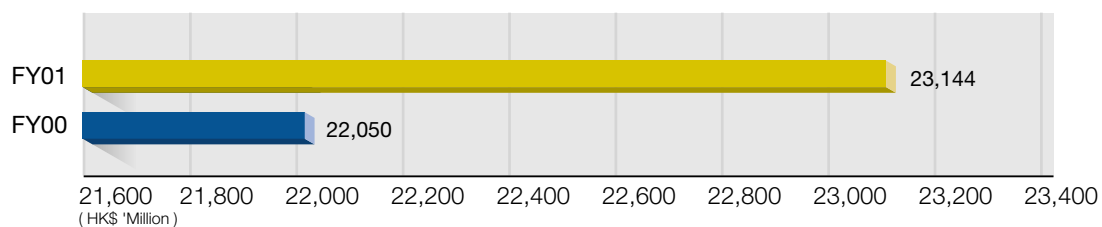
Operating Profit Before Interest and Taxation



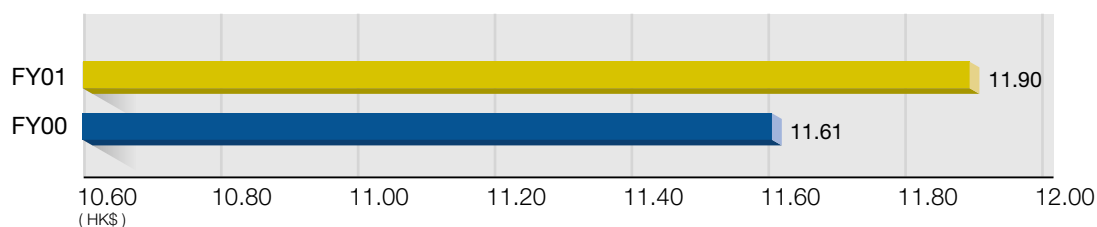
Profit Attributable to Shareholders



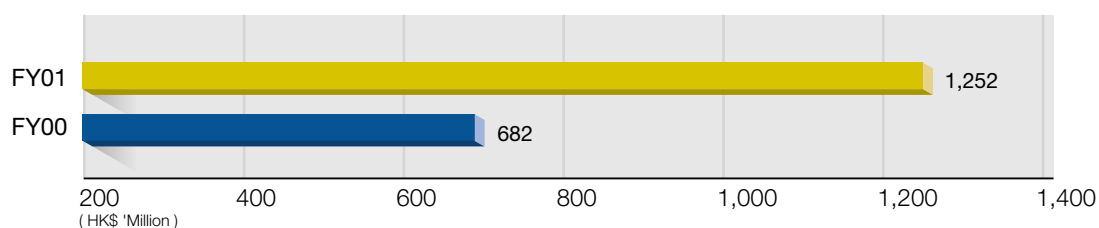
Total Assets



Net Asset Value per Share



Cash and Bank Balances





Strong Economy

Strong Market Position

**New World China Land
is well placed to take
advantage of China's
improving economy.**

At New World China Land, Our Focus Has Always Been Very Clear:

To accelerate our property development schedule across the country to capture the upturn in the PRC property market.

To grow our rental properties portfolio base in view of the increasing need for quality offices, hotels, service apartments and retail malls in the most economically vibrant cities of China.

We believe that New World China Land is well placed to take advantage of China's improving economy and that the years to come will see the harvest of our long-term investment strategy.

Our Strategic Position

A number of factors are contributing to our strong strategic position. We have the largest land bank owned by any foreign property developer. We therefore stand to benefit greatly from the ongoing housing and banking reform policies that are being implemented by the government. Since our developments are located in the high-growth areas of China, such as Beijing, Shanghai, Guangzhou and the Pearl River Delta, we are excellently placed to sell both our high-quality mass residential units and our luxury developments to buyers with increasing disposable incomes.

**New World name
attracts considerable
recognition
throughout China.**

Improving Economy on Solid Ground = Growth of Demand

We expect the demand for our properties will grow in the years to come. China's economic future looks more promising than that of many developed countries, which are struggling with economic slowdown. China's imminent entry into the WTO and Beijing's successful application to host the Olympic Games in 2008 will attract an influx of foreign capital and stimulate enormous investment in public infrastructure facilities, hotels, offices and residential buildings.

The Quality Factor

As the China property market continues to develop, the demand for housing is also shifting from the concept of a simple roof over the head to a higher awareness of the need for comfortable and spacious living environments with convenient facilities. Brand name, high quality of housing and quality property management services are becoming key competitive factors in the market.

Again we find ourselves in the right place, at the right time. Over the past two years, we have focused on developing a high level of brand recognition in the market. Indeed, the New World name attracts considerable recognition throughout China. Through our long-term commitment to bringing quality housing to meet local demand, we have built not only a strong market presence, but also strong local operational, business and financial expertise.

Above all, we have become widely known for offering quality design and quality control of construction. Our strategy of introducing high technology to our developments, such as broadband services and Intelligent Home Systems, has also helped us to enhance our brand recognition. This, in turn, has enabled us to achieve growth on our property sales turnover this year and we fully expect it to do so in the coming years.

Reaping the Harvest

Going forward, we have a detailed plan in place. By continuing to focus on developing quality residential communities, we expect to realise the value of our assets at a steadily gathering pace. This expectation is based on the potential for increasing income from our investment properties. We stand poised to enjoy the potential of China's vast market and to reap the benefits for our shareholders for many years to come.

Dr. Cheng Kar-shun, Henry

Chairman and Managing Director

Hong Kong, 10 October 2001

**We stand poised to
enjoy the potential of
China's vast market.**

A Conversation with **the Chairman**

Despite substantial growth in the PRC property market, certain cities have experienced intense competition. How is New World China Land addressing that?

Our approach is threefold: Differentiation. Product Excellence. Brand Equity Management. By drawing on our thirty years of property experience in Hong Kong and our local know-how, we believe we are able to deliver the best of both world to our customers. At the same time, we are gradually building up our brand equity. We understand local market trends and customer behaviors irrespective of different market segments. We aim to create aspirational values at affordable prices and to enrich the lifestyle of our customers.

How is New World China Land optimising returns in view of China's imminent entry into the WTO and Beijing's hosting of the 2008 Olympics?

We are developing the right product in the right place. We are putting a lot of thought into product positioning. And we are accelerating our development schedule to meet rising demand, thereby realising the company's asset values within a rapid time frame. In the most vibrant growth cities of Beijing and Shanghai, our emphasis is on Grade A office space, intelligent buildings, housing for expatriates such as villas and service apartments, as well as housing for local managers to upgrade their lifestyle. We are also focusing on space for rental such as hotels, offices, shopping malls and service apartments in commercial multi-use complexes. Across the country as a whole,

in accordance with a growing desire for quality living, we are creating residential communities with excellent architectural design, spacious floor layout, meticulous landscaping and open space, comprehensive property services.

Is there a limit to how much New World China Land can build in the coming years?

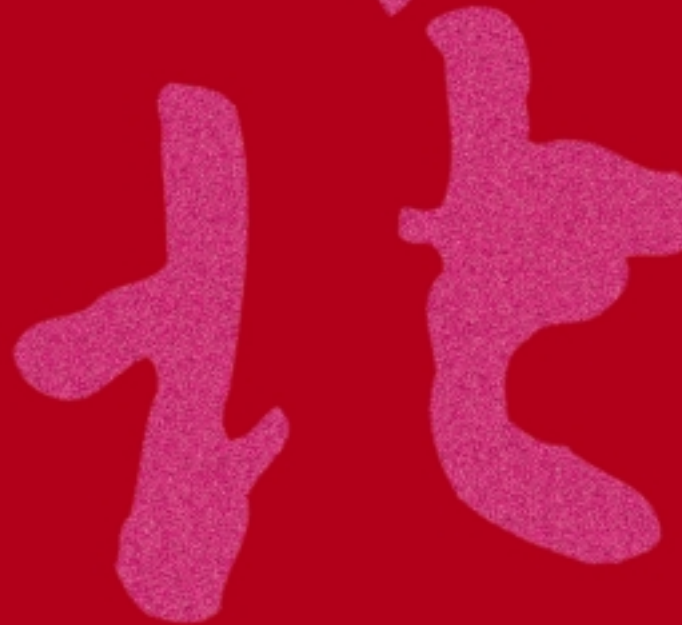
Our land bank stands at 19 million sq.m. across major cities, transportation and trading hubs. Given the sheer size of our land bank, we have enough work in hand. In terms of management capacity, we have already established well-trained and qualified foreign and local management teams to execute project works. Financially, we have achieved satisfactory property presale programs which are bringing in substantial operational cash flows.

Besides property sales, how will recurrent income improve your company's returns?

Our current rental base comes from several major projects, including the Beijing New World Centre Complex, Tianjin New World Xin An Shopping Centre and hotels. In the coming years, we will be completing three more major investment properties; namely, Hong Kong New World Tower, Changning Ramada Square in Shanghai, and Dalian New World Plaza. We expect our rental base to grow significantly once these properties are completed and are contributing to the Group's bottom line.



Northern Region



CELEBRATION A festival in one of our multi-use complexes in Beijing brings smiles to the faces of the participants. Occupants and visitors alike can enjoy many activities in one convenient location





- Seven projects representing 16.3% of the total property portfolio
- Three projects representing 48.0% of total completed investment properties

The Market

In the first half of 2001,

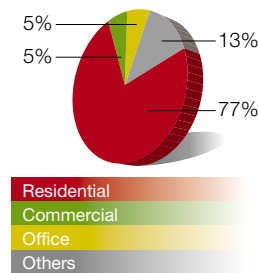
- GDP rose 11% to Rmb 123.3 billion;
- Sales of commodity real estates surged 8.5% to 2.5 million sq.m.;
- Sales of residential units increased to 2.4 million sq.m., representing an increase of 7.1%;
- Sales to individuals reached 2.2 million sq.m., accounting for 93.8% of total residential sales;
- Investment in real estate development rose 53.1% to Rmb 24.9 billion; compared to the same period last year.

The occupancy rate of Grade A office was 85% as of June 30, 2001.

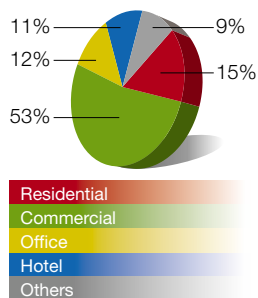
Beijing New World Centre Phase I

Beijing

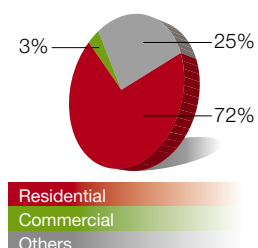
Development Properties For Sale Total GFA



Completed Investment Properties Total GFA



Investment Properties Under Development Total GFA



Property Development

The Group is strategically positioned to pursue its developments in Chongwen District. **Chongwen District** is located near the heart of the capital with Tiananmen Square at the north, the Temple of Heaven to the south, the well-known commercial districts to the west, and the burgeoning core business district to the east. These conveniently located developments fully capitalize on their close proximity to the major metropolitan features of the city and to its sites of historical splendour.

Since 1993, the Group has been working with the Chongwen District Government to improve the infrastructure of the district. In 1997, the Chongwenmenwai Street widening programme was completed. In 2001, the Guang On Street was also widened into a 70-meter wide thoroughfare. Guang On Street runs parallel to the famous Chang An Avenue and cuts across Chongwen District from west to east. On both sides of the avenue are comprehensive shopping facilities with premier retail stores, food and beverage outlets which are in the process of completion. The district government is developing Guang On Street into a "Metropolitan Walk" avenue [大都會商業步行街], much like the one located at the renowned Huangfujing Street [王府井大街]. With the improvement of infrastructure facilities and increased business activities, the Group's development in Chongwen District stands to reap substantial benefits.

The Group's property development in the Chongwen District includes Beijing New World Centre Phase I and Phase II, Beijing New World Garden and other developments.

Beijing New World Centre Phase II (Tai Hua Plaza), a modern development of luxurious residential flats, consists of three 18-storey towers providing residents with a comfortable and convenient living environment.



New Face of Chongwen District, Beijing:
 Architectural Elevation of the
 Group's Development on
 Chongwenmenwai Street

The modern metropolitan style building is conveniently located next to the underground railway station. Sales of Tai Hua Plaza have been satisfactory, with more than 22,000 sq.m. sold out of a total allocation of 56,292 sq.m..

Beijing New World Garden Phase I & II is located next to the south of Tai Hua Plaza and will be developed into an upscale residential area with a total GFA of 196,423 sq.m.. A luxury clubhouse with indoor swimming pool and gym facilities will also be built. Phase I is scheduled to be completed in October 2001 and over 60% has already been sold. Phase II A comprises residential area of 60,918 sq.m. and will be completed in June 2003. The remaining phases will be developed in the next three to four years.

Other developments in Chongwen include Beijing New World Garden Phase III (Formerly known as Chongwen District Development Lot #1), Beijing New View Garden (Lot #5) and Xin Fu Garden (Lot #6). All of these developments help make up the Chongwen District Development project with a total site area of 650,949 sq.m. and total GFA of approximately 915,507 sq.m.. They will be developed in different phases into a modern residential zone within the Chongwen District.

Xin Kang Garden is located in the Beijing Economic and Technological Development Zone [北京經濟技術開發區] at the southeast of Beijing and has a site area of 101,894 sq.m.. The site will be developed into a residential area of 230,160 sq.m. comprising 19 residential buildings. Phase I, with a total residential area of 16,955 sq.m., was completed in the latter part of year 2000 and has been completely sold out. Phase II, with a total residential area of 72,317 sq.m., was launched for sale in March and over 40% has been pre-sold. The scheduled completion date is October 2001.



Lingal Garden is located at Xuedaren Village [薛大人莊], Tianzhu Town [天竺鎮] Shunyi County [順義縣], which is famous for its luxury villa and high class apartments. This project, with a total GFA of 127,400 sq.m., will be developed into a low density luxury residential area, comprising 132 villas and 15 low-rise apartments with indoor swimming pool and other amenities. The project is scheduled to be completed between 2002 and 2003.

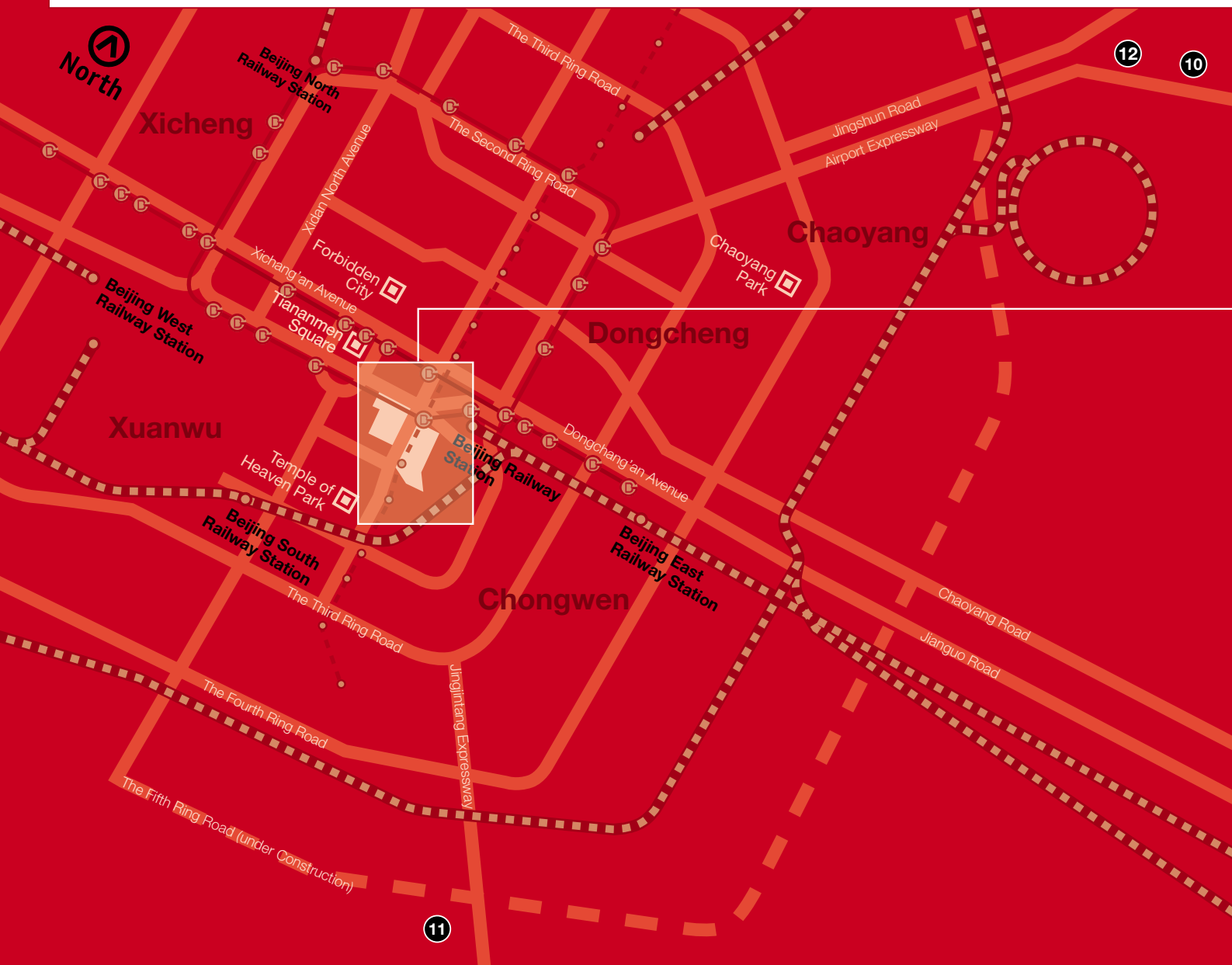
Property Investment

Beijing New World Centre Phase I has a total rentable GFA of 126,740 sq.m., comprising 74,233 sq.m. of shopping mall, 26,751 sq.m. of office space, 5,800 sq.m. of service apartments and 19,956 sq.m. of car park. The shopping mall continued to achieve a near full occupancy rate and contributed to a promising growth in rental income. Office space recorded an 83% occupancy rate at the end of the financial year.

New World Courtyard Hotel, Beijing located within Beijing New World Centre Phase I, with a total GFA of 23,988 sq.m. and 293 guest rooms, continued to record a satisfactory occupancy rate of over 80% during the year under review.

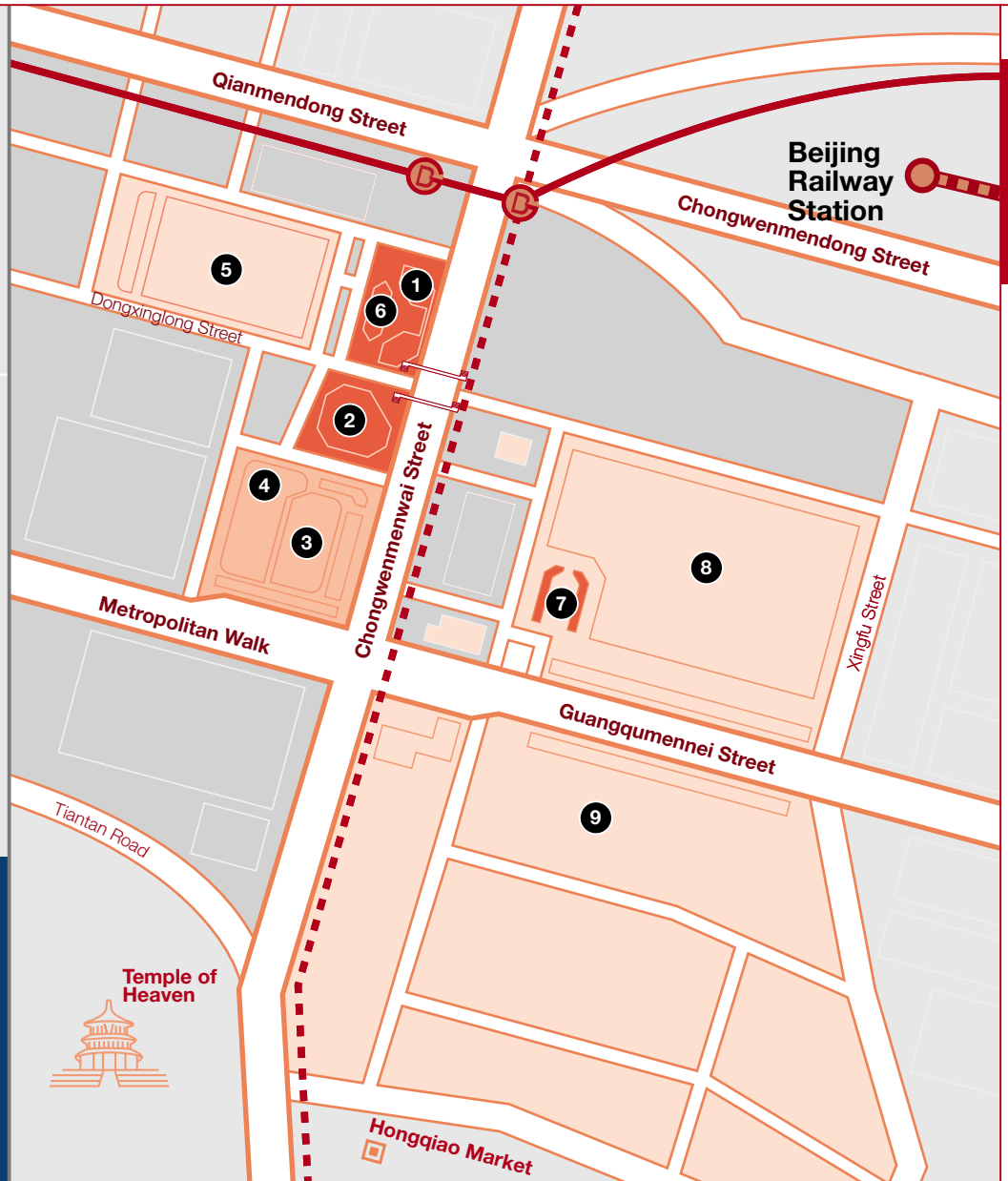
Beijing New World Centre Phase II has a total rentable GFA of 72,217 sq.m., comprising 28,314 sq.m. of service apartments and 43,903 sq.m. of shopping area. The interior renovation of the service apartments has recently been completed and leasing commenced in September 2001; leasing progress has been satisfactory so far. The shopping area is over 90% leased.

Beijing New View Garden Phase I has a total residential and commercial area of 49,478 sq.m. and 2,159 sq.m., respectively. The project was completed in October 2001, and leasing progress has been steady.



Beijing Regional Map

Beijing, the ancient capital of Middle Kingdom, has long been honoured as the centre for politics, business, education, art and culture. The modern day Beijing has subsequently flourished from such fertile beginnings to become a vibrant metropolis where communications, infrastructure, information technology and even sports have reached their highest pinnacle.



- Railway
- Metro Line
- Metro Line (under construction)
- Subway
- Completed Development
- Under Construction
- Future Development



Hongqiao Market

- ① Beijing New World Centre Phase I
- ② Beijing New World Centre Phase II
- ③ Beijing New World Garden Phase I
- ④ Beijing New World Garden Phase II
- ⑤ Beijing New World Garden Phase III
- ⑥ New World Courtyard Hotel, Beijing
- ⑦ Beijing New View Garden Phase I
- ⑧ Beijing New View Garden Remaining Phases
- ⑨ Xin Fu Garden
- ⑩ Lai Loi Garden
- ⑪ Xin Kang Garden
- ⑫ Lingal Garden



Beijing New World Centre Phase II



Beijing New World Centre Phase I



■ Four projects representing 9.8% of the total property portfolio

■ One project representing 22.0% of total completed investment properties

The Market

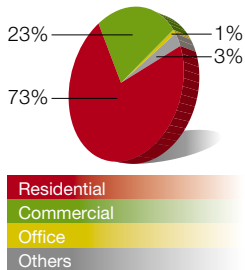
In the first half of 2001,

- GDP rose 12% to Rmb 83.6 billion;
- Sales of commodity real estate climbed 1.5% to 3.4 million sq.m.;
- Sales of residential units increased to 1.9 million sq.m., representing a rise of 49%;
- Sales to individuals reached 1.8 million sq.m., accounting for 98.4% of total residential sales;
- Investment in real estate developments rose 20.3% to Rmb 55.1 billion; compared to the same period last year.

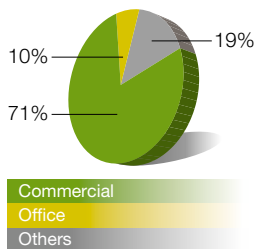
Atrium, Tianjin New World Xin An
Shopping Centre

Tianjin

Development Properties For Sale Total GFA



Completed Investment Properties Total GFA



Property Development

Tianjin New World Garden is a large-scale high-end residential development in Heping District [和平區], the heart of Tianjin city. Located next to the famous tourist spot "Food Street", Phase I & II of the project will comprise 106,408 sq.m. of residential area and 18,161 sq.m. of commercial area. Designed with a Southern California style of architecture and a meticulous landscape design, this project will be a premier development in Tianjin. Phase I with a total GFA of 70,160 sq.m. is scheduled to be completed in early 2003.

Xin Chun Hua Yuan Development is located in Hongqiao District [紅橋區] and comprises a site area of 72,800 sq.m.. Phase II, with a residential GFA of 32,985 sq.m. and a commercial GFA of 1,600 sq.m., was put on the market for presale and take-up has been steady so far.



→ From Left to Right

- Flag rising ceremony, Tianjin New World Xin An Shopping Centre
- Interior, Tianjin New World Xin An Shopping Centre
- Tianjin Xin An Garden

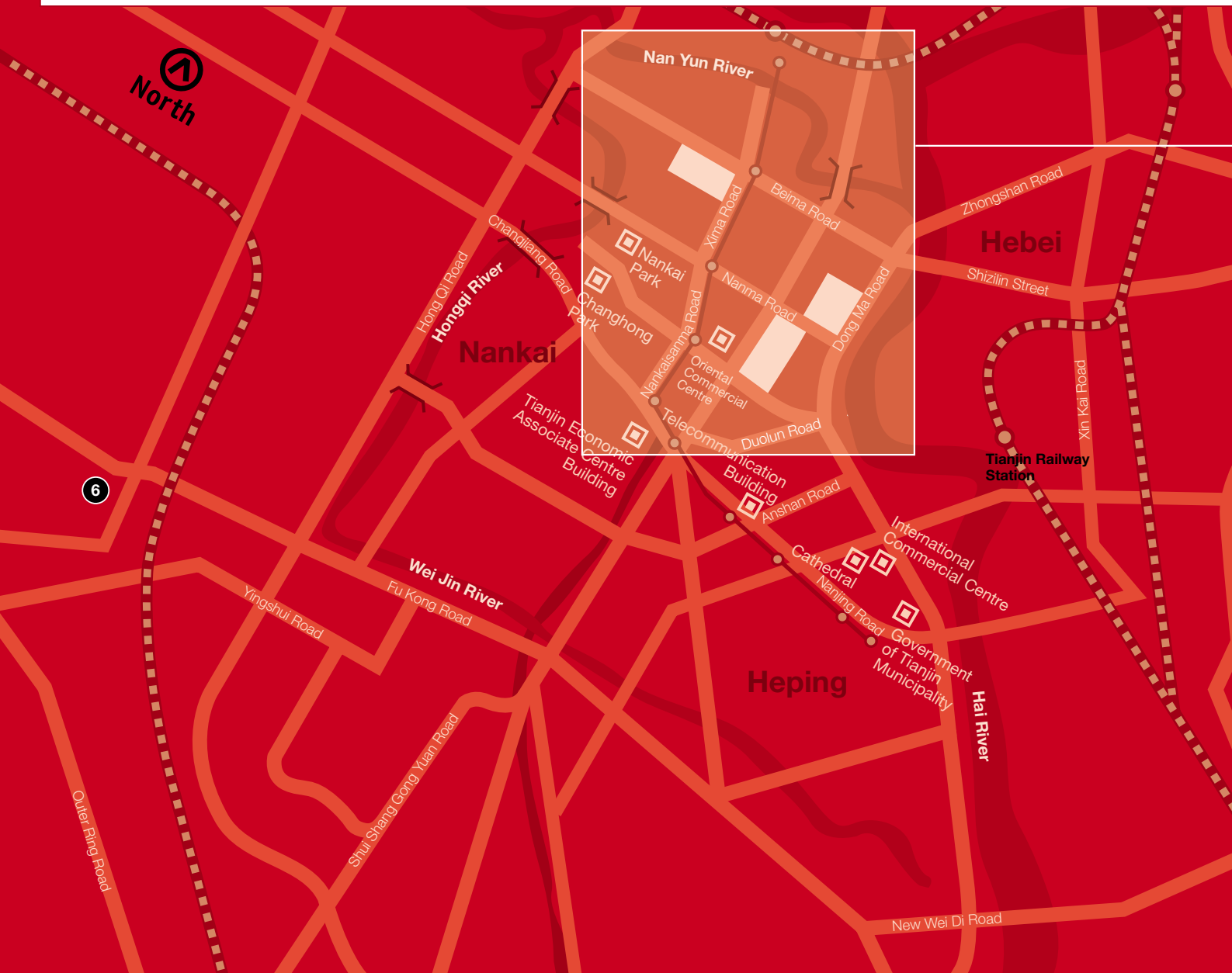
Xin An Garden is located conveniently next to the **New World Xin An Shopping Centre**. Phase I is completed and comprises a residential area of 66,017 sq.m.. With its elegant high rise structure and myriad facilities, sales of the property have been satisfactory with approximate 74% already being sold. The development of Phase II is currently in its planning stage.

The Group has a sizeable land reserve in the Heping District; various lots are under discussion with a number of potential buyers.



Property Investment

New World Xin An Shopping Centre (Formerly known as Tianjin New World Anderson Centre) is a regional shopping centre located at Dongma Road [東馬路] in the Nankai District [南開區], which is one of the major urban commercial districts. The shopping centre comprises 71,998 sq.m. of shopping area, 10,464 sq.m. of office area and a car park area of 19,471 sq.m.. With comprehensive facilities including mega store, bowling recreation centre and entertainment complex, the Centre is close to full occupancy. In November 2000, the Group acquired the remaining 49% interest of the project.



Tianjin Regional Map

Tianjin, which functions as the transportation hub and sea port is now the trading gateway for today's Northern China.

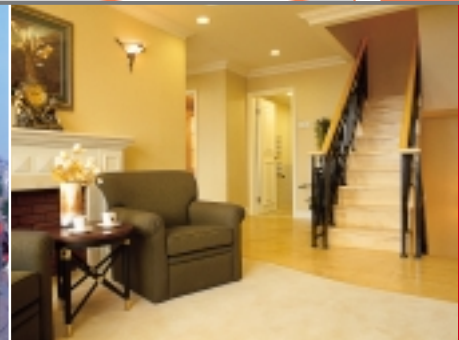


- Railway
- Metro Line
- Bridge
- Completed Development
- Under Construction
- Future Development

- ① New World Xin An Shopping Centre
- ② Xin An Garden
- ③ Tianjin New World Garden I-III Remaining Phases
- ④ Tianjin New World Garden Remaining Phases
- ⑤ Xin Chun Hua Yuan Development
- ⑥ Huayuan Residential Area Development Sub Area 4 and 8



New World Xin An Shopping Centre



Model Home, Xin An Garden



Northeast Region



COMMUNITY LIVING Far from the stress of work, family and friends can enjoy the pleasures of open space parks and gardens, outdoor recreation and simple togetherness in a healthy and scenic environment





■ One project representing 16.1% of the total property portfolio

■ One project representing 6.9% of total completed investment properties

The Market

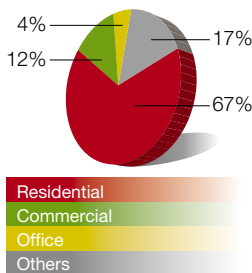
In the first half of 2001,

- GDP surged 8.2% to Rmb 48.7 billion;
 - Sales of commodity real estates rose 9.7% to 0.5 million sq.m.;
 - Sales of residential units increased to 0.5 million sq.m. or a surge of 8.7%;
 - Investment in real estate developments rose 2.8% to Rmb 1.2 billion;
- compared to the same period last year.

Shenyang New World Garden Phase I

Shenyang

Development Properties For Sale Total GFA

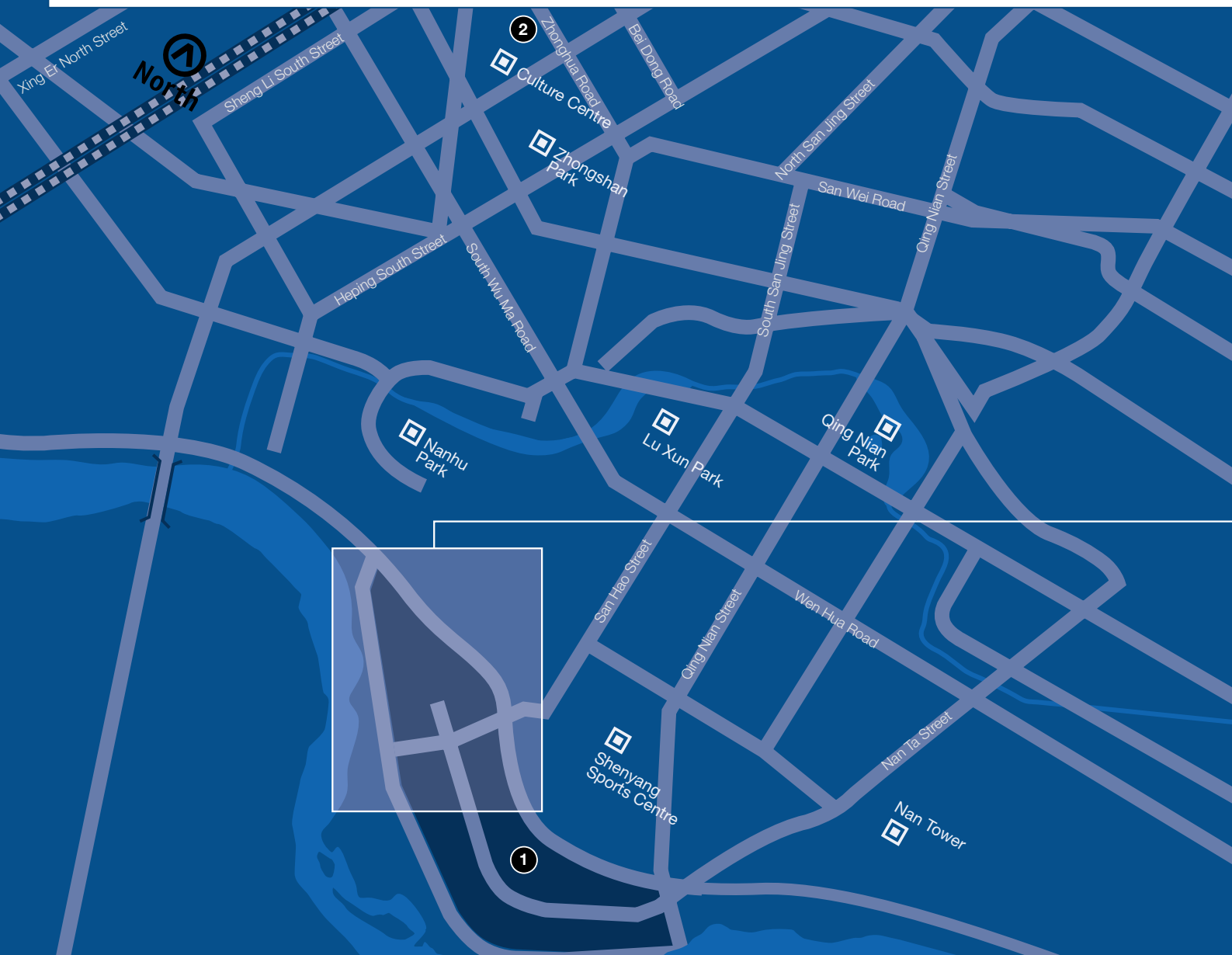


Property Development

Shenyang New World Garden, the Group's landmark development in Shenyang, is located exquisitely by the side of the Hun River [渾河]. This large-scale residential development has a total GFA of 3,109,232 sq.m.. Phase IA, completed in December 2000, comprises a residential area of 83,720 sq.m. and is already 94% sold. Phase IB is comprised of 59 villas, totalling to 17,447 sq.m., 170 apartment units totalling to 27,247 sq.m. and other facilities totalling to 13,067 sq.m.. The scheduled completion date is June 2002 and presale will begin soon. Future phases will gradually be developed in the next five years.

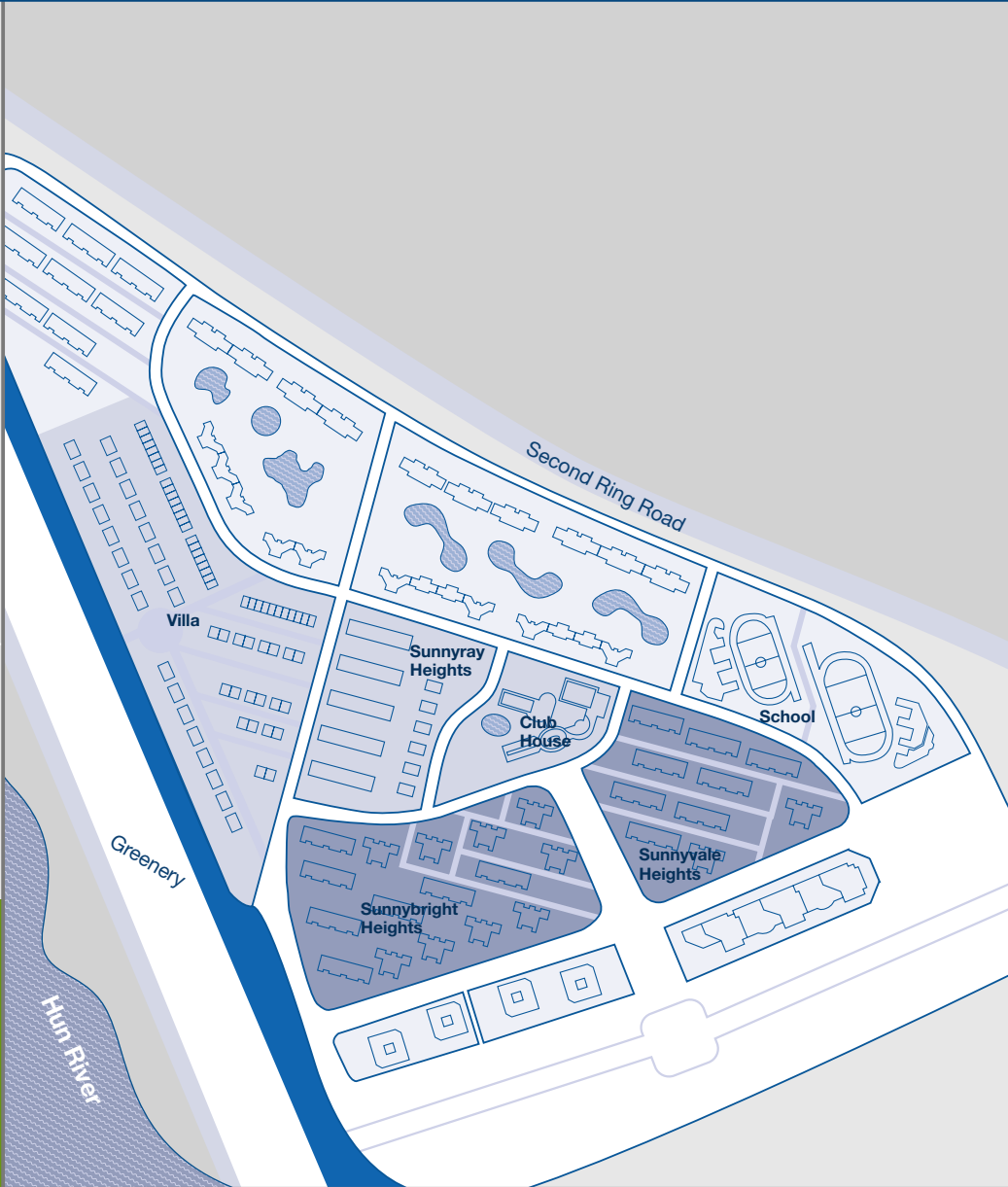
Property Investment

New World Hotel, Shenyang is located at Nanjingnan Street [南京南街], Heping District [和平區]. It has a total GFA of 32,200 sq.m., comprising a 22-storey four-star hotel with 263 guest rooms and a 4-storey annex commercial building. During the year, the hotel recorded an average occupancy rate of 76.2% and the commercial area was fully leased.



Shenyang Regional Map

Shenyang, an industrial powerhouse of the north, is also a place of contradiction, cherishing a history that dates back some 2,000 years. Today, Shenyang thrives as a modern and prosperous city which, serving as a marketplace for trade in the region, has attracted increasing amounts of foreign investment.



-  Railway
-  Bridge
-  Embankment
-  Completed Development
-  Under Construction
-  Future Development

- 1 Shenyang New World Garden
- 2 New World Hotel, Shenyang



Sunnybright Heights, Shenyang New World Garden

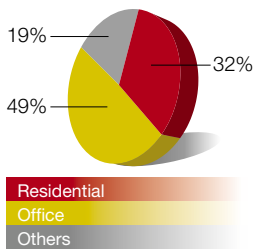


■ One project representing 0.9% of the total property portfolio

Manhattan Tower of Dalian
New World Plaza

Dalian

Development Properties For Sale Total GFA



Property Development

Dalian New World Plaza is a high-end commercial/residential complex with two multi-storey office/apartment composite buildings surmounting a 7-level retail podium located at the famous Tianjin Street. Phase I, the Manhattan Tower, comprises 270 apartment units of 38,225 sq.m. and is scheduled to be completed in April 2002. Presale commenced in July of this year and has been very successful. Phase II comprises a 52,195 sq.m. shopping mall and is scheduled to be completed in August 2002. Phase III comprises 59,164 sq.m. of residential and office space, is scheduled to be completed in late 2003.



Central Region



NEW GENERATION Just as our young children lift their hands to embrace learning, Shanghai is preparing to be one of the world's most vibrant metropolitan and financial centres





■ Four projects representing 4.3% of the total property portfolio

The Market

In the first half of 2001,

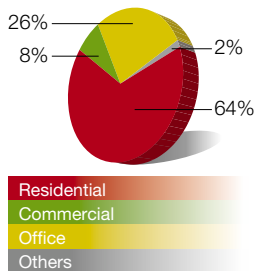
- GDP rose 10.2% to Rmb 230.3 billion;
 - Sales of commodity real estate rose 26.3% to 7.7 million sq.m.;
 - Sales of residential units amounted to 4.8 million sq.m.;
 - Sales to individuals reached 4.5 million sq.m., accounting for 93% of the total residential sale;
 - Investment in real estate development surged 23.1% to Rmb 24.5 billion;
- compared to the same period last year.

Occupancy rate of Grade A office is 82.5% as of June 30, 2001.

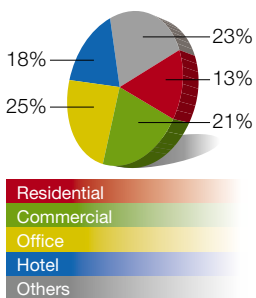
Hong Kong New World Tower on
Huaihaizhong Road, Puxi

Shanghai

Development Properties For Sale Total GFA



Investment Properties Under Development Total GFA



Property Development

Shanghai Hong Kong New World Garden (Formerly known as Zhongshannanyi Road Development and Mengzi Road Development), located in Luwan District [盧灣區], is a premier residential development with a total GFA of 478,231 sq.m.. The project has a spectacular view overlooking the famous Huangpu River. Phase I, comprising 44,698 sq.m. of GFA, is scheduled to be completed in early 2002. So far, presale has been very successful.

Zhongshan Square is located in Hongqiao Road [虹橋路], Changning District [長寧區]. Phase I with a residential area of 76,498 sq.m. was completed and almost fully sold during the year. The clubhouse facilities of Phase II were also completed. The 127,957 sq.m. office space of Phase III is currently in the planning stage.



→ From Left to Right

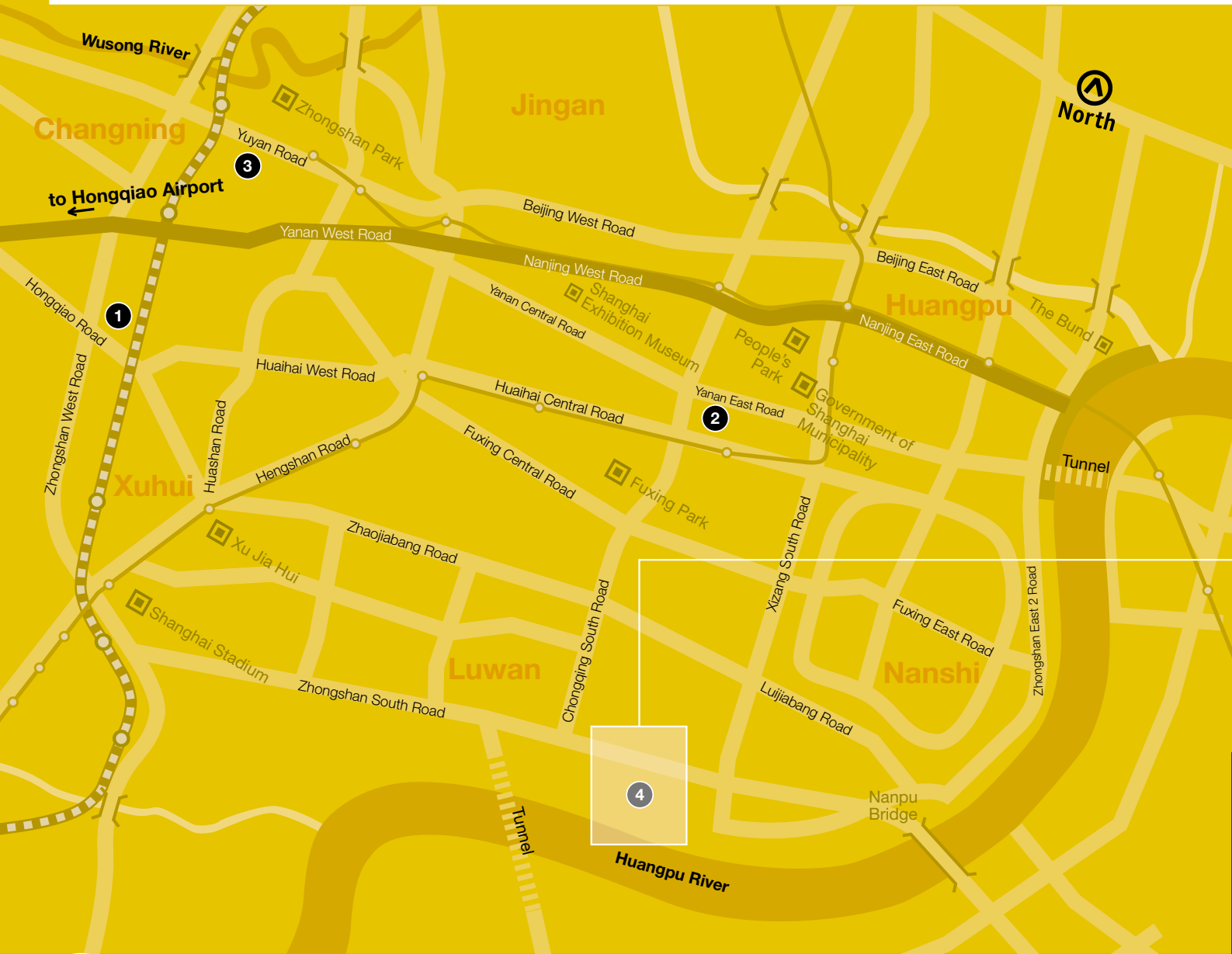
- Model Home, Shanghai Hong Kong
New World Garden
- Shanghai Hong Kong
New World Garden
- Hotel Block, Changning
Ramada Square
- Apartment Block, Changning
Ramada Square

Property Investment

Hong Kong New World Tower, a 59-storey skyscraper, will soon be one of the tallest buildings in the Puxi [浦西] region. Located at the Huaihaizhong Road [淮海中路] and on top of the subway station, this flagship project comprises 63,517 sq.m. of office space and 36,637 sq.m. of shopping area. The project will be completed in early 2002. The top three floors are dedicated to first-class restaurants and food and beverage outlets in order to take full advantage of the spectacular bird's eye view of Shanghai city. Leasing of the shopping mall and office space will commence soon.

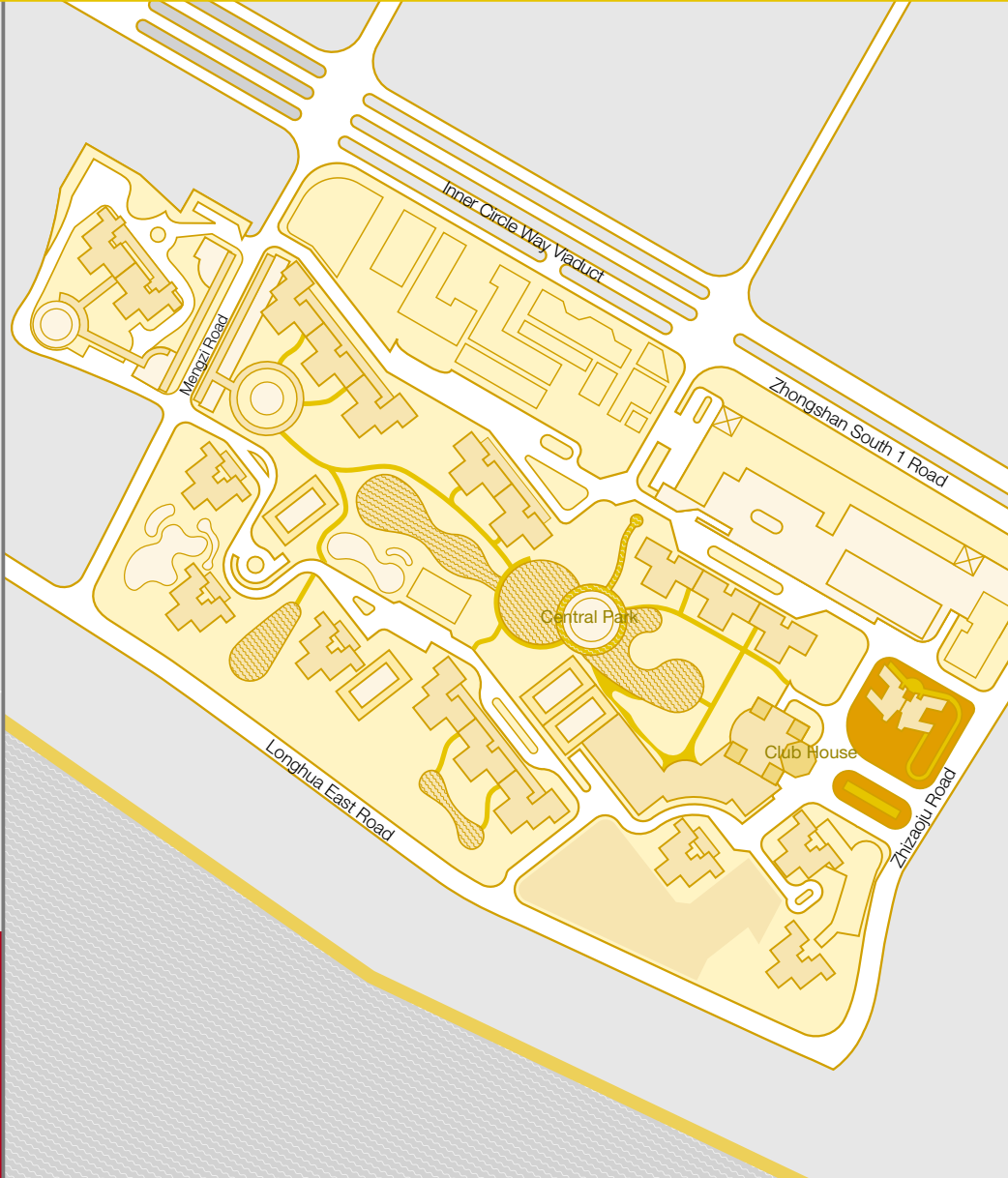







Changning Ramada Square is located at the prime location of Changning District and Zhong Shan Park Subway Station. The project comprises two 24-storey towers with 34,927 sq.m. of service apartments, 17,272 sq.m. of shopping area and one 4-star hotel of 46,102 sq.m. with 750 guest rooms. The shopping area will begin operation by the end of the year and the hotel will also be completed in March 2002. Leasing of the service apartments will commence in late 2001.



Shanghai Regional Map

With its past glories restored, and even loftier heights, Shanghai has become the conduit for international trade and financial exchanges to and from China. As a city of the future, Shanghai has benefited enormously from substantial investments in its financial, transportation, and trade infrastructure, and its pace of development is unmatched by any other city in the country.



-  Railway
-  Metro Line
-  Bridge
-  Under Construction
-  Future Development

- ① Zhongshan Square
- ② Hong Kong New World Tower
- ③ Changning Ramada Square
- ④ Shanghai Hong Kong
New World Garden



Hong Kong New World Tower



Huaihaizhong Road



■ Four projects representing 16.1% of the total property portfolio

■ Two projects representing 4.2% of total completed investment properties

The Market

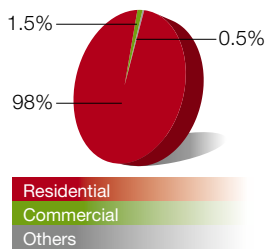
In the first half of 2001,

- GDP rose 11.6% to Rmb 63.5 billion;
- Sales of residential units increased to 2.9 million sq.m., representing a surge of 40.2%;
- Investment in real estate developments climbed 39.9% to Rmb 48.9 billion; compared to the same period last year.

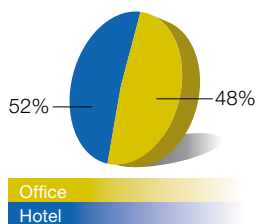
Wuhan Changqing Garden Phase III

Wuhan

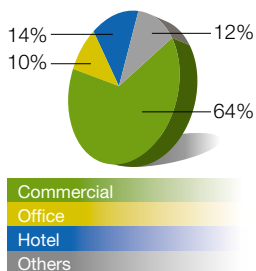
Development Properties For Sale Total GFA



Completed Investment Properties Total GFA



Investment Properties Under Development Total GFA



Property Development

Changqing Garden, one of the largest residential developments in the PRC, has a total GFA of 3.6 million sq.m.. This large-scale development features an all-in-one community concept, incorporating a full range of comprehensive facilities such as financial, commercial, cultural, entertainment and educational activities. Phase I and II were completely sold out. Phase III and Phase IVA with a total GFA of 348,926 sq.m. have been completed and close to 80% were sold. The construction of Phase IVB, with a GFA of 424,181 sq.m., is scheduled to be completed in mid 2002.

Xin Hua Garden is located at Xin Hua Xia Road, a prime location within the city. The project is a large-scale residential/commercial complex with a GFA of 319,947 sq.m.. Phase IA comprises four blocks of 22-storey apartment buildings with a GFA of 123,543 sq.m. and will be completed in late 2001; sales progress has been steady.



→ From Left to Right

- Wuhan Changqing Garden Phase III
- Model Home, Wuhan
Xin Hua Garden
- Wuhan Xin Hua Garden

Menghu Garden is located in the Jiangnan District [江岸區] next to the beautiful Tazi Lake [塔子湖]. Menghu Garden is a low density residential project with a total GFA of 256,000 sq.m.. It will be developed in six phases. Phase I comprises 48 villas of 12,138 sq.m. and eight low-rise apartment buildings of 25,100 sq.m.. The construction work for Phase I will commence shortly, with the scheduled date of completion in late 2002.

Property Investment

New World Courtyard Hotel, Wuhan is located in Hankou District [漢口區], the commercial centre of Wuhan. The property is a 7-storey 3-star hotel with 138 guest rooms and a GFA of 10,250 sq.m.. During the financial year, the hotel recorded an occupancy rate of 71.1% compared to the 65.4% in the same period of the previous year.

Wuhan International Trade and Commerce Centre's commercial area was sold to its parent company for a consideration of HK\$408,411,215 in June 2001. The Group still owns the office portion of the building which has a GFA of 9,423 sq.m.. Occupancy rate has been constantly over 80%.

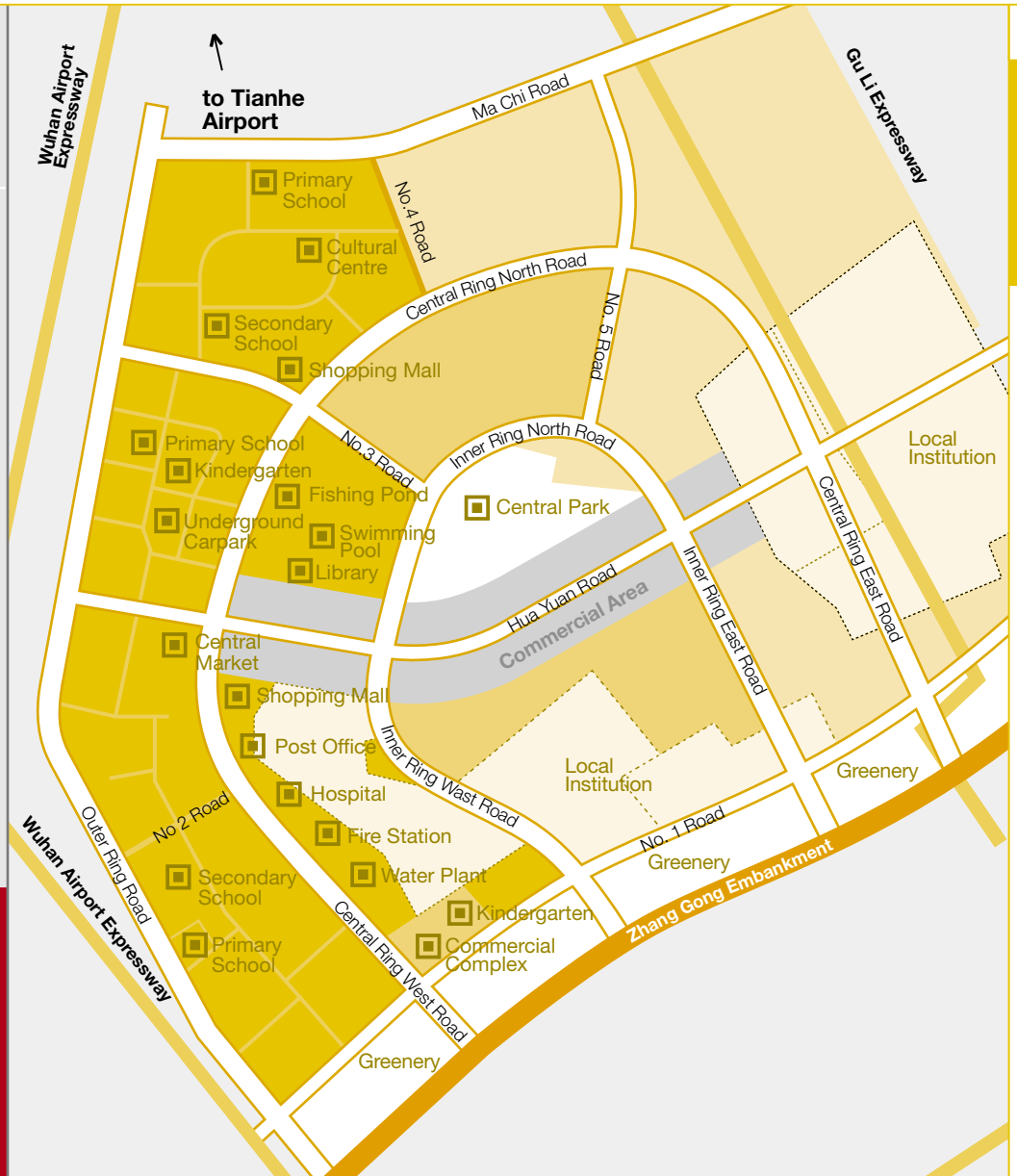








Wuhan New World Centre (Previously known as Wuhan Hotel Redevelopment) is located at Jie Fang Road [解放大道], Qiaokou District [硚口区], the commercial hub of the city. The project will be developed into a residential/commercial/office complex with a total GFA of 276,200 sq.m.. It will comprise 59,900 sq.m. of residential area, 138,300 sq.m. of commercial area, and 21,100 sq.m. of office space together with 29,900 sq.m. for hotel operation. Construction work will start soon and is scheduled to be completed in December 2004.



Wuhan Regional Map

Serving as the largest inland port and major cross road for the Beijing-Guangzhou railway, Wuhan has historically been a centre for trade. In its subsequent drive towards economic prosperity, the region has garnered a reputation for being the industrial, commercial, scientific, and cultural hub of Central China.



-  Railway
-  Bridge
-  Embankment
-  Completed
-  Under Construction
-  Future Development

- ① Changqing Garden
- ② Menghu Garden
- ③ Wuhan International Trade and Commerce Centre Annex Building
- ④ Wuhan New World Centre
- ⑤ New Wold Courtyard Hotel, Wuhan
- ⑥ Xin Hua Garden



Primary School, Changqing Garden

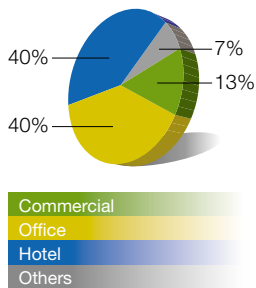


Changqing Garden Phase III

Nanjing

■ One project representing 1.1% of the total property portfolio

Investment Properties Under Development Total GFA



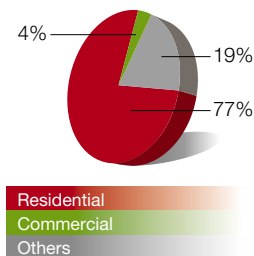
Property Investment

Nanjing New World Centre is located in the Xuanwu District [玄武區], the central business district of Nanjing. The project is a commercial/residential complex and comprises a 38-storey hotel/apartment building and a 37-storey apartment building on a 6-level commercial podium, providing 74,237 sq.m. of residential area, 17,849 sq.m. of commercial area and 54,968 sq.m. of office space together with 55,780 sq.m. of hotel space and other facilities totalling to 9,486 sq.m.. Completion is scheduled in mid 2002.

Hefei

- One project representing 0.4% of the total property portfolio

**Development Properties For Sale
Total GFA**



Property Development

Hefei New World Garden is located near Meiling Dai Road [菱菱大道], a major artery in close proximity to the railway station. The project is a residential development with a total GFA of 124,297 sq.m., comprising 108,473 sq.m. of residential area and 2,579 sq.m. of commercial area. Out of 80,274 sq.m. offered for sale, over 65% were sold. The scheduled completion date is June 2002.



Southern Region



MOTHER NATURE Even the most brilliant designers will not dream of surpassing the works of mother nature. Instead, they aim to utilise and enhance the natural beauty of the environment to bring calm and comfort to our restless spirits





- Seven projects representing 19.8% of the total property portfolio

The Market

In the first half of 2001,

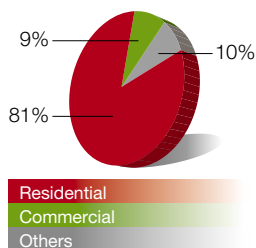
- GDP surged 12.5% to Rmb 115.3 billion;
 - Sales of commodity real estate rose 21.29% to 2.9 million sq.m.;
 - Sales of residential units increased to 2.7 million sq.m. or 23.7%;
 - Investment in real estate development rose 16.7% to Rmb 14.0 billion;
- compared to the same period last year.

The occupancy rate of Grade A office is over 92% as of June 30, 2001.

Guangzhou New World Casa California

Guangzhou

Development Properties For Sale Total GFA



Property Development

New World Casa California is located at the famous Er Sha Island of Guangzhou. Surrounded by the Pearl River, its tranquil location in the middle of the city has created a natural and ideal living ambience. This luxury resort style development comprises 132 low-rise apartments with a total GFA of 20,001 sq.m.. The exquisite California style development was completed in December 2000 and over 75% of the units were sold.

Dong Yi Garden (Formerly known as New World Eastern Garden) is located in Tianhe District [天河區], adjacent to the Tianhe Park [天河公園]. Dong Yi Garden is an upscale residential development with a total GFA of 259,368 sq.m.. The 19,760 sq.m. residential area of Phase I has been completed and is already sold out. Phase II, comprising 320 apartments and a total of GFA 33,706 sq.m., has been recently completed and sales progress has been satisfactory.



→ **From Left to Right**

- Guangzhou New World
Casa California
- Guangzhou Covent Garden
- Landscaping Feature, Guangzhou
New World Casa California

Fangcao Garden is located on Tianhebei Road [天河北路], Tianhe District [天河區], Guangzhou. It is an upscale residential project developed in two phases with a total GFA of 88,515 sq.m.. Phase I comprises a residential area of 38,000 sq.m. and a commercial area of 2,500 sq.m.. The scheduled completion date is July 2002 and presale will commence in late 2001.

New World Triumph Plaza (Formerly known as Pearl River New Town Zone L) is located in Pearl River New Town, the future core business district of Guangzhou. The project comprises a total GFA of 339,535 sq.m. and is being developed in two phases. Phase I, comprising a residential area of 150,265 sq.m., and a commercial area of 15,811 sq.m., is scheduled to be completed in May 2003. Phase II is scheduled to be completed in 2004.



Covent Garden (Formerly known as Fangcun District Nos. 1, 2 and 4 Development) is located in Fungcun District [芳村區], overlooking the magnificent Pearl River. The project will be developed in phases with a total residential area of 1,081,319 sq.m.. Phase I, comprising 168 low-rise apartments with a total of 13,152 sq.m., is scheduled to be completed in December 2001. Presale has been very successful.

New World South City (Formerly known as Jixian Zhuang Low Cost Housing Development) is located in Baiyun District [白雲區] and is a large-scale residential property development with a total GFA of 1,739,271 sq.m.. The 186,996 sq.m. Phase I has been completed and is fully sold. Phase IIA comprises a residential area of 37,736 sq.m. and a commercial area of 5,685 sq.m. The scheduled completion date is November 2001 and presale of the property will commence soon. Phase IIB, comprising a residential area of 120,000 sq.m. and a commercial area of 12,250 sq.m., is scheduled to be completed in late 2002.



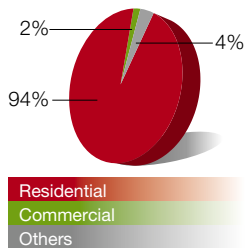
■ Nine projects representing 11.7% of the total property portfolio

■ Three projects representing 18.8% of the total completed investment properties

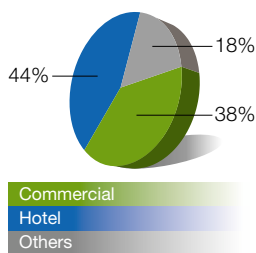
Shenzhen New World Yi Shan Garden

Pearl River Delta

Development Properties For Sale Total GFA



Completed Investment Properties Total GFA



Property Development

Shenzhen

Shenzhen New World Yi Shan Garden is a luxury residential project with a total GFA of 178,814 sq.m., located in Shatoujiao [沙頭角], Yantian District [鹽田區], Shenzhen, a commercial/residential district. Phase I, comprises 23 luxury villas with a total GFA of 7,500 sq.m., is scheduled to be completed in September 2001.

Dongguan

Dongguan New World Garden is a premier residential project with an outdoor swimming pool and deluxe clubhouse facilities, located in the Dong District [東區], Dongguan. Phase I to VII, comprising a GFA of 200,489 sq.m., was completed by 1999 and most units have already been sold. Phase VIII & IX, comprising a total GFA of 62,288 sq.m., was completed by June 2001 and sales progress has been satisfactory.

Shunde

Shunde New World Convention & Exhibition Centre is an upscale residential/commercial complex, located in Daliang Town [大良鎮]. Phase I comprises a residential area of 22,373 sq.m. and is over 80% sold. The shopping centre of 33,254 sq.m. achieved an average occupancy rate of over 80%. Phase II of the residential blocks will start construction soon.



→ From Left to Right

- Golf Course, Huiyang Palm Island Golf Club & Resort
- Club House, Huiyang Palm Island Golf Club & Resort
- Dongguan New World Garden

Xintang

Xintang New World Garden is a residential community project with a total GFA of 392,975 sq.m., located in Xintang Town [新塘鎮], Zengcheng [增城市]. Phase IA with total residential area of 23,279 sq.m. was completed. Phase IB & IC, comprising 23,205 sq.m., are scheduled to be completed in 2002. Over 70% of Phase I was sold. Phase II of 133,180 sq.m. is scheduled to be completed in June 2003.

Zhuhai

Zhuhai New World Rivera Garden (Formerly known as Zhuhai New World Harbour-front Garden) is a residential project with a total GFA of 62,104 sq.m., located in Sanzao Administration Zone [三灶管理區], Zhuhai. It comprises a residential area of 57,962 sq.m. and a commercial area of 1,875 sq.m.. The 19,525 sq.m. of Phase I is expected to be completed in December 2001.

Huizhou

Huiyang Palm Island Golf Club & Resort, located in Qiuchang Town [秋長鎮], is a luxury resort style development with villas and low-rise apartment buildings centred around a golf course. The project comprises a 27-hole golf course of 991,667 sq.m., which commenced operation in June 2001. Phase I of the property development, comprising 14 villas with a total of



6,604 sq.m., 37 apartments with a total of 6,861 sq.m. and a hotel area of 1,660 sq.m., was completed in June 2001. Over 70% of the villas and apartments have been sold.

Huizhou Changhuyuan Development is a residential community project located at Dongping District [東平區] overlooking the river. Phase I comprises ten 9-storey residential buildings with a total GFA of 126,665 sq.m. and is mostly sold. Phase II plans to develop a total GFA of 120,000 sq.m. and construction work will commence next year.

Haikou

Haikou New World Garden is located at Xinbu Island [新埠島] overlooking the beautiful Huanggao River [橫溝河], Haikou. It is an upscale resort style residential project with a total GFA of 198,088 sq.m.. Phase I comprises 416 residential units totalling a GFA of 49,560 sq.m. and is expected to be completed in February 2002. The property will be offered for sale in the first half of 2002.

Zhaoqing

Zhaoqing New World Garden (Formerly known as Zhaoqing Lake Development) is a large scale residential project with a total GFA of 354,086 sq.m., located at Zhongtiaohong Lake West [中調洪湖西], Zhaoqing [肇慶]. Phase I, with 297 residential units totaling a GFA of 32,347 sq.m., is under construction and is scheduled to be completed in October 2002.



Pearl River Delta & Guangzhou Regional Map

Guangdong is a success story; home to the most prosperous Special Economic Zones in the whole of China, it has often enjoyed the country's highest economic growth. Despite the enormous wealth generated as a result of its rapid pace towards modernisation, the region also cherishes its past, with its centuries-old relics and natural, spacious communities.



-  Railway
-  Metro Line
-  Metro Line (under construction)
-  Bridge
-  Other Highways

- 1** New World Riverside Villa
- 2** New World Casa California
- 3** Dong Yi Garden
- 4** Fangcao Garden
- 5** New World Triumph Plaza
- 6** Covent Garden



New World Riverside Villa



Central Garden, Xintang New World Garden

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

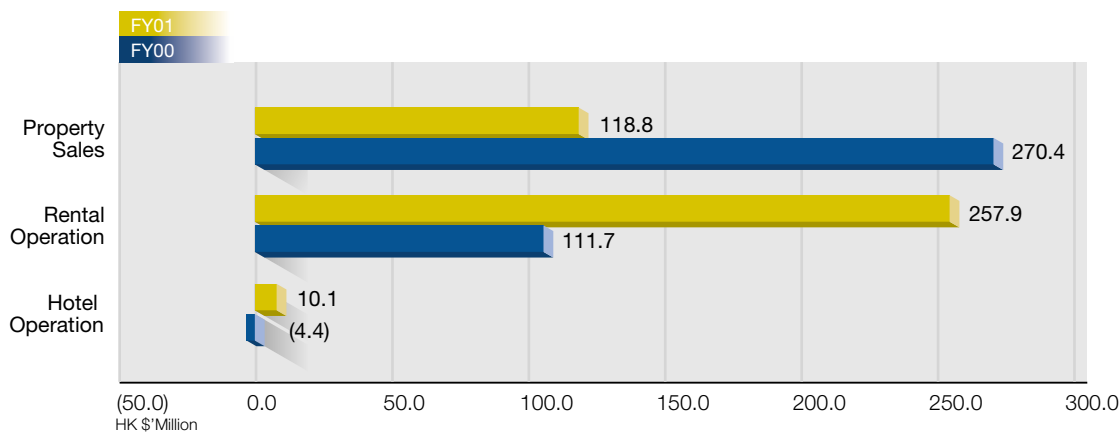
| | FY2001 | FY2000 |
|---|--------------|--------------|
| | HK\$'Million | HK\$'Million |
| 13 Net cash inflow/(outflow) from operating activities | 229.5 | (539.8) |
| Interest received | 55.1 | 72.4 |
| 14 Interest paid | (67.2) | (78.8) |
| Dividends received from a JCE | – | 20.4 |
| Purchase of 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 | |

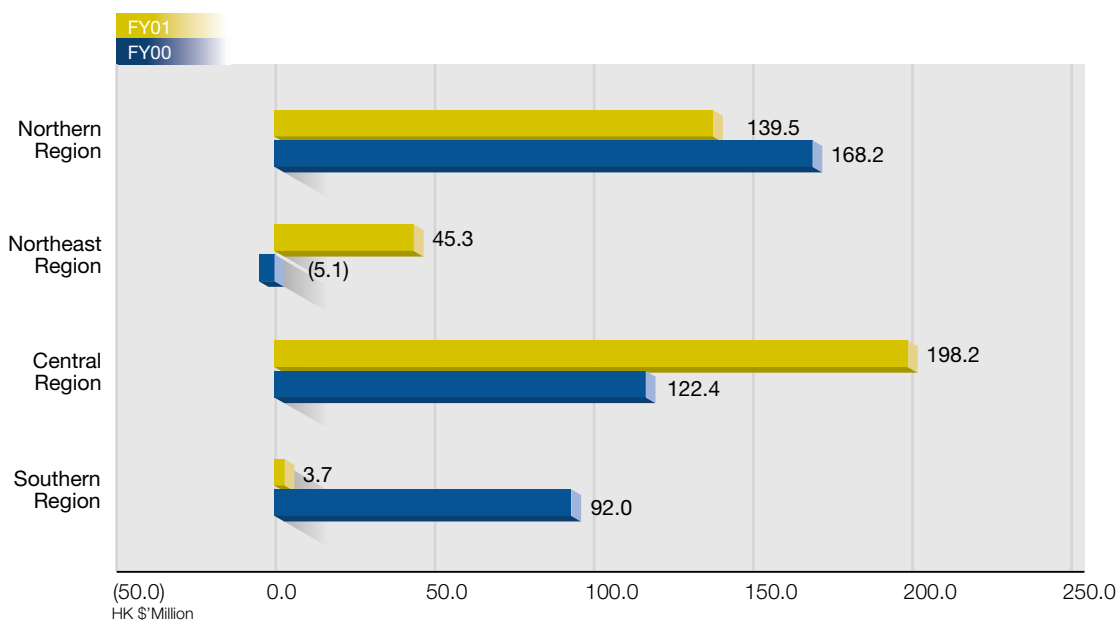
Attributable Operating Profit By Business Activities



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. |
| - Tianjin | 91.6 | 197.7 | The drop of AOP was mainly due to no completion of new low-cost community housing during the year. |
| 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. |
| - Pearl River Delta | (21.7) | 36.7 | Smaller contribution of AOP from Dongguan New World Garden was the main reason for the drop of performance in the region. |
| Attributable Operating Profit | 386.7 | 377.5 | |

Attributable Operating Profit By Region

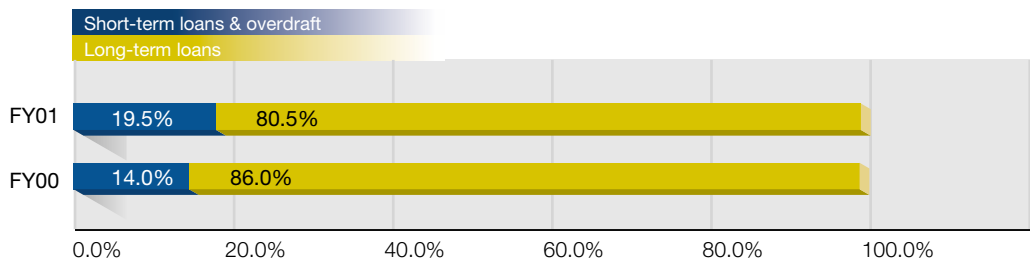


Liquidity & Capital Resources

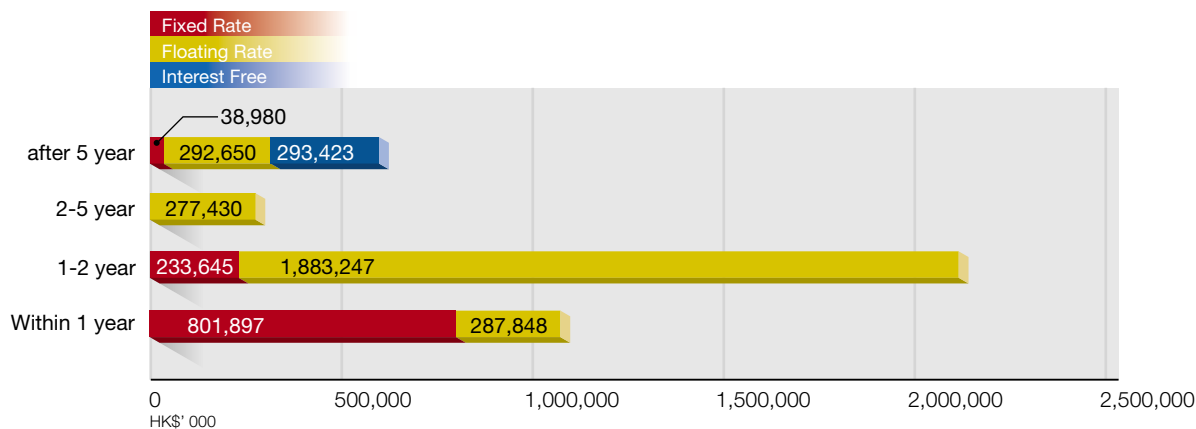
As at 30 June 2001, the Group's cash and bank deposits increased from last year's HK\$682.3 million to HK\$1,252.4 million. Its consolidated net debt amounted to HK\$2,856.7 million (2000: HK\$3,232.4 million), translating into a fall of gearing ratio from 19% to 17%.

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

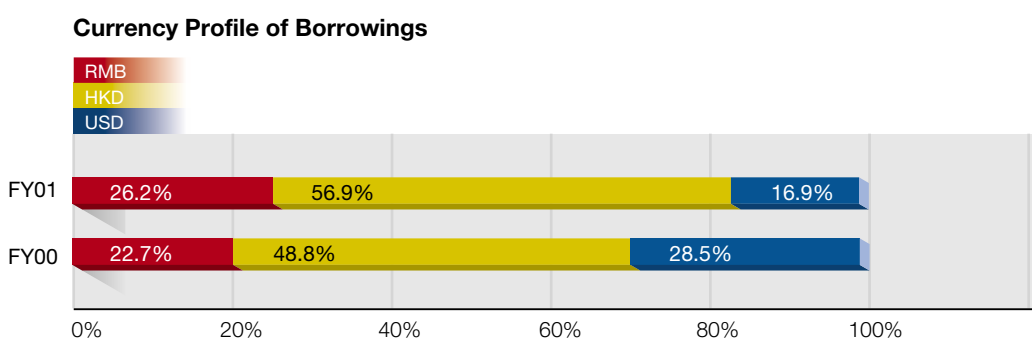


Interest Rate and Maturity Profile



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.



Directors' Profile

Chairman and Managing Director

Dr. Cheng Kar-shun, Henry

Dr. Cheng Kar-shun, Henry (aged 54). Dr. Cheng became the Chairman and Managing Director of New World China Land Limited in 1999. He is also the Managing Director of New World Development Company Limited, the Chairman of New World Infrastructure Limited, New World CyberBase Limited, New World Services Limited, New World Telephone Holdings Limited, New World First Bus Services Limited and Tai Fook Securities Group Limited. He is the Managing Director of NWD (Hotels Investments) Limited and a Director of Chow Tai Fook Enterprises Limited, Marriott International Inc. and HKR International Limited. Dr. Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation, a Committee Member of the Eighth and Ninth Chinese People's Political Consultative Committee of the People's Republic of China. Dr. Cheng is the brother of Mr. Cheng Kar-shing, Peter and the brother-in-law of Mr. Doo Wai-hoi, William.

Vice-Chairman

Mr. Doo Wai-hoi, William

Doo Wai-hoi, William (aged 57). Mr. Doo was appointed Vice-Chairman of New World China Land Limited in June 1999. Mr. Doo's corporate positions include Vice Chairmanships of New World Infrastructure Limited, New World Services Limited, New World CyberBase Limited and Tai Fook Securities Group Limited, Managing Director of Fung Seng Diamond Company Limited as well as the Directorship of NWD (Hotels Investments) Limited. Mr. Doo has served as a Governor of the Canadian Chamber of Commerce in Hong Kong. In addition, he is appointed as a Member of the Executive Committee of the Chinese People's Political and Consultative Conference in Shanghai. Mr. Doo is the brother-in-law of Dr. Cheng Kar-shun, Henry and Mr. Cheng Kar-shing, Peter.

Executive Directors

Mr. Cheng Kar-shing, Peter

Cheng Kar-shing, Peter (aged 49). Mr. Cheng was appointed Executive Director of New World China Land Limited in June 1999. He is a Director of New World Development Company Limited, New World Services Limited, NWD (Hotels Investments) Limited, Macao Water Supply Company Limited and Polytown Company Limited. He is also an Executive Director of New World Infrastructure Limited. Mr. Cheng is the brother of Dr. Cheng Kar-shun, Henry and the brother-in-law of Mr. Doo Wai-hoi, William.

Mr. Leung Chi-kin, Stewart

Leung Chi-kin, Stewart (aged 62). Mr. Leung was appointed Executive Director of New World China Land Limited in June 1999. He is the Director and Group General Manager of New World Development Company Limited, a Director of New World Infrastructure Limited, New World Hotel Company Limited, New World First Bus Services Limited and Hip Hing Construction Company Limited.

Mr. Chan Kam-ling

Chan Kam-ling (aged 61). Mr. Chan was appointed an Executive Director of New World China Land Limited in June 1999. He is a Director of New World Development Company Limited and New World Infrastructure Limited. Mr. Chan is currently the Managing Director of New World Services Limited, Hip Hing Construction Company Limited, Sino-French Holdings (Hong Kong) Limited and Macao Water Supply Company Limited as well as the Director of Companhia de Electricidade de Macau - CEM, S.A.R.L..

Mr. Chow Kwai-cheung

Chow Kwai-cheung (aged 59). Mr. Chow was appointed an Executive Director of New World China Land Limited in June 1999. He is currently a Director of New World Development Company Limited and Hip Hing Construction Company Limited. He has over 30 years' experience in property development and investment businesses. Mr. Chow joined the New World Group in 1974 and is responsible for the construction and engineering operations of the Company and the New World Group.

Mr. Chow Yu-chun, Alexander

Chow Yu-chun, Alexander (aged 54). Mr. Chow was appointed an Executive Director of New World China Land Limited in June 1999. He is a fellow of the Chartered Association of Certified Accountants (UK) and an associate of the Hong Kong Society of Accountants and has over 27 years of experience in property development and investment in Hong Kong. Mr. Chow joined the New World Group in 1973 and is responsible for the financial operations of the Company and the New World Group. Mr. Chow is the Company Secretary of New World China Land Limited.

Mr. Chan Wing-tak, Douglas

Chan Wing-tak, Douglas (aged 52). Mr. Chan was appointed Executive Director of New World China Land Limited in 1996. He is the Deputy Chairman of Pacific Ports Company Limited, the Managing Director of New World Infrastructure Limited and a Director of New World CyberBase Limited, china.com Corporation and Macao Water Supply Company Limited. Mr. Chan is a Member of the Third Hainan Province Committee of Chinese People's Political Consultative Conference.

Mr. So Ngok

So Ngok (aged 54). Mr. So was appointed an Executive Director of New World China Land Limited in June 1999. Mr. So is an Executive Director of New World Infrastructure Limited and Pacific Ports Company Limited and a Director of a number of companies with investments in China.

Non-Executive Directors

Mr. Fu Sze-shing

Fu Sze-shing (aged 52). Mr. Fu is a Non-Executive Director of New World Infrastructure Limited and a Director of New World Development (China) Limited and a number of companies with investments in China. He has over 20 years' experience in PRC property development and investment businesses.

Dr. Lo Hong-sui GBS JP

Lo Hong-sui GBS JP (aged 53). Dr. Lo is the Chairman of Shui On Construction and Materials Limited and the Chairman of Shui On Group. He is the founding Chairman and current President of the Business and Professionals Federation of Hong Kong, a Member of The Ninth National Committee of Chinese People's Political Consultative Conference, the President of Shanghai-Hong Kong Council for the Promotion and Development of Yangtze, and Adviser of Chinese Society of Macroeconomics, a Member of Hong Kong/United States Economic Co-operation Committee, a Council Member of the China Overseas Friendship Association, the Chairman of the Council of the Hong Kong University of Science and Technology and a Director of Great Eagle Holdings Limited. He also acts as Non-Executive Director of Hang Seng Bank Limited and Director of Real Estate Developers Association of Hong Kong. Dr. Lo was awarded the Gold Bauhinia Star and was appointed Justice of the Peace by the Government of Hong Kong Special Administrative Region.

Mr. Cheng Wai-chee, Christopher

Cheng Wai-chee, Christopher (aged 53). Mr. Cheng is the Chairman of USI Holdings Limited and Winsor Properties Holdings Limited and director of New World Infrastructure Limited, Dao Heng Bank Group Limited and Gieves & Hawks plc listed on the London Stock Exchange. Mr. Cheng plays an active role in the public services. He presently serves on the following public organisations : Council of the Hong Kong Trade Development Council, Public Service Commission, The Town Planning Board, Court of the Hong Kong University of Science and Technology and Council of the University of Hong Kong. He is the Chairman of the Hong Kong General Chamber of Commerce. Mr. Cheng holds an MBA degree from the Columbia University.

Mr. Tien Pei-chun, James

Tien Pei-chun, James (aged 54). Mr. Tien is the Chairman of Manhattan Holdings Ltd., Manhattan Garments (International) Ltd., Manhattan Realty Ltd. and a Director of a number of private companies. A Legislative Councillor since 1988, Mr. Tien is very active in the community and serves on government bodies and committees as well as non-government boards and committees in Hong Kong. He serves on the Legislative Council's Constitutional Affairs Panel, Manpower Panel, Financial Affairs Panel and Economic Services Panel of which he is the Chairperson. He is Chairman of the Liberal Party, Member of The Chinese People's Political Consultative Conference, General Committee Member of the Hong Kong General Chamber of Commerce and the Federation of Hong Kong Industries, Court Member of the Hong Kong Polytechnic University and a Council Member of The Chinese University of Hong Kong.

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the shareholders of the Company will be held at Meeting Room 407, Hong Kong Convention and Exhibition Centre Phase I, 1 Expo Drive, Wanchai, Hong Kong on Thursday, 6th day of December, 2001 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the Reports of the Directors and Auditors for the year ended 30th June 2001.
2. To elect Directors and to fix their remuneration.
3. To appoint Auditors and to fix their remuneration.
4. As special business, to consider and if thought fit, pass the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

(1) **“THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot and issue additional shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company; shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by applicable law or the articles of association of the Company to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or legal or practical problems or restrictions under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

(2) **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and which is recognized by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with Cayman Islands law and all applicable laws and/or the Rules Governing the Listing of Securities on the Stock Exchange or the rules of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares to be repurchased by the Directors of the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by applicable law or the articles of association of the Company to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

(3) **“THAT:**

conditional upon the passing of Ordinary Resolutions Nos. (1) and (2) as set out in the notice convening this meeting, the general unconditional mandate granted to the Directors of the Company pursuant to Ordinary Resolution No. (1) as set out in the notice convening this meeting be extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the shares repurchased by the Company pursuant to the authority to repurchase shares granted pursuant to Ordinary Resolution No. (2) as set out in the notice convening this meeting, provided that such extended amount shall not exceed 10 per cent of the aggregate nominal value of the share capital of the Company in issue as at the date of this resolution.”

By Order of the Board

Chow Yu-chun, Alexander

Company Secretary

Hong Kong, 10th October 2001

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies (who must be individuals) to attend and vote on his behalf. A proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed.
2. To be effective, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the principal place of business of the Company in Hong Kong at 9th Floor, New World Tower 1, 18 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

The directors have pleasure in presenting their annual report and statement of accounts for the year ended 30th June 2001.

Group activities

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries, associated companies, jointly controlled entities and fixed return joint ventures are shown in note 35 to the accounts on pages 137 to 148.

Accounts

The results of the Group for the year ended 30th June 2001 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 96 to 148.

Dividends

The directors have resolved that no dividend be proposed for the year ended 30th June 2001 (2000: Nil).

Share capital

Details of the movements in share capital during the year are set out in note 26 to the accounts.

Reserves

Details of the movements in reserves are set out in note 27 to the accounts.

Purchase, sale or redemption of listed securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

Fixed assets

Details of the movements in fixed assets are set out in note 12 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$109,000 (2000: HK\$353,000).

Directors

The directors of the Company during the year and up to the date of this report were:

Dr. Cheng Kar-shun, Henry
 Mr. Doo Wai-hoi, William
 Mr. Cheng Kar-shing, Peter
 Mr. Leung Chi-kin, Stewart
 Mr. Chan Kam-ling
 Mr. Chow Kwai-cheung
 Mr. Chow Yu-chun, Alexander
 Mr. Chan Wing-tak, Douglas
 Mr. So Ngok
 Dr. Lo Hong-sui*
 Mr. Fu Sze-shing
 Mr. Cheng Wai-chee, Christopher*
 Mr. Tien Pei-chun, James*

* Independent non-executive directors

Messrs. Cheng Kar-shing, Peter, Chow Kwai-cheung, Lo Hong-sui and Tien Pei-chun, James retire in accordance with Article 116 of the Company's Articles of Association and, being eligible, offer themselves for re-election. All remaining current directors continue in office.

No director has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Pre-emptive rights

No pre-emptive rights exist in the Cayman Islands in respect of the Company's share capital.

Directors' interest in contracts

Save for contracts amongst group companies, no other contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its holding company or fellow subsidiaries is a party, and in which any director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected transactions

- (1) New World Finance Company Limited, Sexon Enterprises Limited and Hip Hing Construction Company Limited, fellow subsidiaries, have advanced HK\$2,741,175,000 (2000: HK\$1,764,400,000) in aggregate to the Group as at 30th June 2001. These loans are unsecured and carry interest ranging from three months HIBOR to 0.5% over LIBOR per annum and are repayable from March 2002 to December 2006. The interest charged by the fellow subsidiaries to the Group for the year ended 30th June 2001 in respect of these loans amounted to HK\$106,407,000 (2000: HK\$114,241,000).

Connected transactions *(continued)*

- (2) The Company has paid New World Tower Company Limited, a fellow subsidiary, HK\$4,685,000 (2000: HK\$5,046,000) in rental for office premises occupied by the Group.
- (3) Polytown Projects Limited, a fellow subsidiary, has been appointed by Dalian New World Plaza International Co., Ltd. ("DNWP"), an 88% owned subsidiary, to provide project management services for construction of a property investment project located in Dalian ("the Property"). The accumulated project management fee in respect of its services rendered at 30th June 2001 and included as part of the development costs of the Property was HK\$9,805,000 (2000: HK\$9,805,000) and no amount was paid by DNWP for the year ended 30th June 2001.
- (4) Hip Hing Construction (China) Company Limited, a fellow subsidiary, has been appointed by DNWP as main contractor for the construction of the Property including foundation and superstructure works. The accumulated contract fee paid at 30th June 2001 and included as part of the development costs of the Property was HK\$259,494,000 (2000: HK\$143,844,000) of which HK\$115,650,000 (2000: HK\$13,044,000) was paid during the year.
- (5) Meprom Limited, a fellow subsidiary, has been appointed by DNWP as electrical engineer to provide engineering consultancy for the construction of the Property. The accumulated engineering consultancy fee at 30th June 2001 and included as part of the development costs of the Property was HK\$3,372,000 (2000: HK\$3,372,000) and no amount was paid by DNWP for the year ended 30th June 2001 (2000: HK\$948,000).
- (6) 上海裕隆實業公司(「上海裕隆」), a substantial shareholder of Shanghai Heyu Properties Co., Ltd ("SHPCL"), a 64% owned subsidiary, undertook to provide land development services to SHPCL pursuant to an agreement dated 9th December 1992. The aggregate service fees paid to 上海裕隆 at 30th June 2001 and included as part of the development costs of the related property developed by SHPCL was HK\$24,381,000 (2000: HK\$24,381,000) and no amount was paid by SHPCL for the year ended 30th June 2001.
- (7) New World Development Company Limited ("NWD"), the ultimate holding company, had provided a guarantee in respect of a US\$300 million syndicated loan facility granted to NW China Homeowner Development Limited ("NWCHD"), a wholly owned subsidiary, a guarantee fee was payable by NWCHD to NWD and was calculated at 2% per annum. This loan was wholly repaid during the year and the guarantee fees paid to NWD for the year ended 30th June 2001 amounted to HK\$5,290,000 (2000: HK\$12,904,000).
- (8) In July 1999, a deed of tax indemnity was entered into between NWD and the Group whereby NWD undertakes to indemnify the Group in respect of, inter alia, certain PRC income tax ("IT") and land appreciation tax ("LAT") payable in consequence of the disposal of certain properties held by the Group as at 31st March 1999 and in respect of which the aggregate amount of LAT and IT is estimated at approximately HK\$7,783 million (2000: HK\$7,858 million). The tax indemnity is also given in respect of LAT and IT payable in consequence of the disposal of any low-cost community housing in the event the relevant company in the Group is unable to pay such taxes. During the year, no such tax indemnity is effected (2000: Nil).
- (9) New World Department Store Tianjin Limited ("NWDST"), a fellow subsidiary, paid HK\$2,019,000 (2000: HK\$1,744,000) estate management services fee to New World Anderson (Tianjin) Development Co., Ltd. ("NWATD"), a wholly-owned subsidiary, in respect of estate management services provided to a property occupied by NWDST. The estate management fee is charged to NWDST at RMB18 per sq.m. up to 31st December 2000 and at RMB180,000 per month from 1st January 2001 thereafter.

Connected transactions *(continued)*

- (10) On 15th September 2000, Bonny-View Corporation (“BVC”), a wholly-owned subsidiary of New World Development (China) Limited (“NWDC”), entered into a conditional agreement with Anderson International Investment Limited (“All”) relating to the acquisition of 49% interest in New World Anderson Development Company Limited (“NWA”) held by All together with a shareholder’s loan of HK\$494,075,865. The total consideration paid was HK\$406,624,310, which was satisfied by HK\$90,000,000 in cash and the remaining balance was set-off against an outstanding amount of HK\$316,624,310 due and payable by All to the Group. The acquisition was completed on 30th November 2000. NWA has then become a wholly-owned subsidiary of BVC.

At the date of the agreement, All was a substantial shareholder of NWA and was wholly owned by Mr. Chan Ki, an executive director of both NWA and NWATD, the acquisition constituted a connected transaction for the Group. An announcement relating to the acquisition was published on 18th September 2000.

- (11) On 11th May 2001, NWDC entered into an agreement with Nanjing Xuanwu Town Construction Development Company (“NXT”) and American Professional Sound Systems Co., Ltd. (“APS”) relating to the acquisition of 17% and 15% interests held by NXT and APS in Nanjing Huawei Real Estate Development Company Limited (“NHRED”) respectively. The consideration paid by NWDC to NXT and APS was approximately HK\$28,941,038 and HK\$16,843,738 respectively. After the acquisition, the interest in NHRED held by the Group increased from 48% to 80%.

At the date of the agreement, NXT and APS were substantial shareholders of NHRED, which was a 48% owned subsidiary of the Group before the acquisition, the acquisition therefore constituted a connected transaction for the Group. An announcement relating to the acquisition was published on 14th May 2001.

- (12) On 25th May 2001, Steady Profits Limited (“Steady Profits”), a wholly-owned subsidiary of NWDC, entered into a conditional share purchase agreement with HK2 Limited (“HK2”) relating to the acquisition of 3 shares held by HK2 in Kiwi Profits Limited (“KPL”) for a consideration of HK\$28,349,737 which was satisfied by the issue and allotment of 8,790,616 new shares of the Company at an issue price of HK\$3.225 each. After the acquisition, KPL became a wholly-owned subsidiary of Steady Profits.

Concurrently, on 25th May 2001, NWDC entered into a conditional sale and purchase agreement with HK3 Limited (“HK3”) relating to the acquisition of a participating interest representing 12% equity interest in the registered capital of NHRED for a consideration of HK\$6,840,677 which was satisfied by the issue and allotment of 2,121,140 new shares of the Company at an issue price of HK\$3.225 each. After the acquisition, the interest in NHRED held by the Group increased from 80% to 92%.

The agreements with HK2 and HK3, being substantial shareholders of KPL and NHRED respectively at the date of the agreements, constituted share and connected transactions for the Group. The agreements have been approved by a written consent of NWD. An announcement relating to the agreements was published on 28th May 2001. Both acquisitions were subsequently completed on 30th June 2001.

Connected transactions (continued)

- (13) On 19th June 2001, NWDC entered into an agreement with Uphill Group Limited (“Uphill”), a fellow subsidiary, for the disposal of 95% equity interest held by NWDC in the registered capital of Wuhan New Eagle Development Company Limited (“WNEDC”) together with all additional funds provided by NWDC to WNEDC in excess of WNEDC’s registered capital for the development and investment of (a) five-storey podium of the Wuhan International Trade and Commerce Centre and (b) six-storey podium and one-level basement of the Wuhan International Trade Centre for a cash consideration of HK\$408,411,215.

By virtue of the fact that Uphill is a wholly-owned subsidiary of NWD, the transaction constituted a connected transaction for the Group. An announcement relating to the disposal was published on 20th June 2001.

- (14) On 3rd September 2001, the Company provided a corporate guarantee (“Guarantee”) in favour of a financial institution in respect of the obligation and liabilities of Shanghai Ramada Plaza Ltd. (“SRP”) under two separate term loan facilities as granted by an independent financial institution up to an aggregate principal amount of US\$10 million and RMB50 million respectively. The Company also guaranteed for the completion of Shanghai Ramada Plaza by 31st March 2002 or such later date as the lender might agree and undertook that the funding requirement relating to the completion of its construction would be fulfilled. SRP is owned as to 95% by Ramada Property Ltd. which in turn is owned by the Group as to 60% and Stanley Enterprises Limited (“Stanley”) as to 20%. Stanley has agreed to pay to the Company a guarantee fee of 0.25% per annum on the amount of the banking facility being utilised by SRP.

By virtue of the fact that Stanley is a substantial shareholder of certain subsidiaries of the Group, the granting of the Guarantee and the payment of guarantee fee by Stanley constitute connected transactions for the Group and an announcement was published on 4th September 2001.

The Company had been granted a waiver by The Stock Exchange of Hong Kong Limited (“Stock Exchange”) from strict compliance of the requirements of Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“the Listing Rules”) in respect of transactions (1) to (8) above which constituted connected transactions as defined in the Listing Rules. The transactions have been reviewed by independent non-executive directors of the Company who have confirmed that the transactions were:

- (a) in the ordinary course of business of the Company;
- (b) on normal commercial terms and on an arm’s length basis;
- (c) where there are agreements governing such transactions, such transactions have been carried out in accordance with the terms of the agreements governing such transactions, or where there are no such agreements, on terms no less favourable than terms available to or from independent third parties;
- (d) entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (e) within the maximum amounts as agreed with the Stock Exchange.

Save as disclosed above, a summary of significant related party transactions that did not constitute connected transactions made during the year was disclosed in note 32 to the accounts.

Directors' interests in securities of the Company

As at 30th June 2001, except for Mr. Chow Kwai-cheung who is interested in 126 shares of the Company, none of the directors and their associates has any beneficial or non-beneficial interests in the issued share capital of the Company.

Directors' interests in securities of the associated corporations of the Company

As at 30th June 2001, the interests of the directors and their associates in the securities of the associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

| | Personal interests | Family interests | Corporate interests (Note 2) |
|--|-------------------------------|-----------------------------|--|
| New World Infrastructure Limited | | | |
| (Ordinary shares of HK\$1.00 each) | | | |
| Dr. Cheng Kar-shun, Henry | – | 1,000,000 | – |
| Mr. Chan Wing-tak, Douglas | 700,000 | – | – |
| Mr. Chan Kam-ling | 6,800 | – | – |
| New World Development Company Limited | | | |
| (Ordinary shares of HK\$1.00 each) | | | |
| Mr. Leung Chi-kin, Stewart | 23,253 | – | – |
| Mr. Chan Kam-ling | 90,470 | – | – |
| Mr. Chow Kwai-cheung | 20,818 | – | – |
| Extensive Trading Company Limited | | | |
| (Non-voting deferred shares of HK\$1.00 each) | | | |
| Mr. Cheng Kar-shing, Peter | – | – | 380,000 |
| Mr. Leung Chi-kin, Stewart | 160,000 | – | – |
| Mr. Chan Kam-ling | – | – | 80,000 |
| Mr. Chow Kwai-cheung | 80,000 | – | – |
| Mr. Chow Yu-chun, Alexander | 80,000 | – | – |
| Hip Hing Construction Company Limited | | | |
| (Non-voting deferred shares of HK\$100.00 each) | | | |
| Mr. Chan Kam-ling | 15,000 | – | – |
| HH Holdings Corporation | | | |
| (Ordinary shares of HK\$1.00 each) | | | |
| Mr. Chan Kam-ling | 15,000 | – | – |
| International Property Management Limited | | | |
| (Non-voting deferred shares of HK\$10.00 each) | | | |
| Mr. Chan Kam-ling | 1,350 | – | – |

Directors' interests in securities of the associated corporations of the Company (continued)

| | Personal interests | Family interests | Corporate interests (Note 2) |
|---|-----------------------|---------------------|------------------------------------|
| Master Services Limited | | | |
| (Ordinary shares of US\$0.01 each) | | | |
| Mr. Leung Chi-kin, Stewart | 16,335 | – | – |
| Mr. Chan Kam-ling | 16,335 | – | – |
| Mr. Chow Kwai-cheung | 16,335 | – | – |
| Mr. Chow Yu-chun, Alexander | 16,335 | – | – |
| Matsuden Company Limited | | | |
| (Non-voting deferred shares of HK\$1.00 each) | | | |
| Mr. Leung Chi-kin, Stewart | 44,000 | – | – |
| Mr. Chan Kam-ling | – | – | 44,000 |
| Mr. Chow Kwai-cheung | 44,000 | – | – |
| Mr. Chow Yu-chun, Alexander | 44,000 | – | – |
| New World CyberBase Limited | | | |
| (Share options at an exercise price of HK\$0.5664 per share divided into 5 tranches exercisable from 17th August 1999, 17th August 2000, 17th February 2001, 17th August 2001, 17th February 2002 to 16th August 2002 respectively) | | | |
| Dr. Cheng Kar-shun, Henry | 25,000,000 | – | – |
| Mr. Doo Wai-hoi, William | 8,000,000 | – | – |
| Mr. Chan Wing-tak, Douglas | 5,000,000 | – | – |
| New World Services Limited | | | |
| (Ordinary shares of HK\$0.10 each) | | | |
| Mr. Cheng Kar-shing, Peter | – | – | 3,382,788 |
| Mr. Leung Chi-kin, Stewart | 4,214,347 | – | 250,745 |
| Mr. Chan Kam-ling | – | – | 10,602,565 |
| Mr. Chow Kwai-cheung | 2,562,410 | – | – |
| Mr. Chow Yu-chun, Alexander | 2,562,410 | – | – |
| Progreso Investment Limited | | | |
| (Non-voting deferred shares of HK\$1.00 each) | | | |
| Mr. Leung Chi-kin, Stewart | – | – | 119,000 |

Directors' interests in securities of the associated corporations of the Company (continued)

| | Personal interests | Family interests | Corporate interests (Note 2) |
|--|-------------------------------|-----------------------------|--|
| <hr/> | | | |
| Tai Yieh Construction & Engineering Company Limited (Non-voting deferred shares of HK\$1,000.00 each) | | | |
| Mr. Chan Kam-ling | 250 | – | – |
| | | | |
| Urban Property Management Limited (Non-voting deferred shares of HK\$1.00 each) | | | |
| Mr. Cheng Kar-shing, Peter | – | – | 750 |
| Mr. Leung Chi-kin, Stewart | 750 | – | – |
| Mr. Chow Kwai-cheung | 750 | – | – |
| Mr. Chow Yu-chun, Alexander | 750 | – | – |
| | | | |
| YE Holdings Corporation (Ordinary shares of HK\$1.00 each) | | | |
| Mr. Leung Chi-kin, Stewart | 37,500 | – | – |
| <hr/> | | | |

Notes:

- (1) Details of the directors' interests in certain share options of two fellow subsidiaries, New World Infrastructure Limited and Pacific Ports Company Limited, are disclosed under the section "Directors' rights to acquire shares or debentures".
- (2) These shares are beneficially owned by a company in which the relevant director is deemed to be entitled under the SDI Ordinance to exercise or control the exercise of one-third or more of the voting power at its general meeting.

Save as disclosed above, as at 30th June 2001, none of the directors, chief executive or any of their associates had any beneficial or non-beneficial interests in the securities of any of the associated corporations of the Company as defined in the SDI Ordinance.

Directors' rights to acquire shares or debentures

- (A) Under the Company's share option scheme, details of which are set out in note 26(ii) to the accounts, the following directors of the Company have personal interests in share options to subscribe for shares in the Company which had been granted to them as follows:

| Name of directors | Date of grant | Period during which share options may be exercisable | Number of share options outstanding at 30th June 2001 with exercise price per share of HK\$1.955 and divided into 5 tranches |
|-----------------------------|----------------------|---|---|
| Dr. Cheng Kar-shun, Henry | 7th February 2001 | 8th March 2001 to 7th March 2006 | 5,000,000 |
| Mr. Doo Wai-hoi, William | 8th February 2001 | 9th March 2001 to 8th March 2006 | 3,500,000 |
| Mr. Cheng Kar-shing, Peter | 9th February 2001 | 10th March 2001 to 9th March 2006 | 2,500,000 |
| Mr. Chow Yu-chun, Alexander | 8th February 2001 | 9th March 2001 to 8th March 2006 | 2,500,000 |
| Mr. Leung Chi-kin, Stewart | 7th February 2001 | 8th March 2001 to 7th March 2006 | 500,000 |
| Mr. Chan Kam-ling | 9th February 2001 | 10th March 2001 to 9th March 2006 | 500,000 |
| Mr. Chow Kwai-cheung | 9th February 2001 | 10th March 2001 to 9th March 2006 | 500,000 |
| Mr. Chan Wing-tak, Douglas | 12th February 2001 | 13th March 2001 to 12th March 2006 | 500,000 |
| Mr. So Ngok | 9th February 2001 | 10th March 2001 to 9th March 2006 | 500,000 |

The cash consideration paid by each director for each grant of the share options is HK\$10. No share option has been exercised by the directors under the share option scheme of the Company during the year ended 30th June 2001.

Directors' rights to acquire shares or debentures *(continued)*

(B) Under a share option scheme of a fellow subsidiary, New World Infrastructure Limited ("NWI"), options may be granted to directors and employees of NWI or its subsidiaries to subscribe for shares in NWI. The following directors of the Company are also directors of NWI and have personal interests in share options to subscribe for shares in NWI which have been granted to them as follows:

| Name of directors | Date of grant | Number of share options outstanding at 30th June 2001 with exercise price per share of | |
|---------------------------------|---------------------|--|-----------------------------------|
| | | HK\$10.20 <small>(note 1)</small> | HK\$12.00 <small>(note 2)</small> |
| Dr. Cheng Kar-shun, Henry | 2nd December 1998 | 600,000 | 2,400,000 |
| Mr. Cheng Kar-shing, Peter | 1st December 1998 | 120,000 | 480,000 |
| Mr. Doo Wai-hoi, William | 16th December 1998 | 200,000 | 800,000 |
| Mr. Leung Chi-kin, Stewart | 8th December 1998 | 120,000 | 480,000 |
| Mr. Chan Kam-ling | 9th December 1998 | 200,000 | 800,000 |
| Mr. Chan Wing-tak, Douglas | 26th November 1998 | 320,000 | 1,280,000 |
| Mr. So Ngok | 26th November 1998 | 200,000 | 800,000 |
| Mr. Cheng Wai-chee, Christopher | 11th December 1998 | 120,000 | 480,000 |
| Mr. Fu Sze-shing | 23rd September 1999 | 240,000 <small>(note 3)</small> | 960,000 <small>(note 4)</small> |

Notes:

- (1) Exercisable from 1st July 1999 to 1st June 2004, unless otherwise stated.
- (2) Divided into 3 tranches exercisable from 1st July 2000, 2001 and 2002 to 1st June 2004 respectively, unless otherwise stated.
- (3) Exercisable from 1st July 2000 to 1st June 2005.
- (4) Divided into 3 tranches exercisable from 1st July 2001, 2002 and 2003 to 1st June 2005 respectively.

The cash consideration paid by each director for each grant of the share options is HK\$10. No share option has been exercised by the directors under the share option scheme of NWI for the year ended 30th June 2001.

Directors' rights to acquire shares or debentures *(continued)*

- (C) Under another share option scheme of a fellow subsidiary, Pacific Ports Company Limited ("PPCL"), the following director of the Company, who is also a director of PPCL, has personal interests in share options to subscribe for shares in PPCL which have been granted to him as follows:

| Name of director | Date of grant | Number of share options outstanding at 30th June 2001 with exercise price per share of HK\$0.693 |
|----------------------------|----------------------|---|
| Mr. Chan Wing-tak, Douglas | 11th May 1999 | 10,000,000 ^(note) |

Note: Divided into 4 tranches exercisable from 5th November 1999, 5th May 2001, 5th May 2002, 5th May 2003 to 4th November 2004 respectively.

No share option has been exercised by the director under the share option scheme of PPCL for the year ended 30th June 2001.

Except for the foregoing, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company, a party to any arrangements to enable the directors of the Company or chief executive or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in competing business

During the year and up to the date of this report, the following directors are considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

| Name of directors | Name of entities with competing businesses | Business activities of the entities | Nature of interest of directors in the entities |
|-----------------------------|--|--|--|
| Dr. Cheng Kar-shun, Henry | Tianjin Tianzheng Property & Merchants Co., Ltd. | Land improvement in Tianjin | Director |
| | Wuxi Ramada Hotel Company Limited | Hotel operation in Wuxi | Director |
| | Beijing Jiang Guang Development Limited | Hotel operation in Beijing | Director |
| Mr. Doo Wai-hoi, William | Tianjin Tianzheng Property & Merchants Co., Ltd. | Land improvement in Tianjin | Director |
| | 北方同福酒店有限公司 | Hotel operation in Harbin | Director |
| | 天津新世界房地產有限公司 | Property development in Tianjin | Director |
| | 上海新華美大酒店有限公司 | Hotel operation in Shanghai | Director |
| Mr. Chow Yu-chun, Alexander | Guangzhou Metropolitan Properties Co., Ltd. | Property development in Guangzhou | Director |
| | Guangzhou New World Properties Development Co., Ltd. | Property development in Guangzhou | Director |
| | Grand New World Hotel Company Limited | Hotel operation in Xian | Director |

Directors' interests in competing business (continued)

| Name of directors | Name of entities with competing businesses | Business activities of the entities | Nature of interest of directors in the entities |
|--------------------------|---|--|--|
| Mr. Chan Kam-ling | Grand New World Hotel Company Limited | Hotel operation in Xian | Director |
| Mr. Chow Kwai-cheung | Tianjin Tianzheng Property & Merchants Co., Ltd. | Land improvement in Tianjin | Director |
| | 廣州金湖住宅發展有限公司 | Property development in Guangzhou | Director |
| | 廣州紅丰房地產有限公司 | Property development in Guangzhou | Director |
| | 增城永裕房地產有限公司 | Property development in Guangzhou | Director |

As the board of directors of the Company is independent from the boards of the aforesaid companies and none of the directors can control the board of the Company, the Group is capable of carrying its businesses independently of, and at arm's length from the businesses of such companies.

Substantial shareholders' interests in shares

As at 30th June 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following parties had interests of 10% or more of the issued share capital of the Company:

| Name | Number of shares held |
|---|---|
| Chow Tai Fook Enterprises Limited | 1,050,768,800 <small>(note (1))</small> |
| New World Development Company Limited ("NWD") | 1,050,768,800 <small>(note (2))</small> |

Substantial shareholders' interests in shares (continued)

Notes:

- (1) Chow Tai Fook Enterprises Limited and its subsidiaries have interests in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares deemed to be interested by NWD.
- (2) This represents the 1,011,714,290 shares directly held by NWD, 3 shares held by New World China Finance Limited ("NWCF"), 22,508,064 shares held by Great Worth Holdings Limited ("GWH") and 16,546,443 shares held by High Earnings Holdings Limited ("HEH"). NWCF is a wholly owned subsidiary of NWD, and GWH and HEH are 59% and 51.3% indirectly owned subsidiaries of NWD respectively. NWD is deemed to have interests in the shares held by NWCF, GWH and HEH.

Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 16(1) of the SDI Ordinance as at 30th June 2001.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major customers and suppliers

During the year, less than 30% of the Group's turnover and less than 30% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

Code of best practice

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the year, except that the non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at Annual General Meeting in accordance with Article 116 of the Company's Articles of Association.

Practice Note 19 of the Listing Rules – Supplementary Information

In accordance with the requirements under part 3.3 of Practice Note 19 ("PN 19") of the Listing Rules, the directors of the Company reported below the details of advances to, and guarantees given for the benefit of, their affiliated companies (as defined by PN 19) as at 30th June 2001.

The Company and its subsidiaries had advanced an aggregate amount of HK\$7,108,520,000 (2000: HK\$8,024,891,000) to affiliated companies (included in amounts disclosed in notes 15 and 16 to the accounts), guaranteed bank loans and other borrowing facilities for the benefit of the affiliated companies in the amount of HK\$796,307,000 (2000: HK\$1,062,241,000) (included in the amounts disclosed in note 29 to the accounts) and contracted to further provide an aggregate amount of HK\$2,422,672,000 (2000: HK\$3,000,442,000) in capital and loans to affiliated companies. The advances are unsecured, have no fixed repayment terms and are interest free except for an aggregate amount of HK\$5,755,929,000 (2000: HK\$6,435,145,000) which carry interest ranging from 4% to 12% per annum (2000: 4% to 12% per annum). Contracted capital and loan contributions to affiliated companies would be funded by proceeds from internal resources and bank and other borrowings of the Group.

Practice Note 19 of the Listing Rules – Supplementary Information (continued)

In addition, in accordance with the requirements under part 3.10 of PN 19, the Company is required to include in its annual report a proforma combined balance sheet of its affiliated companies which should include significant balance sheet classifications and state the attributable interest of the Company in the affiliated companies. The Company has numerous affiliated companies and is of the opinion that it is not practical nor meaningful to prepare a proforma combined balance sheet and such information may be misleading. Pursuant to PN 19 the Company made an application to, and has received a waiver from, the Stock Exchange as an alternative to provide the following statement.

As at 30th June 2001, the Group's total exposure on the combined indebtedness reported by such affiliated companies (including amounts owing to the Group) amounted to approximately HK\$15,195,395,000 (2000: HK\$15,128,460,000). Such affiliated companies reported no capital commitments and contingent liabilities as at 30th June 2001 (2000: Nil).

Auditors

The accounts have been audited by Messrs PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Dr. Cheng Kar-shun, Henry

Chairman

Hong Kong, 10th October 2001



羅兵咸永道會計師事務所

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF NEW WORLD CHINA LAND LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 96 to 148 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 30th June 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10th October 2001

| | Note | 2001 HK\$'000 | 2000 HK\$'000 |
|-------------------------------------|------|------------------|------------------|
| Turnover | 2 | 587,265 | 607,031 |
| Other revenues | 3 | 48,185 | 57,239 |
| Other operating income | 4 | 73,872 | – |
| Operating expenses | 5 | (445,111) | (243,838) |
| Operating profit before financing | 6 | 264,211 | 420,432 |
| Finance costs | 7 | (69,996) | (79,173) |
| Share of results of | | | |
| Associated companies | | (11,737) | (2,213) |
| Jointly controlled entities | | 50,521 | (118,509) |
| Profit before taxation | | 232,999 | 220,537 |
| Taxation | 10 | 30,270 | 11,620 |
| Profit after taxation | | 202,729 | 208,917 |
| Minority interests | | 4,265 | (5,388) |
| Profit attributable to shareholders | 27 | 206,994 | 203,529 |
| Earnings per share | 11 | | |
| Basic | | 14.13 cents | 13.90 cents |
| Diluted | | 14.08 cents | N/A |

| | Note | 2001 HK\$'000 | 2000 HK\$'000 |
|--|------|-------------------|------------------|
| Fixed assets | 12 | 3,248,168 | 2,924,107 |
| Properties held for development | 14 | 2,812,556 | 2,660,433 |
| Associated companies | 15 | 781,179 | 909,645 |
| Jointly controlled entities | 16 | 9,305,700 | 10,166,450 |
| Other investments | 17 | 2,925,136 | 2,934,454 |
| Other non-current assets | 18 | 111,634 | 108,914 |
| Total non-current assets | | 19,184,373 | 19,704,003 |
| Current assets | | | |
| Debtors, deposits and other receivables | 19 | 425,234 | 458,034 |
| Properties under development | 20 | 2,254,051 | 1,144,096 |
| Completed properties held for sale | 21 | 139,196 | 165,121 |
| Cash and bank balances | 22 | 1,141,588 | 578,309 |
| | | 3,960,069 | 2,345,560 |
| Current liabilities | | | |
| Creditors and accruals | 23 | 470,556 | 330,073 |
| Deposits received on sale of properties | | 231,382 | 26,899 |
| Amounts due to fellow subsidiaries | 24 | 221,341 | 35,563 |
| Secured short term loans | | 801,897 | 548,972 |
| Current portion of bank and other borrowings | 28 | 287,848 | 582,095 |
| Taxes payable | 25 | 104,445 | 103,945 |
| | | 2,117,469 | 1,627,547 |
| Net current assets | | 1,842,600 | 718,013 |
| Employment of funds | | 21,026,973 | 20,422,016 |
| Financed by: | | | |
| Share capital | 26 | 146,851 | 146,377 |
| Reserves | 27 | 17,322,901 | 16,842,142 |
| Shareholders' funds | | 17,469,752 | 16,988,519 |
| Bank and other borrowings | 28 | 3,019,375 | 2,783,617 |
| Deferred income | | 474,968 | 531,341 |
| Minority interests | | 62,878 | 118,539 |
| Funds employed | | 21,026,973 | 20,422,016 |

Dr. Cheng Kar-shun, Henry
Director

Mr. Doo Wai-hoi, William
Director

| | Note | 2001 HK\$'000 | 2000 HK\$'000 |
|---|------|-------------------|------------------|
| Subsidiaries | 13 | 15,970,436 | 16,027,537 |
| Current assets | | | |
| Debtors, deposits and other receivables | | 9,949 | 5,337 |
| Cash and bank balances | 22 | 74,980 | 67,557 |
| | | 84,929 | 72,894 |
| Current liabilities | | | |
| Creditors and accruals | | 1,969 | 728 |
| Amounts due to fellow subsidiaries | 24 | 23,438 | 2,054 |
| | | 25,407 | 2,782 |
| Net current assets | | 59,522 | 70,112 |
| Net assets | | 16,029,958 | 16,097,649 |
| Financed by: | | | |
| Share capital | 26 | 146,851 | 146,377 |
| Reserves | 27 | 15,883,107 | 15,951,272 |
| Shareholders' funds | | 16,029,958 | 16,097,649 |

Dr. Cheng Kar-shun, Henry
Director

Mr. Doo Wai-hoi, William
Director

| | Note | 2001 HK\$'000 | 2000 HK\$'000 |
|--|-------|------------------|------------------|
| Net cash inflow/(outflow) from operating activities | 31(a) | 229,545 | (539,776) |
| Returns on investments and servicing of finance | | | |
| Interest received | | 55,086 | 72,369 |
| Interest paid | | (67,218) | (78,849) |
| Dividend received from a jointly controlled entity | | - | 20,400 |
| Net cash (outflow)/inflow from returns on investments and servicing of finance | | (12,132) | 13,920 |
| Investing activities | | | |
| Additions to fixed assets | | (717,978) | (146,996) |
| Deferred expenditure incurred | | (1,323) | (76) |
| (Increase)/decrease in investments in associated companies | | (45,518) | 61,356 |
| Increase in investments in joint ventures | | (278,677) | (1,047,678) |
| Repayment of investments in joint ventures | | 276,883 | 110,525 |
| Repayment of investments in associated companies | | 32,340 | - |
| Acquisition of additional interests in subsidiaries | | (121,745) | - |
| Acquisition of interests in subsidiaries | 31(c) | (1,837) | (245,870) |
| Disposal of interest in a subsidiary | 31(e) | 386,010 | - |
| Disposal of fixed assets | | 305 | 3,029 |
| Net cash outflow from investing activities | | (471,540) | (1,265,710) |
| Net cash outflow before financing activities | | (254,127) | (1,791,566) |
| Financing activities | | | |
| Increase in bank loans and other borrowings | | 93,458 | 233,645 |
| Repayment of long term bank loans and other borrowings | | (494,935) | (371,328) |
| Net increase in short term loans | | 307,691 | 154,819 |
| Contribution from minority shareholders | | 31,656 | 716 |
| Increase in loans from minority shareholders | | 6,672 | 21,959 |
| Repayment of loans from fellow subsidiaries | | (208,655) | (225,269) |
| Increase in loans from fellow subsidiaries | | 1,079,023 | 713,842 |
| Decrease in amount due from ultimate holding company | | - | 311,785 |
| Issue of shares | | 9,290 | 1,425,000 |
| Share issue expenses | | - | (175,213) |
| Increase in restricted cash and bank balances | | (449,109) | (300,024) |
| Net cash inflow from financing activities | 31(g) | 375,091 | 1,789,932 |
| Increase/(decrease) in cash and bank balances | | 120,964 | (1,634) |
| Cash and bank balances at beginning of year | | 382,278 | 383,912 |
| Cash and bank balances at end of year | | 503,242 | 382,278 |

| | Note | 2001 HK\$'000 | 2000 HK\$'000 |
|---|------|------------------|------------------|
| Revaluation surplus/(deficit) on investment properties | 27 | 33,820 | (34,689) |
| Share of revaluation (deficit)/surplus of associated companies | 27 | (15,219) | 9,935 |
| Share of revaluation surplus/(deficit) of jointly controlled entities | 27 | 170,184 | (207,709) |
| Exchange differences arising on translation of subsidiaries, associated companies and joint ventures | 27 | (26,199) | 10,987 |
| Net gains/(losses) not recognised in the profit and loss account | | 162,586 | (221,476) |
| Profit for the year | | 206,994 | 203,529 |
| Total recognised gains/(losses) | | 369,580 | (17,947) |
| Share of goodwill of a jointly controlled entity eliminated against reserves | | – | (153,384) |
| Capital reserve on acquisition of additional interest in a subsidiary | 27 | 108,682 | – |
| Release of reserves upon disposal of a subsidiary | 27 | 3,301 | – |
| Goodwill written off on acquisition of a subsidiary | 27 | (9,620) | (40,492) |
| | | 471,943 | (211,823) |

1 Principal accounting policies

(a) Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of hotel and investment properties and other investments and in accordance with accounting principles generally accepted in Hong Kong.

(b) Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and all of its subsidiaries made up to 30th June, and include the Group's share of the results for the year and undistributed post-acquisition reserves of its associated companies and jointly controlled entities. The results of subsidiaries, associated companies and jointly controlled entities acquired or disposed of during the year are dealt with in the consolidated profit and loss account from the effective dates of acquisition and up to the effective dates of disposal respectively.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(c) 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 and is written off directly to reserves in the year of acquisition.

(d) Subsidiaries

A company, including equity and co-operative joint ventures in the People's Republic of China ("PRC"), is a subsidiary if more than 50% of the voting capital is held for the long term or if the composition of the board of directors is controlled by the Group. Investments in subsidiaries are carried at cost. Provision is made when the directors consider that there is a diminution in value other than temporary in nature.

1 Principal accounting policies (continued)

(e) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised through representatives on the board of directors and there is no contractual arrangement to establish joint control over the economic activities of the company. The Group's investments in associated companies also include joint ventures in the PRC in which the composition of the board of directors is controlled by the Group's associated companies.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

(f) Jointly controlled entities

A jointly controlled entity is a joint venture established as a corporation, partnership or other entity in which the venturers have their respective interests and establish a contractual arrangement among them to define their joint control over the economic activity of the entity.

The Group's interests in jointly controlled entities are stated at cost plus the Group's share of their post-acquisition results and reserves, less provision for diminution in value other than temporary in nature. The share of post-acquisition results and reserves is based on the relevant profit sharing ratios which vary according to the nature of the jointly controlled entities explained as follows:

(i) *Equity joint ventures*

Equity joint ventures are joint ventures in respect of which the venturers' capital contribution ratios are defined in the joint venture contracts and the venturers' profit sharing ratios are in proportion to the capital contribution ratios.

(ii) *Co-operative joint ventures*

Co-operative joint ventures are joint ventures in respect of which the venturers' profit sharing ratios and share of net assets upon expiration of the joint venture periods are not in proportion to their capital contribution ratios but are as defined in the joint venture contracts.

(iii) *Companies limited by shares*

Companies limited by shares are limited liability companies in respect of which each shareholder's beneficial interest therein is in accordance with the amount of the voting share capital held thereby.

1 Principal accounting policies (continued)

(g) Joint ventures in the People's Republic of China

(i) *Equity joint ventures*

The Group's investments in these Sino-foreign joint ventures are accounted for as subsidiaries (where the Group controls either the voting power or the composition of the board of directors) or as jointly controlled entities (where the Group and the other venturers of the equity joint venture established joint control over the economic activity thereof).

(ii) *Co-operative joint ventures*

The Group's investments in these Sino-foreign joint ventures are accounted for as subsidiaries (where the Group controls either the voting power or the composition of the board of directors) or as jointly controlled entities (where the Group and the other venturers of the co-operative joint venture established joint control over the economic activity thereof).

(h) Other investments

Other investments are long term investments other than subsidiaries, associated companies and jointly controlled entities.

(i) *Investment securities*

Investment securities are held for non-trading purpose and are stated at fair value at the balance sheet date. Fair value is estimated by the directors by reference to the market price or, in case of unlisted investments, net asset value of the respective investment. Changes in the fair value of individual investments are credited or debited to the investment revaluation reserve until the investment is sold or determined to be impaired. Where the directors determine that there is impairment loss, the accumulated changes in fair value are removed from the investment revaluation reserve and recognised in the profit and loss account. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant investment, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

(ii) *Fixed return joint ventures*

A joint venture is classified as a fixed return joint venture if it is held for the long term and it gives fixed rate returns which is predetermined in accordance with the provisions of the joint venture contracts. Fixed return joint ventures are carried at cost plus Return on Costs (note **(q)**(ii)) less provision for diminution in value other than temporary in nature.

1 Principal accounting policies (continued)

(i) Fixed assets and depreciation

(i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential. The investment properties are stated at open market value based on an annual professional valuation at the balance sheet date. Increases in valuation are credited to the investment property revaluation reserve; decreases in value are first set off against earlier revaluation surpluses on a portfolio basis and thereafter charged to the profit and loss account. Any subsequent increases are credited to operating profit up to the amount previously debited. Upon sale of an investment property, the relevant portion of the revaluation surplus in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account. No depreciation is provided on investment properties held on leases of more than twenty years.

(ii) *Hotel properties*

Hotel properties are interests in land and buildings and their integral fixed plant which are collectively used in the operation of hotel. They are stated in the balance sheet at their open market value on the basis of an annual professional valuation. Increases in valuation are credited to the hotel properties revaluation reserve; decreases in value are first set off against earlier revaluation surpluses and thereafter charged to the profit and loss account. No depreciation is provided on hotel properties held on leases of more than twenty years. It is the Group's practice to maintain the buildings in a continual state of sound repairs and to make improvements thereto from time to time and accordingly, the directors consider that given the estimated lives of the hotel properties, any depreciation would be insignificant due to their high residual value. Such expenditures on repairs and improvements are charged to the profit and loss account in the year in which they are incurred.

(iii) *Assets under construction*

No depreciation is provided on assets under construction. All direct and indirect costs relating to the construction of fixed assets including interest and financing costs and foreign exchange differences on the related borrowed funds during the construction period are capitalised as the cost of the fixed assets.

1 Principal accounting policies (continued)

(i) Fixed assets and depreciation (continued)

(iv) *Other fixed assets*

Other fixed assets, including other properties which are interests in land and buildings other than investment properties and hotel properties, are stated at cost less accumulated depreciation. Depreciation of fixed assets is calculated to write off the cost of assets over their estimated useful lives, using the straight line method. Estimated useful lives are summarised as follows:

| | |
|--|--|
| Land held on long or medium term lease | Unexpired period of the lease |
| Buildings | 20 years |
| Leasehold improvements | 10 years or over the relevant lease period |
| Furniture, fixtures and equipment | 5 years |
| Motor vehicles | 3 years |

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives. The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

Profits or losses on disposal of fixed assets are determined as the difference between the net disposal proceeds and the carrying amounts of the assets and are dealt with in the profit and loss account.

(j) Deferred expenditure

Loan procurement expenses are amortised on a straight line basis over the relevant loan periods.

(k) Properties held for/under development

Properties held for/under development are stated at cost less provision for any possible loss. Cost comprises land cost, development expenditure, professional fees and interest capitalised. On completion, the properties are transferred to investment properties or to completed properties held for sale.

(l) Completed properties held for sale

Completed properties held for sale is stated at the lower of cost and net realisable value. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

1 Principal accounting policies (continued)

(m) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Rentals payable to such operating leases are charged to the profit and loss account on a straight line basis over the periods of the leases.

(n) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(o) Capitalisation of interest and finance charges

Interest and finance charges on borrowings relating to properties under development are included in the cost of the development during the period of development. Interest and finance charges on borrowings that are directly attributable to the financing of the Group's investments in joint ventures investing in property development projects are capitalised as the cost of investments in these joint ventures up to the respective date of completion of construction of the related properties. All other borrowing costs are expensed in the profit and loss account in the year in which they are incurred, other than those dealt with in note **(i)**(iii) above.

(p) Foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at rates of exchange ruling at that date. Exchange differences arising in these cases are dealt with in the profit and loss account, other than those dealt with in note **(i)**(iii) above.

The accounts of overseas subsidiaries, associated companies and jointly controlled entities expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising therefrom are dealt with as a movement in reserves.

1 Principal accounting policies (continued)

(q) Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the Group and these benefits can be measured reliably on the following bases:

(i) *Property sales*

Revenue from sale of properties is recognised either when the sale agreement is completed or when the development is completed which is determined by the issuance of the completion certificate by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.

(ii) *Return on Costs*

Return on Costs represents investments return received and receivable in respect of the Group's interest in low-cost community housing which is calculated by reference and limited to 15% on the aggregate qualifying construction and development costs as provided by the respective joint venture agreements.

Return on Costs is recognised only upon completion of a distinct phase of low-cost community housing when the relevant buildings are examined and approved for occupation by the relevant authority, or when the obligations undertaken by the PRC joint venture partners of the respective joint ventures to pay the Return on Costs become due, whichever is the earlier.

(iii) *Interest income*

(a) Interest income in respect of loan financing provided to associated companies and jointly controlled entities financing the development of property projects during the development periods is deferred and recognised on the same basis as property sales (note (q)(i)) above.

(b) Interest income in respect of loan financing provided to associated companies and jointly controlled entities other than those engaged in property development during their pre-operational period is deferred and amortised over the repayment period of the loan.

(c) Interest income in respect of loan financing provided to fixed return joint ventures financing the development of low-cost community housing is recognised on a time proportion basis.

(d) Other than those described in (a) to (c) above, interest income is recognised on a time proportion basis.

(iv) *Rental income*

Rental income is recognised on a straight line accrual basis over the terms of lease agreements or on a specified basis according to the terms of lease agreements in respect of contingent rental income.

1 Principal accounting policies (continued)

(q) Revenue recognition (continued)

(v) Management fee income

- (a) Management fee income in respect of management services provided to associated companies and jointly controlled entities engaged in property development during the development periods is deferred and recognised on the same basis as property sales (note (q)(i)) above.
- (b) Other than those described in (a) above, management fee income is recognised upon provision of management services.

(vi) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

2 Turnover and profit attributable to shareholders

The Group is principally engaged in investment and development of property projects in the PRC. Turnover comprises Return on Costs in respect of low-cost community housing, gross proceeds from sales of properties, revenue from rental operations, management fee income and interest income in respect of loan financing provided to associated companies and joint ventures, net of withholding tax.

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--------------------------------------|------------------|------------------|
| Sales of properties | 291,459 | 82,975 |
| Rental income | 172,531 | 156,126 |
| Return on Costs | 14,662 | 169,924 |
| Management fee income | 819 | 35,875 |
| | 479,471 | 444,900 |
| Interest income less withholding tax | 107,794 | 162,131 |
| | 587,265 | 607,031 |

An analysis of the Group's turnover and profit attributable to shareholders by principal activity is as follows:

| | 2001 HK\$'000 | 2000 HK\$'000 |
|------------------------|------------------|------------------|
| (i) Turnover | | |
| Property sales | 415,798 | 439,272 |
| Rental operation | 171,467 | 158,535 |
| Hotel operation (note) | – | 9,224 |
| | 587,265 | 607,031 |

2 Turnover and profit attributable to shareholders (continued)

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--|------------------|------------------|
| (ii) Profit attributable to shareholders | | |
| Property sales | 118,817 | 270,427 |
| Rental operation | 257,905 | 111,670 |
| Hotel operation (note) | 10,089 | (4,368) |
| Others | (137) | (254) |
| | 386,674 | 377,475 |
| Finance costs | (69,996) | (79,173) |
| Corporate expenses | (109,684) | (94,773) |
| | 206,994 | 203,529 |

Note: The Group's hotels are operated through its investments in an associated company and jointly controlled entities.

3 Other revenues

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--------------------------------|------------------|------------------|
| Bank and other interest income | 48,185 | 57,239 |

4 Other operating income

| | 2001 HK\$'000 | 2000 HK\$'000 |
|---|------------------|------------------|
| Gain on disposal of a subsidiary (note 32(v)) | 93,760 | – |
| Provision for diminution in value of properties held for development and completed properties held for sale | (19,888) | – |
| | 73,872 | – |

5 Operating expenses

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--------------------------------------|------------------|------------------|
| Cost of properties sold | (243,946) | (81,652) |
| Staff costs | (92,840) | (78,937) |
| Depreciation | (10,942) | (7,724) |
| Amortisation of deferred expenditure | (5,397) | (5,415) |
| Other operating expenses | (91,986) | (70,110) |
| | (445,111) | (243,838) |

6 Operating profit before financing

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--|------------------|------------------|
| Operating profit before financing is arrived at after crediting: | | |
| Gross rental income from investment properties | 170,379 | 155,243 |
| and after charging: | | |
| Outgoings in respect of investment properties | 7,188 | 5,769 |
| Rental for leased premises | 5,915 | 6,234 |
| Guarantee fee paid to ultimate holding company | 5,290 | 12,904 |
| Auditors' remuneration | 4,161 | 3,500 |
| Retirement benefit costs | 3,847 | 2,493 |

Total contingent rents included in rental income amounted to HK\$20,101,000 (2000: HK\$3,365,000).

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--|------------------|------------------|
| The future minimum rental payments receivable under non-cancellable leases are as follows: | | |
| Within one year | 67,987 | 82,495 |
| Between two and five years | 63,140 | 219,187 |
| Beyond five years | 3,558 | 78,223 |
| | 134,685 | 379,905 |

Generally the Group's operating leases are for terms of two to five years.

7 Finance costs

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--|------------------|------------------|
| Interest on bank loans | 58,792 | 61,944 |
| Interest on loans from fellow subsidiaries | | |
| Wholly repayable within five years | 90,370 | 114,241 |
| Not wholly repayable within five years | 16,037 | – |
| Interest on loans from minority shareholders | 2,171 | 5,001 |
| Interest on short term loans | 8,426 | 16,905 |
| | 175,796 | 198,091 |
| Amount capitalised in properties held for/under development and assets under construction | (97,056) | (104,075) |
| Amount capitalised in investments in jointly controlled entities and an associated company (note) | (8,744) | (14,843) |
| | 69,996 | 79,173 |

Note:

To the extent funds are borrowed generally and used for the purpose of financing certain qualifying investments in an associated company and jointly controlled entities, the capitalisation rate used to determine the amounts of borrowing costs eligible for capitalisation as part of the costs of these assets is 6.9% (2000: 8.8%) for the year.

8 Retirement benefit costs

The Group has established a defined contribution retirement scheme under the Occupational Retirement Scheme Ordinance for all employees in Hong Kong since September 1999. The contributions to the scheme are based on a percentage of the employees' salaries ranging from 5% to 10%, depending upon the length of service of the employees. The Group's contributions to the scheme are expensed as incurred and are not forfeited in respect of those employees who leave the scheme prior to vesting fully in the contributions.

With the implementation of the Mandatory Provident Fund ("MPF") Scheme Ordinance on 1st December 2000, the Group established a new MPF Scheme. Except for employees who commenced employment after 1st October 2000, all the existing employees were given an option to select between the existing defined contribution scheme and the MPF Scheme. The employees who commenced employment after 1st October 2000 are required to join the MPF Scheme. The Group's contributions to the MPF scheme are based on fixed percentages of members' salary, ranging from 5% of MPF relevant income to 10% of the basic salary. Members' mandatory contributions are fixed at 5% of MPF relevant income.

The assets of all retirement schemes are held separately from those of the Group in independently administered funds. The total cost charged to the profit and loss account amounted to HK\$3,847,000 (2000: HK\$2,493,000).

9 Directors' and senior management remuneration

(i) Details of the directors' emoluments are as follows:

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--|------------------|------------------|
| Fees | – | – |
| Salaries, discretionary bonus and other allowances | 2,632 | 2,600 |
| Contribution to retirement benefit scheme | 132 | – |
| | 2,764 | 2,600 |

The emoluments of the directors fall within the following bands:

| | Number of directors | |
|-------------------------------|---------------------|-----------|
| | 2001 | 2000 |
| Nil – HK\$500,000 | 12 | 12 |
| HK\$2,500,001 – HK\$3,000,000 | 1 | 1 |
| | 13 | 13 |

No emoluments were paid to independent non-executive directors during the year (2000: Nil).

None of the directors has waived his right to receive his emoluments (2000: Nil).

(ii) The five individuals whose emoluments were the highest in the Group for the year include one (2000: one) director whose emoluments are reflected in the analysis presented above. Details of the emoluments paid to the remaining individuals in the Group are as follows:

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--|------------------|------------------|
| Salaries, discretionary bonus and other allowances | 7,780 | 6,568 |
| Contribution to retirement benefit scheme | 336 | 433 |
| | 8,116 | 7,001 |

The emoluments fall within the following bands:

| | Number of individuals | |
|-------------------------------|-----------------------|----------|
| | 2001 | 2000 |
| HK\$1,000,001 – HK\$1,500,000 | – | 1 |
| HK\$1,500,001 – HK\$2,000,000 | 3 | 2 |
| HK\$2,000,001 – HK\$2,500,000 | 1 | 1 |
| | 4 | 4 |

10 Taxation

| | 2001 HK\$'000 | 2000 HK\$'000 |
|-----------------------------|------------------|------------------|
| Company and subsidiaries | | |
| PRC income tax | 11,835 | – |
| Jointly controlled entities | | |
| PRC income tax | 18,435 | 11,620 |
| | 30,270 | 11,620 |

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 year (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%).

In July 1999, a deed of tax indemnity was entered into between the ultimate holding company and the Group whereby the ultimate holding company undertakes to indemnify the Group in respect of, inter alia, certain PRC income tax ("IT") and land appreciation tax ("LAT") payable in consequence of the disposal of certain properties held by the Group as at 31st March 1999 and in respect of which the aggregate amount of LAT and IT is estimated at approximately HK\$7,783 million (2000: HK\$7,858 million). The tax indemnity is also given in respect of LAT and IT payable in consequence of the disposal of any low-cost community housing in the event the relevant company in the Group is unable to pay such taxes. During the year, no such tax indemnity was effected (2000: Nil).

Realisation of the surplus on revaluation of the Group's investment and hotel properties would give rise to a taxation liability in the PRC. No provision has been made in the accounts for this liability as these properties are held for the long term and management has no intention to dispose of these properties in the foreseeable future. Tax indemnity has also been given by the ultimate holding company in respect of these properties.

11 Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$206,994,000 (2000: HK\$203,529,000) and the weighted average of 1,464,741,432 shares (2000: 1,463,772,938 shares) in issue during the year.

Diluted earnings per share for the year is based on profit attributable to shareholders of HK\$206,994,000 divided by 1,464,741,432 shares which is the weighted average number of shares in issue during the year plus the weighted average of 5,428,030 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 30th June 2000.

12 Fixed assets

Group

| | Investment properties | Other properties | Leasehold improve- ments | Furniture, fixtures and equipment | Motor vehicles | Assets under construction | Total |
|-----------------------------|--------------------------|---------------------|--------------------------------|---|-------------------|---------------------------------|------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Cost or valuation | | | | | | | |
| At 30th June 2000 | 1,277,139 | 18,113 | 4,866 | 29,156 | 14,512 | 1,605,612 | 2,949,398 |
| Acquisition of subsidiaries | – | – | – | 3,409 | 507 | – | 3,916 |
| Additions | 55,051 | – | 7,667 | 13,498 | 2,339 | 694,696 | 773,251 |
| Disposals | – | – | – | (863) | (744) | – | (1,607) |
| Disposal of a subsidiary | (159,026) | – | – | (926) | (401) | (315,766) | (476,119) |
| Revaluation surplus | 34,503 | – | – | – | – | – | 34,503 |
| At 30th June 2001 | 1,207,667 | 18,113 | 12,533 | 44,274 | 16,213 | 1,984,542 | 3,283,342 |
| Accumulated depreciation | | | | | | | |
| At 30th June 2000 | – | 2,941 | 1,748 | 13,956 | 6,646 | – | 25,291 |
| Acquisition of subsidiaries | – | – | – | 874 | 367 | – | 1,241 |
| Charge for the year | – | 815 | 1,667 | 6,333 | 2,127 | – | 10,942 |
| Disposals | – | – | – | (776) | (505) | – | (1,281) |
| Disposal of a subsidiary | – | – | – | (639) | (380) | – | (1,019) |
| At 30th June 2001 | – | 3,756 | 3,415 | 19,748 | 8,255 | – | 35,174 |
| Net book value | | | | | | | |
| At 30th June 2001 | 1,207,667 | 14,357 | 9,118 | 24,526 | 7,958 | 1,984,542 | 3,248,168 |
| At 30th June 2000 | 1,277,139 | 15,172 | 3,118 | 15,200 | 7,866 | 1,605,612 | 2,924,107 |

12 Fixed assets (continued)

Notes:

- (i) Investment properties were revalued on 30th June 2001 on an open market value basis by Chesterton Petty Limited, independent professional valuers, and are held in the PRC under the following leases:

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--------------------|------------------|------------------|
| Long leases | 84,112 | 82,243 |
| Medium term leases | 1,123,555 | 1,194,896 |
| | 1,207,667 | 1,277,139 |

- (ii) Other properties are stated at cost and held in the PRC under the following leases:

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--------------------|------------------|------------------|
| Long leases | 2,856 | 2,856 |
| Medium term leases | 15,257 | 15,257 |
| | 18,113 | 18,113 |

- (iii) Certain interests in investment properties and assets under construction pledged as securities for short term loans and long term loans amount to HK\$240,832,000 (2000: HK\$447,916,000) and HK\$112,149,000 (2000: HK\$339,265,000) respectively.
- (iv) Included in assets under construction is interest capitalised of HK\$78,740,000 (2000: HK\$84,440,000).

13 Subsidiaries

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--|-------------------|------------------|
| Unlisted shares, at cost (2001 and 2000: HK\$10) | – | – |
| Amounts due from subsidiaries | 15,970,436 | 16,027,537 |
| | 15,970,436 | 16,027,537 |

Details of principal subsidiaries are given in note 35.

14 Properties held for development

| | Group | |
|--|------------------|-----------|
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Leasehold land, at cost less provision | | |
| Long term | 1,178,025 | 994,090 |
| Medium term | 1,216,852 | 1,225,253 |
| Development and incidental costs | 289,734 | 411,882 |
| Interest capitalised | 127,945 | 29,208 |
| | 2,812,556 | 2,660,433 |

Properties held for development of HK\$218,184,000 in 2000 had been pledged as securities for a short term loan, which was fully repaid during the year.

15 Associated companies

| | Group | |
|--|-----------------|----------|
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Group's shares of net assets | 35,975 | 62,820 |
| Amounts due by associated companies (note (i)) | 762,247 | 865,639 |
| Amounts due to associated companies (note (i)) | (17,043) | (18,814) |
| | 781,179 | 909,645 |

Notes:

- (i) The amounts receivable and payable are unsecured, interest free and have no specific repayment terms.
- (ii) Details of principal associated companies are given in note 35.

16 Jointly controlled entities

| | Group | |
|--|------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| Equity joint ventures | | |
| Group's share of net liabilities | (57,322) | (68,937) |
| Amounts due by joint ventures | | |
| Interest bearing (note (i)) | 510,329 | 520,649 |
| Non-interest bearing (note (ii)) | 130,126 | 123,748 |
| | 583,133 | 575,460 |
| Co-operative joint ventures | | |
| Cost of investments (note (iii)) | 3,146,615 | 3,371,727 |
| Share of undistributed post-acquisition results and reserves | (150,111) | (359,430) |
| | 2,996,504 | 3,012,297 |
| Amounts due by joint ventures | | |
| Interest bearing (note (iv)) | 5,047,282 | 5,724,815 |
| Non-interest bearing (note (ii)) | 71,738 | 163,844 |
| Amounts due to joint ventures (note (ii)) | (12,458) | (252) |
| | 8,103,066 | 8,900,704 |
| Companies limited by shares | | |
| Group's share of net liabilities | (148,232) | (144,085) |
| Amounts due by joint ventures | | |
| Interest bearing (note (v)) | 198,318 | 189,681 |
| Non-interest bearing (note (ii)) | 388,480 | 436,515 |
| | 438,566 | 482,111 |
| Deposits for proposed joint ventures (note (vi)) | 180,935 | 208,175 |
| | 9,305,700 | 10,166,450 |

Notes:

- (i) The amounts receivable are unsecured, carry interest ranging from 5.85% to 12% per annum (2000: 5.85% to 12% per annum) and have repayment terms as specified in the joint venture contracts.
- (ii) The amounts receivable and payable are unsecured, interest free and have repayment terms as specified in the joint venture contracts.
- (iii) The Group's interest in a jointly controlled entity in 2000 were pledged as part of the security to secure a syndicated bank loan of US\$40 million granted to the jointly controlled entity of which US\$11.5 million were utilised as at 30th June 2000. The bank loan was fully repaid in 2001.

16 Jointly controlled entities *(continued)*

- (iv) The amounts receivable are unsecured, carry interest ranging from 8.5% to 12% per annum (2000: 8.5% to 12% per annum) and have repayment terms as specified in the joint venture contracts.
- (v) The amounts receivable are unsecured, carry interest ranging from 4% to 1.5% above prime rate per annum (2000: 4% to 1.5% above prime rate per annum) and have repayment terms as specified in the joint venture contracts.
- (vi) The balances represent payments on account of proposed joint ventures for which only preliminary agreements have been signed and the joint venture companies have not been established as at the balance sheet date. Upon the establishment of the relevant joint venture companies, the relevant amounts will be reclassified to respective joint venture balances.
- (vii) Details of principal jointly controlled entities are given in note 35.
- (viii) A summary of the financial information of the significant jointly controlled entities is set out in note 33.

17 Other investments

| | Group | |
|---|------------------|-----------|
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Investment security | | |
| Unlisted shares, at cost | 350 | 350 |
| Amount due from investee company | 207,826 | 207,826 |
| | 208,176 | 208,176 |
| Fixed return joint ventures | | |
| Cost of investments | 593,132 | 589,623 |
| Amounts due by joint ventures | | |
| Interest bearing (note (i)) | 2,084,620 | 2,056,405 |
| Non-interest bearing (note (ii)) | 125,185 | 308,998 |
| Amounts due to joint ventures (note (ii)) | (85,977) | (228,748) |
| | 2,716,960 | 2,726,278 |
| | 2,925,136 | 2,934,454 |

Notes:

- (i) The amounts receivable are unsecured, carry interest at 10% per annum (2000: 10% per annum) and have repayment terms as specified in the joint venture contracts.
- (ii) The amounts receivable and payable are unsecured, interest free and have repayment terms as specified in the joint venture contracts.

18 Other non-current assets

| | Group | |
|--|-----------------|----------|
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Deferred expenditure | | |
| Loan procurement expenses | 1,426 | 26,841 |
| Accumulated amortisation | (579) | (21,920) |
| | 847 | 4,921 |
| Cash and bank balances, restricted (note 22) | 110,787 | 103,993 |
| | 111,634 | 108,914 |

19 Debtors, deposits and other receivables

Debtors, deposits and other receivables include trade debtors, utility and other deposits, interest and other receivables and prepayment for land cost.

The ageing analysis of trade debtors is as follows:

| | Group | |
|---------------|-----------------|----------|
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| 0 to 30 days | 6,890 | 8,868 |
| 31 to 60 days | 5,874 | 614 |
| 61 to 90 days | 7,238 | 354 |
| Over 90 days | 9,213 | 2,752 |
| | 29,215 | 12,588 |

Sales proceed receivables in respect of sale of properties are settled in accordance with the instalment schedules as stipulated in the sale and purchase agreements. Monthly rental in respect of rental properties are payable in advance by tenants in accordance with the lease agreements.

20 Properties under development

| | Group | |
|----------------------------------|------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| Leasehold land, at cost | | |
| Long term | 1,509,695 | 659,740 |
| Medium term | 82,892 | 131,666 |
| Development and incidental costs | 628,244 | 208,767 |
| Interest capitalised | 33,220 | 143,923 |
| | 2,254,051 | 1,144,096 |

The aggregate carrying value of properties under development pledged as securities for short term loans amounts to HK\$82,243,000 (2000: Nil).

21 Completed properties held for sale

The aggregate carrying value of completed properties held for sale that were carried at net realisable values amounts to HK\$112,662,000 (2000: Nil).

22 Cash and bank balances

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 | 2001 HK\$'000 | 2000 HK\$'000 |
| Restricted balances | 749,133 | 300,024 | – | – |
| Unrestricted balances | 503,242 | 382,278 | 74,980 | 67,557 |
| Cash and bank balances | 1,252,375 | 682,302 | 74,980 | 67,557 |
| Restricted balances included under other non- current assets (note 18) | (110,787) | (103,993) | – | – |
| | 1,141,588 | 578,309 | 74,980 | 67,557 |

The restricted balances have been pledged as securities for certain short term loans and long term loans.

23 Creditors and accruals

Creditors and accruals include trade creditors, retentions payable of construction costs, other payables and various accruals. The ageing analysis of trade creditors is as follows:

| | Group | |
|---------------|-----------------|----------|
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| 0 to 30 days | 76,726 | 40,895 |
| 31 to 60 days | 9,207 | 39,322 |
| 61 to 90 days | 1,997 | 3,925 |
| Over 90 days | 101,618 | 63,398 |
| | 189,548 | 147,540 |

24 Amounts due to fellow subsidiaries

The balances are unsecured, interest free and have no specific repayment terms.

25 Taxes payable

| | Group | |
|-------------------------|-----------------|----------|
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Income tax payable | 9,965 | – |
| Withholding tax payable | 78,779 | 101,102 |
| Other PRC taxes payable | 15,701 | 2,843 |
| | 104,445 | 103,945 |

26 Share capital

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--|------------------|------------------|
| Authorised: | | |
| 8,000,000,000 shares of HK\$0.1 each | 800,000 | 800,000 |
| Issued and fully paid: | | |
| 1,468,511,738 shares of HK\$0.1 each (2000: 1,463,772,938 shares of HK\$0.1 each) | 146,851 | 146,377 |

Details of the movement in the issued share capital of the Company are summarised as follows:

| | Number of shares of HK\$0.1 each | HK\$'000 |
|---------------------------------------|---|----------------|
| At 30th June 1999 | 3 | – |
| Issue of shares (note (i)) | 1,463,772,935 | 146,377 |
| At 30th June 2000 | 1,463,772,938 | 146,377 |
| Exercise of share options (note (ii)) | 4,738,800 | 474 |
| At 30th June 2001 | 1,468,511,738 | 146,851 |

Notes:

- (i) On 15th July 1999, 999,999,997 shares of HK\$0.1 each were issued and allotted to the ultimate holding company and certain of its subsidiaries by means of capitalisation of debts owing to these companies and 313,772,938 shares of HK\$0.1 each were issued and allotted to the then bondholders upon conversion of convertible bonds issued by a fellow subsidiary. In addition, 150,000,000 shares of HK\$0.1 each were issued pursuant to the initial public offering at HK\$9.5 each.
- (ii) Pursuant to the share option scheme adopted on 18th December 2000, the Company may grant options to executive directors and employees of the Company to subscribe for shares in the Company. The movements in the number of share options granted during the year and the balance outstanding at 30th June 2001 are as follows:

| Date of offer to grant | Exercise price per share HK\$ | Number of shares | | | At 30th June 2001 |
|---------------------------|--|---|---------------------------------|------------------------------|----------------------|
| | | Granted during the year (note) | Exercised during the year | Lapsed during the year | |
| 5th February 2001 | 1.955 | 58,544,800 | 4,698,800 | 802,000 | 53,044,000 |
| 2nd May 2001 | 2.605 | 498,400 | 40,000 | – | 458,400 |
| | | 59,043,200 | 4,738,800 | 802,000 | 53,502,400 |

Note: Divided into 5 tranches and exercisable within a period of 5 years commencing on the expiry of one month after the dates on which the options were accepted.

26 Share capital (continued)

Subsequent to the balance sheet date, the following changes to the share capital of the Company took place:

- (a) On 3rd July 2001, 8,790,616 new shares of the Company were issued at an issue price of HK\$3.225 each and credited as fully paid for the acquisition by a wholly-owned subsidiary of the Company of a further 30% interest in a subsidiary of the Group.
- (b) On 3rd July 2001, 2,121,140 new shares of the Company were issued at an issue price of HK\$3.225 each and credited as fully paid for the acquisition by a wholly-owned subsidiary of the Company of a further 12% interest in a subsidiary of the Group.

The new shares issued rank pari passu in all respects with the existing shares in issue at balance sheet date.

27 Reserves

Group

| | Contributed surplus | Share premium | Capital reserve | Investment properties revaluation reserve | Hotel properties revaluation reserve | Exchange reserve | Retained profit | Total |
|---|---------------------|---------------|-----------------|---|--------------------------------------|------------------|-----------------|------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| As at 30th June 1999 | 14,751,973 | – | – | 337,009 | 5,327 | 33,641 | 691,228 | 15,819,178 |
| Premium on issue of shares | – | 1,410,000 | – | – | – | – | – | 1,410,000 |
| Share issue expenses | – | (175,213) | – | – | – | – | – | (175,213) |
| Profit retained for the year | – | – | – | – | – | – | 203,529 | 203,529 |
| Revaluation (deficit)/surplus | | | | | | | | |
| Company and subsidiaries | – | – | – | (34,689) | – | – | – | (34,689) |
| Associated companies | – | – | – | 5,606 | 4,329 | – | – | 9,935 |
| Jointly controlled entities | – | – | – | (203,816) | (3,893) | – | – | (207,709) |
| Goodwill written off on acquisition of a subsidiary | – | – | (40,492) | – | – | – | – | (40,492) |
| Share of goodwill of a jointly controlled entity | – | – | (153,384) | – | – | – | – | (153,384) |
| Transfer to capital reserve | – | – | 193,876 | – | – | – | (193,876) | – |
| Translation difference | – | – | – | – | – | 10,987 | – | 10,987 |
| As at 30th June 2000 | 14,751,973 | 1,234,787 | – | 104,110 | 5,763 | 44,628 | 700,881 | 16,842,142 |
| Retained by: | | | | | | | | |
| Company and subsidiaries | 14,751,973 | 1,234,787 | – | 7,704 | – | 7,246 | 1,390,749 | 17,392,459 |
| Associated companies | – | – | – | 68,552 | 4,485 | 12,095 | (49,790) | 35,342 |
| Jointly controlled entities | – | – | – | 27,854 | 1,278 | 25,287 | (640,078) | (585,659) |
| | 14,751,973 | 1,234,787 | – | 104,110 | 5,763 | 44,628 | 700,881 | 16,842,142 |

27 Reserves (continued)

Group

| | Contributed surplus | Share premium | Capital reserve | Investment properties revaluation reserve | Hotel properties revaluation reserve | Exchange reserve | Retained profit | Total |
|---|---------------------|------------------|-----------------|---|--------------------------------------|------------------|------------------|-------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| As at 30th June 2000 | 14,751,973 | 1,234,787 | – | 104,110 | 5,763 | 44,628 | 700,881 | 16,842,142 |
| Premium on issue of shares | – | 8,816 | – | – | – | – | – | 8,816 |
| Profit retained for the year | – | – | – | – | – | – | 206,994 | 206,994 |
| Capital reserve on acquisition of additional interest in a subsidiary | – | – | 108,682 | – | – | – | – | 108,682 |
| Goodwill written off on acquisition of a subsidiary | – | – | (9,620) | – | – | – | – | (9,620) |
| Revaluation surplus/(deficit) | | | | | | | | |
| Company and subsidiaries | – | – | – | 33,820 | – | – | – | 33,820 |
| Associated companies | – | – | – | (10,734) | (4,485) | – | – | (15,219) |
| Jointly controlled entities | – | – | – | 169,982 | 202 | – | – | 170,184 |
| Disposal of a subsidiary | – | – | – | (9,071) | – | 12,372 | – | 3,301 |
| Transfer to capital reserve | – | – | (99,062) | – | – | – | 99,062 | – |
| Translation difference | – | – | – | – | – | (26,199) | – | (26,199) |
| As at 30th June 2001 | 14,751,973 | 1,243,603 | – | 288,107 | 1,480 | 30,801 | 1,006,937 | 17,322,901 |
| Retained by: | | | | | | | | |
| Company and subsidiaries | 14,751,973 | 1,243,603 | – | 32,453 | – | 13,948 | 1,676,456 | 17,718,433 |
| Associated companies | – | – | – | 57,818 | – | 12,095 | (61,527) | 8,386 |
| Jointly controlled entities | – | – | – | 197,836 | 1,480 | 4,758 | (607,992) | (403,918) |
| | 14,751,973 | 1,243,603 | – | 288,107 | 1,480 | 30,801 | 1,006,937 | 17,322,901 |

27 Reserves (continued)

Company

| | Contributed surplus (Note (i)) HK\$'000 | Share premium HK\$'000 | Accumulated loss HK\$'000 | Total HK\$'000 |
|---------------------------------------|--|------------------------------|---------------------------------|-------------------|
| Reserve arising from a reorganisation | 14,772,134 | – | – | 14,772,134 |
| Premium on issue of new shares | – | 1,410,000 | – | 1,410,000 |
| Share issue expenses | – | (175,213) | – | (175,213) |
| Loss retained for the year | – | – | (55,649) | (55,649) |
| As at 30th June 2000 | 14,772,134 | 1,234,787 | (55,649) | 15,951,272 |
| Premium on issue of new shares | – | 8,816 | – | 8,816 |
| Loss retained for the year | – | – | (76,981) | (76,981) |
| As at 30th June 2001 | 14,772,134 | 1,243,603 | (132,630) | 15,883,107 |

Notes:

- (i) The contributed surplus of the Company represents the excess of the consolidated net asset value of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange thereof as a result of a reorganisation took place in 1999.
- (ii) Under the Companies Law in the Cayman Islands, the contributed surplus and share premium are both distributable. Accordingly, distributable reserves of the Company amounts to HK\$15,883,107,000 (2000: HK\$15,951,272,000) as at 30th June 2001.

28 Bank and other borrowings

| | Group 2001 HK\$'000 | 2000 HK\$'000 |
|---|---------------------------|------------------|
| Bank loans (note (i)) | | |
| Secured | 140,187 | 261,682 |
| Unsecured | 93,458 | 373,440 |
| Loans from fellow subsidiaries (note (ii)) | 2,741,175 | 1,764,400 |
| Loans from minority shareholders (note (iii)) | 332,403 | 966,190 |
| | 3,307,223 | 3,365,712 |
| Current portion included in current liabilities | (287,848) | (582,095) |
| | 3,019,375 | 2,783,617 |

28 Bank and other borrowings (continued)

Notes:

- (i) The bank loans are repayable as follows:

| | Secured | | Unsecured | | Total | |
|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 | 2001 HK\$'000 | 2000 HK\$'000 | 2001 HK\$'000 | 2000 HK\$'000 |
| Within one year | – | – | – | 373,440 | – | 373,440 |
| Between one and two years | 140,187 | 28,037 | 93,458 | – | 233,645 | 28,037 |
| Between two and five years | – | 233,645 | – | – | – | 233,645 |
| | 140,187 | 261,682 | 93,458 | 373,440 | 233,645 | 635,122 |

- (ii) The loans from fellow subsidiaries are unsecured, bear interest ranging from three months HIBOR to 0.5% above LIBOR per annum. Except for loans of HK\$292,650,000 (2000: Nil) which are repayable after five years, the remaining balance is repayable within five years according to the respective loan agreements. A loan from a fellow subsidiary which amounted to HK\$208,655,000 at 30th June 2000 was repaid in June 2001.
- (iii) Except for loans of HK\$38,980,000 (2000: HK\$67,541,000) which are unsecured, bear interest ranging from 10% to 15% per annum (2000: 10% to 15% per annum) and have repayment terms as specified in the joint venture contracts, the remaining balance is unsecured, interest free and has no specific repayment terms.

29 Contingent liabilities

Group

- (i) The Group has contingent liabilities of approximately HK\$844,307,000 (2000: HK\$865,979,000) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies, jointly controlled entities and a fixed return joint venture. As at 30th June 2001, the Group's attributable portion of the outstanding amount under these bank loan facilities granted to the associated companies, jointly controlled entities and a fixed return joint venture was approximately HK\$549,044,000 (2000: HK\$367,646,000).
- (ii) The Group has contingent liabilities relating to counter-guarantees given to the ultimate holding company of approximately HK\$42,991,000 (2000: HK\$47,664,000) in respect of bank loan facilities extended to a fixed return joint venture of the Group in respect of which the ultimate holding company has given guarantees. As at 30th June 2001, the Group's attributable portion of the outstanding amounts under the bank loan facilities granted to the fixed return joint venture in respect of the counter-guarantees was HK\$42,991,000 (2000: HK\$47,664,000).
- (iii) As at 30th June 2000, the Group had contingent liabilities relating to counter-guarantees given to the ultimate holding company of approximately HK\$196,262,000 in respect of the bank loan facilities extended to a jointly controlled entity of the Group in respect of which the ultimate holding company has given guarantees and the Group's attributable portion of the outstanding amounts under the bank loan facilities granted to the jointly controlled entity in respect of the counter-guarantees was approximately HK\$137,383,000. The guarantee from the ultimate holding company and the counter-guarantees were both released during the year.

29 Contingent liabilities (continued)

Company

- (i) The Company has contingent liabilities relating to corporate guarantees given in respect of bank loan facilities extended to certain subsidiaries, associated companies, jointly controlled entities and fixed return joint ventures of approximately HK\$196,729,000 (2000: HK\$65,421,000), HK\$45,430,000 (2000: HK\$45,430,000), HK\$742,807,000 (2000: HK\$754,081,000) and HK\$48,000,000 (2000: nil) respectively.
- (ii) The Company has contingent liabilities relating to counter-guarantees given to the ultimate holding company of approximately HK\$42,991,000 (2000: HK\$617,366,000) in respect of the bank loan facilities extended to a fixed return joint venture (2000: a subsidiary, a jointly controlled entity and a fixed return joint venture) in respect of which the ultimate holding company has given guarantees.

30 Commitments

(i) Capital expenditure commitments

- (a) The capital expenditure commitments of the Group and the Company are as follows:

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 | 2001 HK\$'000 | 2000 HK\$'000 |
| Contracted but not provided for | | | | |
| Fixed assets | – | 2,048 | – | 2,048 |
| Investments in jointly controlled entities | 142,971 | 202,248 | – | – |
| Investments in fixed return joint ventures | 15,600 | 76,244 | – | – |
| | 158,571 | 280,540 | – | 2,048 |
| Authorised but not contracted for | – | – | – | – |
| | 158,571 | 280,540 | – | 2,048 |

- (b) The Group did not have any share of capital commitments of the jointly controlled entities themselves not included in (a) above (2000: Nil).

30 Commitments *(continued)*

(ii) Lease commitments

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 | 2001 HK\$'000 | 2000 HK\$'000 |
| Future aggregate minimum lease payments under non-cancellable operating lease in respect of land and building are as follows: | | | | |
| The first year | 6,969 | 6,000 | 5,938 | 5,938 |
| The second to fifth years | 1,030 | 5,938 | – | 5,938 |
| | 7,999 | 11,938 | 5,938 | 11,876 |

Pursuant to the revised Statement of Standard Accounting Practice No. 2.114, "Leases" which was issued by the Hong Kong Society of Accountants and became effective for accounting periods beginning on or after 1st July 2000, certain comparative figures have been restated.

(iii) Other commitments

As at 30th June 2001, the Group had issued performance guarantees amounting to HK\$166,228,000 (2000: HK\$107,069,000) in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of property projects developed by certain subsidiaries of the Group. Pursuant to the terms of the performance guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties.

31 Notes to consolidated cash flow statement

(a) Reconciliation of operating profit before financing to net cash inflow/(outflow) from operating activities

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--|------------------|------------------|
| Operating profit before financing | 264,211 | 420,432 |
| Finance costs | (69,996) | (79,173) |
| Interest income | (155,979) | (219,370) |
| Interest expense | 69,996 | 79,173 |
| Depreciation | 10,942 | 7,724 |
| Amortisation of deferred expenditure | 5,397 | 5,415 |
| Loss on disposal of fixed assets | 21 | 1,483 |
| Gain on disposal of interest in a subsidiary | (93,760) | – |
| Provision for diminution in value of properties held for development and completed properties held for sale | 19,888 | – |
| Exchange differences | (6,250) | 5,333 |
| Increase in properties held for/under development | (197,932) | (621,029) |
| Increase in debtors, deposits and other receivables | (140,675) | (358,513) |
| Decrease in amounts due from minority shareholders | – | 67,856 |
| Increase/(decrease) in amounts due to fellow subsidiaries | 270,956 | (17,232) |
| Increase/(decrease) in deposits received on sale of properties | 204,483 | (23,639) |
| Increase in creditors and accruals | 48,243 | 191,764 |
| Net cash inflow/(outflow) from operating activities | 229,545 | (539,776) |

31 Notes to consolidated cash flow statement (continued)**(b) Acquisition of interests in subsidiaries**

| | 2001 | 2000 |
|--|------------------|----------|
| | HK\$'000 | HK\$'000 |
| Net assets acquired | | |
| Fixed assets | 2,675 | – |
| Debtors, deposits and other receivables | 57,405 | – |
| Properties under development | 993,119 | 205,728 |
| Completed properties held for sale | 10,017 | – |
| Cash and bank balances | 49,511 | – |
| Bank loans | (20,000) | – |
| Creditors and accruals | (66,732) | (350) |
| | 1,025,995 | 205,378 |
| Interest originally held by the Group as jointly controlled entities | (984,267) | – |
| | 41,728 | 205,378 |
| Goodwill on acquisition | 9,620 | 40,492 |
| Satisfied by cash | 51,348 | 245,870 |

(c) Analysis of net outflow of cash and cash equivalents in respect of acquisition of subsidiaries

| | 2001 | 2000 |
|--|-----------------|-----------|
| | HK\$'000 | HK\$'000 |
| Cash consideration | (51,348) | (245,870) |
| Cash and bank balances acquired | 49,511 | – |
| Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries | (1,837) | (245,870) |

The subsidiaries acquired during the year contributed HK\$101,038,000 (2000: Nil) of the Group's net operating cash flows, utilised HK\$152,483,000 (2000: HK\$39,228,000) for investing activities and received HK\$73,458,000 (2000: Nil) for financing activities. The subsidiaries did not pay nor receive any amounts in respect of returns on investments and servicing of finance and taxation (2000: Nil).

31 Notes to consolidated cash flow statement (continued)**(d) Disposal of interest in a subsidiary**

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--|------------------|------------------|
| Net assets disposed | | |
| Fixed assets | 478,401 | – |
| Debtors, deposits and other receivables | 655 | – |
| Cash and bank balances | 22,401 | – |
| Creditors and accruals | (18,275) | – |
| Amount due to a fellow subsidiary | (85,178) | – |
| Bank loans | (74,766) | – |
| Minority interest | (8,587) | – |
| | 314,651 | – |
| Gain on disposal of interest in a subsidiary | 93,760 | – |
| Consideration satisfied by cash | 408,411 | – |

(e) Analysis of net inflow of cash and cash equivalents in respect of disposal of a subsidiary

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--|------------------|------------------|
| Cash consideration | 408,411 | – |
| Cash and bank balances disposed | (22,401) | – |
| Net inflow of cash and cash equivalents in respect of disposal of a subsidiary | 386,010 | – |

(f) Major non-cash transaction

During the year, the Group acquired additional 49% interest in a 51% subsidiary of the Group at a consideration of HK\$406,624,310. The consideration was satisfied by HK\$90,000,000 in cash and the remaining balance was set-off against an outstanding amount of HK\$316,624,310 due and payable by the vendor to the Group.

31 Notes to consolidated cash flow statement *(continued)*

(g) Analysis of changes in financing during the year

| | Share capital, share premium and contributed surplus HK\$'000 | Amount due from ultimate holding company HK\$'000 | Short term loans HK\$'000 | Long term bank and other borrowings HK\$'000 | Restricted cash and bank balances HK\$'000 | Minority interests HK\$'000 | Total HK\$'000 |
|--|---|--|---------------------------------|--|--|-----------------------------------|-------------------|
| Balance at 30th June 1999 | 14,883,350 | (311,785) | 394,153 | 2,873,621 | – | 126,126 | 17,965,465 |
| Net cash inflow/(outflow) from financing | 1,249,787 | 311,785 | 154,819 | 372,849 | (300,024) | 716 | 1,789,932 |
| Minority interests' share of profit and reserves | – | – | – | – | – | (8,303) | (8,303) |
| Accrual of interest payable | – | – | – | 119,242 | – | – | 119,242 |
| Balance at 30th June 2000 | 16,133,137 | – | 548,972 | 3,365,712 | (300,024) | 118,539 | 19,866,336 |
| Net cash inflow/(outflow) from financing | 9,290 | – | 307,691 | 475,563 | (449,109) | 31,656 | 375,091 |
| Minority interests' share of loss and reserves | – | – | – | – | – | (2,041) | (2,041) |
| Acquisition of subsidiaries | – | – | 20,000 | – | – | – | 20,000 |
| Acquisition of additional interests in subsidiaries | – | – | – | (642,630) | – | (76,689) | (719,319) |
| Disposal of a subsidiary | – | – | (74,766) | – | – | (8,587) | (83,353) |
| Accrual of interest payable | – | – | – | 108,578 | – | – | 108,578 |
| Balance at 30th June 2001 | 16,142,427 | – | 801,897 | 3,307,223 | (749,133) | 62,878 | 19,565,292 |

32 Related party transactions

The following is a summary of significant related party transactions during the year carried out by the Group in the normal course of its business:

| (i) | Note | 2001 HK\$'000 | 2000 HK\$'000 |
|--|------|------------------|------------------|
| Interest on loans from fellow subsidiaries | (a) | 106,407 | 114,241 |
| Rental for leased premises | (b) | 4,685 | 5,046 |
| Guarantee fee paid to ultimate holding company | (c) | 5,290 | 12,904 |
| Estate management fee income from a fellow subsidiary | (d) | (2,019) | (1,744) |
| Interest income from jointly controlled entities | (e) | (8,004) | (55,356) |
| Management fee income from jointly controlled entities | (f) | (819) | (35,875) |

Notes:

- (a) Interest is charged at rates as specified in note 28(ii) on the outstanding balances due to certain fellow subsidiaries.
- (b) The rental is charged at a fixed monthly fee in accordance with the terms of the tenancy agreement.
- (c) The guarantee fee is charged at 2% per annum on the average daily amount outstanding of the loan facility on which the ultimate holding company has provided the guarantee.
- (d) The estate management fee is charged at the amount to the fellow subsidiary as specified in the management contract.
- (e) This represents interest income in respect of loan financing provided to jointly controlled entities. These loans are unsecured and carry interest at fixed rates as specified in note 16.
- (f) This represents management fee income in respect of management and consultancy services rendered to certain jointly controlled entities and is charged at fixed amounts as specified in the relevant joint venture contracts.
- (ii) Total fees for the provision of project management, construction and engineering consultancy services in respect of certain of the Group's property projects and payable to certain fellow subsidiaries amount to HK\$142,275,000 (2000: HK\$39,794,000). Such fees are charged at fixed amounts in accordance with the terms of the respective contracts.
- (iii) Certain subsidiaries in the PRC have entered into various contracts with the PRC partners or their supervisory authority for site clearance, demolition, and resettlement of existing tenants from the sites of the property development projects on the basis of fixed contract sums with overrun costs being wholly borne by the respective PRC partners. The aggregate contract sums under these contracts amount to approximately HK\$157.3 million (2000: HK\$157.3 million) of which approximately HK\$117.7 million (2000: HK\$117.7 million) had been incurred as at 30th June 2001.
- (iv) A deed of tax indemnity was entered into between NWD and the Group whereby NWD undertakes to indemnify the Group in respect of IT and LAT payable in consequence of the disposal of certain properties (note 10).
- (v) During the year, the Group disposed of its entire interest in a subsidiary to a fellow subsidiary for a cash consideration of HK\$408,411,215, resulting in a gain on disposal of HK\$93,760,000 (note 4).

32 Related party transactions *(continued)*

The following is a summary of other significant related party transactions during the year carried out by associated companies and jointly controlled entities of the Group in the normal course of their business:

- (i) Total fees for the provision of project management, construction and engineering consultancy services in respect of certain property projects of the jointly controlled entities of the Group and payable to certain fellow subsidiaries amount to HK\$156.1 million (2000: HK\$307.5 million). Such fees are charged at fixed amounts in accordance with the terms of the respective contracts.
- (ii) Certain associated companies and jointly controlled entities in the PRC have entered into various contracts with the PRC partners or their supervisory authority for site clearance, demolition, and resettlement of existing tenants from the sites of the property development projects on the basis of fixed contract sums with overrun costs being wholly borne by the respective PRC partners. The aggregate contract sums under these contracts amount to approximately HK\$2,746.6 million (2000: HK\$2,640.0 million) of which approximately HK\$2,558.1 million (2000: HK\$2,462.8 million) had been incurred as at 30th June 2001.
- (iii) Certain associated companies of the Group have entered into loan agreements with a fellow subsidiary. These loan balances amount to US\$52,730,000 (2000: US\$52,730,000), bear interest ranging from 0.5% above LIBOR to 15% per annum (2000: 15% per annum) and have repayment terms as specified in the loan agreements. The total interest charged for the year ended 30th June 2001 by the fellow subsidiary and included as part of the development costs of properties developed by these associated companies was HK\$45.2 million (2000: HK\$63.3 million).

33 Significant jointly controlled entities

Set out below is a summary of the financial information of three significant jointly controlled entities whose principal activity is the investment in a property development project in Beijing.

(1) Beijing Chong Wen – New World Properties Development Co., Ltd.

(a) Results for the year

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--|------------------|------------------|
| Turnover | 47,408 | 20,150 |
| Operating profit/(loss) | 21,003 | (28,028) |
| Group's share of operating profit/(loss) | 12,182 | (16,256) |

33 Significant jointly controlled entities (continued)

(1) Beijing Chong Wen – New World Properties Development Co., Ltd. (continued)

(b) Net assets as at year end

| | 2001 HK\$'000 | 2000 HK\$'000 |
|---|------------------|------------------|
| Fixed assets | 1,207,504 | 1,227,408 |
| Other assets | 2,977,572 | 2,150,655 |
| Current assets | 359,412 | 310,184 |
| Current liabilities | (273,156) | (290,472) |
| Long term liabilities (other than amounts due to the Group) | (976,479) | (400,652) |
| | 3,294,853 | 2,997,123 |

(2) Beijing Chong Yu Real Estate Development Co., Ltd.

(a) Results for the year

| | 2001 HK\$'000 | 2000 HK\$'000 |
|---------------------------------|------------------|------------------|
| Turnover | 122,120 | 158,007 |
| Operating loss | (9,813) | (26,983) |
| Group's share of operating loss | (6,869) | (18,888) |

(b) Net assets as at year end

| | 2001 HK\$'000 | 2000 HK\$'000 |
|---|------------------|------------------|
| Fixed assets | 1,209,495 | 1,209,549 |
| Other assets | 1,040,166 | 798,638 |
| Current assets | 709,903 | 774,538 |
| Current liabilities | (667,043) | (641,524) |
| Long term liabilities (other than amounts due to the Group) | (558,855) | (437,504) |
| | 1,733,666 | 1,703,697 |

33 Significant jointly controlled entities (continued)

(3) China New World Electronics Ltd.

(a) Results for the year

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--|------------------|------------------|
| Turnover | 31,663 | 11,610 |
| Operating profit/(loss) | 35,561 | (35,817) |
| Group's share of operating profit/(loss) | 24,893 | (25,072) |

(b) Net assets as at year end

| | 2001 HK\$'000 | 2000 HK\$'000 |
|---|------------------|------------------|
| Fixed assets | 783,082 | 795,328 |
| Other assets | 848,424 | 874,282 |
| Current assets | 65,443 | 49,510 |
| Current liabilities | (253,764) | (299,700) |
| Long term liabilities (other than amounts due to the Group) | - | - |
| | 1,443,185 | 1,419,420 |

34 Ultimate holding company

The directors of the Company consider New World Development Company Limited, incorporated and listed in Hong Kong, as being the ultimate holding company.

35 Particulars of principal subsidiaries, associated companies, jointly controlled entities and fixed return joint ventures

Details of the principal subsidiaries, associated companies, jointly controlled entities and fixed return joint ventures which materially affect the results for the year and/or assets of the Group as at 30th June 2001 are set out below:

| Company name | Issued/registered and fully paid up share capital | Attributable interest held (note 1) | | | | Principal activities |
|---|--|--|------|--------------|-------|----------------------|
| | | By the Company | | By the Group | | |
| | | 2001 | 2000 | 2001 | 2000 | |
| Subsidiaries | | | | | | |
| <i>Incorporated and operated in Hong Kong</i> | | | | | | |
| Billion Huge (International) Limited | HK\$950,001 950,001 ordinary shares of HK\$1 each | – | – | 100% | 100% | Investment holding |
| Billion Park Investment Limited | HK\$1,000,000 1,000,000 ordinary shares of HK\$1 each | – | – | 78.6% | 78.6% | Investment holding |
| China Joy International Limited | HK\$2 2 ordinary shares of HK\$1 each | – | – | 100% | 100% | Investment holding |
| Lingal Limited | HK\$2,000 1,800 ordinary shares of HK\$1 each 200 non-voting deferred shares of HK\$1 each | – | – | 100% | 100% | Investment holding |
| Max Charm Investment Limited | HK\$2 2 ordinary shares of HK\$1 each | – | – | 100% | 100% | Investment holding |

35 Particulars of principal subsidiaries, associated companies, jointly controlled entities and fixed return joint ventures (continued)

| Company name | Issued/registered and fully paid up share capital | Attributable interest held (note 1) | | | | Principal activities |
|---|--|--|------|--------------|------|----------------------|
| | | By the Company | | By the Group | | |
| | | 2001 | 2000 | 2001 | 2000 | |
| Subsidiaries (continued) | | | | | | |
| <i>Incorporated and operated in Hong Kong (continued)</i> | | | | | | |
| New World Development (China) Limited | HK\$4 2 ordinary shares of HK\$1 each 2 non-voting deferred shares of HK\$1 each | 100% | 100% | 100% | 100% | Investment holding |
| Sunny Trend Development Limited | HK\$2 2 ordinary shares of HK\$1 each | – | – | 100% | 100% | Investment holding |
| Trend Island Limited | HK\$2 2 ordinary shares of HK\$1 each | – | – | 100% | 100% | Investment holding |
| <i>Incorporated in the British Virgin Islands</i> | | | | | | |
| Banyan Developments Limited | US\$1 1 share of US\$1 | – | – | 100% | 100% | Investment holding |
| Conful Enterprises Limited | US\$1 1 share of US\$1 | – | – | 100% | 100% | Investment holding |
| Ever Brisk Limited | US\$1 1 share of US\$1 | – | – | 100% | 100% | Investment holding |

35 Particulars of principal subsidiaries, associated companies, jointly controlled entities and fixed return joint ventures (continued)

| Company name | Issued/registered and fully paid up share capital | Attributable interest held (note 1) | | | | Principal activities |
|---|---|--|------|--------------|------|----------------------|
| | | By the Company | | By the Group | | |
| | | 2001 | 2000 | 2001 | 2000 | |
| Subsidiaries (continued) | | | | | | |
| <i>Incorporated in the British Virgin Islands (continued)</i> | | | | | | |
| Hinto Developments Limited | US\$1 1 share of US\$1 | – | – | 100% | 100% | Investment holding |
| Kiwi Profits Limited | US\$10 10 shares of US\$1 each | – | – | 100% | 70% | Investment holding |
| Magic Chance Limited | US\$1 1 share of US\$1 | – | – | 100% | 100% | Investment holding |
| Radiant Glow Limited | US\$1 1 share of US\$1 | – | – | 100% | 100% | Investment holding |
| Sparkling Rainbow Limited | US\$1 1 share of US\$1 | – | – | 100% | 100% | Investment holding |
| Steady Profits Limited | US\$1 1 share of US\$1 | – | – | 100% | 100% | Investment holding |
| Sweet Prospects Enterprises Limited | US\$1 1 share of US\$1 | – | – | 100% | 100% | Investment holding |
| Team Foundation Limited | US\$1 1 share of US\$1 | – | – | 100% | 100% | Investment holding |

35 Particulars of principal subsidiaries, associated companies, jointly controlled entities and fixed return joint ventures (continued)

| Company name | Issued/registered and fully paid up share capital | Attributable interest held (note 1) | | | | Principal activities |
|---|--|--|------|--------------|------|----------------------|
| | | By the Company | | By the Group | | |
| | | 2001 | 2000 | 2001 | 2000 | |
| Subsidiaries (continued) | | | | | | |
| <i>Incorporated in the British Virgin Islands (continued)</i> | | | | | | |
| True Blue Developments Limited | US\$1 1 share of US\$1 | – | – | 100% | 100% | Investment holding |
| Twin Glory Investments Limited | US\$1 1 share of US\$1 | – | – | 100% | 100% | Investment holding |
| <i>Incorporated in the Cayman Islands and operated in Hong Kong</i> | | | | | | |
| NW China Homeowner Development Limited | US\$23,639 364,125 shares of US\$0.01 each 4,999,800 shares of US\$0.01 each 40% called up | – | – | 100% | 100% | Investment holding |
| <i>Incorporated and operated in the PRC</i> | | | | | | |
| Beijing Lingal Real Estates Development Co., Ltd. | US\$13,000,000 | – | – | 100% | 100% | Property development |
| Dalian New World Plaza International Co., Ltd. | RMB58,000,000 | – | – | 88% | 88% | Property investment |
| Fung Seng Real Estate Development (Shanghai) Co., Ltd. | US\$10,000,000 | – | – | 80% | 80% | Property development |

35 Particulars of principal subsidiaries, associated companies, jointly controlled entities and fixed return joint ventures (continued)

| Company name | Issued/registered and fully paid up share capital | Attributable interest held (note 1) | | | | Principal activities |
|---|---|--|------|--------------|-------|-------------------------------------|
| | | By the Company | | By the Group | | |
| | | 2001 | 2000 | 2001 | 2000 | |
| Subsidiaries (continued) | | | | | | |
| <i>Incorporated and operated in the PRC (continued)</i> | | | | | | |
| 廣州新翊房地產發展有限公司 | HK\$286,000,000 | – | – | 90.5% | 90.5% | Property development |
| 廣州新華晨房地產有限公司 | RMB200,000,000 | – | – | 100% | 45% | Property development |
| 廣州新華建房地產有限公司 | RMB244,000,000 | – | – | 100% | 90% | Property development |
| Nanjing Huawei Real Estate Development Co., Ltd. | US\$12,000,000 | – | – | 92% | 48% | Property development |
| New World Anderson (Tianjin) Development Co., Ltd. | US\$10,000,000 | – | – | 100% | 51% | Property investment and development |
| New World (Shenyang) Property Development Limited | RMB97,720,000 | – | – | 90% | 90% | Property development |
| New World (Shenyang) Property Development No. 2 Limited | RMB97,720,000 | – | – | 90% | 90% | Property development |
| New World (Shenyang) Property Development No. 3 Limited | RMB99,320,000 | – | – | 90% | 90% | Property development |
| New World (Shenyang) Property Development No. 4 Limited | RMB97,720,000 | – | – | 90% | 90% | Property development |

35 Particulars of principal subsidiaries, associated companies, jointly controlled entities and fixed return joint ventures (continued)

| Company name | Issued/registered and fully paid up share capital | Attributable interest held (note 1) | | | | Principal activities |
|---|---|--|------|--------------|------|----------------------|
| | | By the Company | | By the Group | | |
| | | 2001 | 2000 | 2001 | 2000 | |
| Subsidiaries (continued) | | | | | | |
| <i>Incorporated and operated in the PRC (continued)</i> | | | | | | |
| New World (Shenyang) Property Development No. 5 Limited | RMB99,320,000 | – | – | 90% | 90% | Property development |
| New World (Shenyang) Property Development No. 6 Limited | RMB97,720,000 | – | – | 90% | 90% | Property development |
| Shanghai Ramada Plaza Ltd. | US\$34,000,000 | – | – | 57% | 57% | Property development |
| Shanghai Heyu Properties Co., Ltd. | US\$12,000,000 | – | – | 64% | 64% | Property development |
| Shanghai Ju Yi Real Estate Development Co., Ltd. | RMB350,000,000 | – | – | 80% | 80% | Property development |
| Shenzhen Top One Real Estate Development Co., Ltd. | HK\$60,000,000 | – | – | 70% | 70% | Property development |
| Wuhan New Eagle Development Co., Limited | US\$10,000,000 | – | – | – | 95% | Property investment |
| Wuhan New Eagle Enterprises Co., Limited | US\$2,830,000 | – | – | 95% | – | Property investment |

35 Particulars of principal subsidiaries, associated companies, jointly controlled entities and fixed return joint ventures (continued)

| Company name | Issued/registered and fully paid up share capital | Attributable interest held (note 1) | | | | Principal activities |
|---|--|--|------|--------------|-------|----------------------|
| | | By the Company | | By the Group | | |
| | | 2001 | 2000 | 2001 | 2000 | |
| Associated companies | | | | | | |
| <i>Incorporated and operated in Hong Kong</i> | | | | | | |
| Global Perfect Development Limited | HK\$1,000,000 1,000,000 ordinary shares of HK\$1 each | – | – | 50% | 50% | Investment holding |
| Niceline Company Limited | HK\$1,000 1,000 ordinary shares of HK\$1 each | – | – | 35% | 24.5% | Investment holding |
| Sun City Holdings Limited | HK\$8,000,000 8,000,000 ordinary shares of HK\$1 each | – | – | 30.6% | 30.6% | Investment holding |
| <i>Incorporated in the British Virgin Islands</i> | | | | | | |
| Grand Make International Limited | US\$100 100 shares of US\$1 each | – | – | 45% | 45% | Investment holding |
| Sinclair Profits Limited | US\$10 10 shares of US\$1 each | – | – | 50% | 35% | Investment holding |
| Fortune Star Worldwide Limited | US\$100 100 shares of US\$1 each | – | – | 40% | 40% | Investment holding |

35 Particulars of principal subsidiaries, associated companies, jointly controlled entities and fixed return joint ventures (continued)

| Company name | Issued/registered and fully paid up share capital | Attributable interest held (note 1) | | | | Principal activities |
|--|---|--|------|--------------|-------|----------------------|
| | | By the Company | | By the Group | | |
| | | 2001 | 2000 | 2001 | 2000 | |
| Associated companies (continued) | | | | | | |
| <i>Incorporated and operated in the PRC</i> | | | | | | |
| Beijing Chang Le Real Estates Development Co., Ltd. | US\$12,000,000 | – | – | 35% | 24.5% | Property development |
| Beijing Fu Wah Real Estates Development Co., Ltd. | US\$8,000,000 | – | – | 35% | 24.5% | Property development |
| Beijing Niceline Real Estates Development Co., Ltd. | US\$8,000,000 | – | – | 35% | 24.5% | Property development |
| Beijing Po Garden Real Estates Development Co., Ltd. | US\$12,000,000 | – | – | 35% | 24.5% | Property development |
| Shanghai New World Huai Hai Property Development Co., Ltd. | US\$70,000,000 | – | – | 44.1% | 44.1% | Property development |
| Jointly controlled entities | | | | | | |
| <i>Incorporated and operated in Hong Kong</i> | | | | | | |
| Golden World Enterprises (Wuhan) Limited | HK\$10,000 10,000 ordinary shares of HK\$1 each | – | – | 30% | 30% | Investment holding |
| Maxfine Development Limited | HK\$9,150 9,150 ordinary shares of HK\$1 each | – | – | 33.3% | 33.3% | Investment holding |

35 Particulars of principal subsidiaries, associated companies, jointly controlled entities and fixed return joint ventures (continued)

| Company name | Issued/registered and fully paid up share capital | Attributable interest held (note 1) | | | | Principal activities |
|--|---|--|------|--------------|--------------|-------------------------------------|
| | | By the Company | | By the Group | | |
| | | 2001 | 2000 | 2001 | 2000 | |
| Jointly controlled entities (continued) | | | | | | |
| New World Sun City Limited | HK\$1,000 1,000 ordinary shares of HK\$1 each | – | – | 49.2% | 49.2% | Investment holding |
| <i>Incorporated in the British Virgin Islands</i> | | | | | | |
| Concord Properties Holding (Guangzhou) Limited | US\$10 10 shares of US\$1 each | – | – | 40% | 40% | Investment holding |
| Cyber China Inc. | US\$100 100 shares of US\$1 each | – | – | 50% | 50% | Investment holding |
| <i>Incorporated and operated in the PRC</i> | | | | | | |
| Beijing Chong Wen-New World Properties Development Co., Ltd. | US\$104,100,000 | – | – | 58% – 70% | 58% – 70% | Property investment and development |
| Beijing Chong Yu Real Estate Development Co., Ltd. | US\$81,840,000 | – | – | 70% | 70% | Property investment and development |
| 北京新康房地產發展有限公司 | US\$12,000,000 | – | – | 70% | 70% | Property development |
| Beijing Xin Lian Hotel Co., Ltd. | US\$12,000,000 | – | – | 59% | 59% | Hotel operation |

35 Particulars of principal subsidiaries, associated companies, jointly controlled entities and fixed return joint ventures (continued)

| Company name | Issued/registered and fully paid up share capital | Attributable interest held (note 1) | | | | Principal activities |
|---|---|--|------|--------------|-------|-------------------------------------|
| | | By the Company | | By the Group | | |
| | | 2001 | 2000 | 2001 | 2000 | |
| Jointly controlled entities (continued) | | | | | | |
| <i>Incorporated and operated in the PRC (continued)</i> | | | | | | |
| China New World Electronics Ltd. | US\$20,000,000 | – | – | 70% | 70% | Property investment and development |
| Dongguan New World Garden Trade Construction Co., Ltd. | US\$12,000,000 | – | – | 38% | 38% | Property development |
| Dongguan New World Square Trade Construction Co., Ltd. | US\$12,000,000 | – | – | 38% | 38% | Property development |
| Guangzhou Cosmart Estate Development Limited | HK\$48,000,000 | – | – | 60% | 60% | Property development |
| 廣州芳村—新世界房地產發展有限公司 | RMB330,000,000 | – | – | 60% | 60% | Property development |
| 廣州富城房地產發展有限公司 | HK\$80,000,000 | – | – | 60% | 60% | Property development |
| Jinan New World Sunshine Development Ltd. | US\$10,000,000 | – | – | 65% | 65% | Property development |
| Shanghai Jianmei Property Development Co., Ltd. | US\$10,000,000 | – | – | 30% | 30% | Property development |
| Shanghai Trio Property Development Co., Ltd. | US\$75,000,000 | – | – | 34.2% | 34.2% | Property development |

35 Particulars of principal subsidiaries, associated companies, jointly controlled entities and fixed return joint ventures (continued)

| Company name | Issued/registered and fully paid up share capital | Attributable interest held (note 1) | | | | Principal activities |
|---|---|--|------|--------------|------|------------------------|
| | | By the Company | | By the Group | | |
| | | 2001 | 2000 | 2001 | 2000 | |
| Jointly controlled entities (continued) | | | | | | |
| <i>Incorporated and operated in the PRC (continued)</i> | | | | | | |
| Shenyang New World Lumingchun Building Co., Ltd. | RMB68,000,000 | – | – | 70% | 70% | Hotel operation |
| Shenzhen Topping Real Estate Development Co., Ltd. | HK\$182,000,000 | – | – | 70% | 70% | Property investment |
| Shijiazhuang New World Industry Co., Ltd. | RMB88,000,000 | – | – | 55% | 55% | Property investment |
| Tianjin New World Properties Development Co., Ltd. | US\$12,000,000 | – | – | 70% | 70% | Property redevelopment |
| Wuhan Taibei & New World Hotel Co., Ltd. | US\$14,160,000 | – | – | 50% | 50% | Hotel operation |
| 武漢武新物業有限公司 | RMB15,000,000 | – | – | 50% | 50% | Land development |
| Wuhan Xinhua Development Co., Ltd. | RMB30,000,000 | – | – | 50% | 50% | Property development |

35 Particulars of principal subsidiaries, associated companies, jointly controlled entities and fixed return joint ventures (continued)

| Company name | Issued/registered and fully paid up share capital | Attributable interest held (note 1) | | By the Group | Principal activities |
|---|---|--|------|--------------|---|
| | | By the Company 2001 | 2000 | | |
| Fixed return joint ventures | | | | | |
| <i>Incorporated and operated in the PRC</i> | | | | | |
| 廣州恒盛房地產發展有限公司 | RMB99,600,000 | – | – | note 2 | Development of low-cost community housing |
| 廣州集賢庄新世界城市花園發展有限公司 | US\$24,000,000 | – | – | note 2 | Development of low-cost community housing |
| Huizhou New World Housing Development Limited | RMB80,000,000 | – | – | note 2 | Development of low-cost community housing |
| Tianjin New World Housing Development Co., Ltd. | RMB80,000,000 | – | – | note 2 | Development of low-cost community housing |
| Wuhan New World Housing Development Limited | RMB96,000,000 | – | – | note 2 | Development of low-cost community housing |

Notes:

- (1) Represent equity interest in case of companies incorporated outside the PRC or the percentage of equity interest in case of equity joint ventures or profit sharing ratio in accordance with the joint venture contracts in case of co-operative joint ventures in the PRC.
- (2) 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.

36 Approval of accounts

The accounts were approved by the board of directors on 10th October 2001.

Results

| | 2001 HK\$'000 | 2000 HK\$'000 | 1999 HK\$'000 | 1998 HK\$'000 | 1997 HK\$'000 |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Turnover | 587,265 | 607,031 | 545,076 | 409,068 | 302,320 |
| Operating profit after finance costs | 194,215 | 341,259 | 464,898 | 201,405 | 269,446 |
| Share of results of | | | | | |
| Associated companies | (11,737) | (2,213) | (20,465) | (22,951) | (11,100) |
| Jointly controlled entities | 50,521 | (118,509) | (263,297) | 39,169 | 61,348 |
| Profit before taxation | 232,999 | 220,537 | 181,136 | 217,623 | 319,694 |
| Taxation | 30,270 | 11,620 | 17,353 | 38,191 | 33,873 |
| Profit after taxation | 202,729 | 208,917 | 163,783 | 179,432 | 285,821 |
| Minority interest | 4,265 | (5,388) | 2,536 | 10,516 | 4,273 |
| Profit attributable to shareholders | 206,994 | 203,529 | 166,319 | 189,948 | 290,094 |

Assets and liabilities

| | 2001 HK\$'000 | 2000 HK\$'000 | 1999 HK\$'000 |
|---------------------------------------|------------------|------------------|------------------|
| Fixed assets | 3,248,168 | 2,924,107 | 1,926,775 |
| Properties held for development | 2,812,556 | 2,660,433 | 3,185,966 |
| Associated companies | 781,179 | 909,645 | 1,143,932 |
| Jointly controlled entities | 9,305,700 | 10,166,450 | 9,708,262 |
| Other investments | 2,925,136 | 2,934,454 | 2,636,149 |
| Other non-current assets | 111,634 | 108,914 | 10,260 |
| Net current assets | 1,842,600 | 718,013 | 388,026 |
| Total assets less current liabilities | 21,026,973 | 20,422,016 | 18,999,370 |
| Bank and other borrowings | (3,019,375) | (2,783,617) | (2,501,237) |
| Deferred income | (474,968) | (531,341) | (421,452) |
| Minority interests | (62,878) | (118,539) | (126,126) |
| | 17,469,752 | 16,988,519 | 15,950,555 |

Note:

The financial summary of the Group for the years 1997 to 1999 has been prepared on the basis that the structure and business activities of the Group immediately after the completion of a reorganisation took place in 1999 had been in existence throughout the relevant years.

| Project No. | Project Name | Form of Investment | Accounting Classification | NWCL's | |
|--|--|--------------------|----------------------------|------------------------|---------------------------------|
| | | | | Attributable Interests | Site Area |
| Major Development Projects For Sale | | | | | |
| Northern Region | | | | | |
| 1 a | Beijing New World Centre Phase II | CJV | JCE | 70% | 16,224 |
| 2 | Beijing Lai Loi Garden Phase I Beijing Lai Loi Garden Remaining Phases | CJV | Assoc. | 35% | 1,270,998 |
| 3 | Beijing Lingal Garden | CJV | Subsidiary | 100% | 169,000 |
| 4 | Beijing New World Garden Phase I Beijing New World Garden Phase II A Beijing New World Garden Phase II B (South Office Building) Beijing New World Garden Phase II C (East Office Building) Beijing New World Garden Phase III (Formerly known as Chongwen District Development Lot # 1) | CJV | JCE | 70% | 52,800 |
| 5 a | Beijing New View Garden Remaining Phases (Formerly known as Chongwen District Development Lot # 5) | CJV | JCE | 70% | 220,000 |
| 6 | Beijing Xin Fu Garden Phase I (Formerly known as Beijing Chongwen District Development Lot # 6) Beijing Xin Fu Garden Phase II Beijing Xin Fu Garden Remaining Phases | CJV | JCE | 70% | 167,100 |
| 7 | Beijing Xin Kang Garden Phase II Beijing Xin Kang Garden Phase III | CJV | JCE | 70% | 101,893 |
| 8 | Tianjin Xin An Garden Phase I Tianjin Xin An Garden Phase II | WFE | Subsidiary | 100% | 20,148 |
| 9 | Tianjin New World Garden Phase I Tianjin New World Garden Phase II Tianjin New World Garden Phase III Tianjin New World Garden Remaining Phases | CJV | Fixed Return Joint Venture | 60% (note) | 46,469 15,136 360,498 |
| 10 a | Huayuan Residential Area Development Sub Area 8 | CJV | Fixed Return Joint Venture | 60% (note) | 21,470 |
| 11 a | Xin Chun Hua Yuan Development Phase II Xin Chun Hua Yuan Development Remaining Phases | CJV | Fixed Return Joint Venture | 60% (note) | 72,800 |
| Northeast Region | | | | | |
| 12 | Shenyang New World Garden Phase IB Shenyang New World Garden Phase IC Shenyang New World Garden Phase ID Shenyang New World Garden Remaining Phases | CJV | Subsidiary | 90% | 1,878,958 |
| 13 a | Dalian New World Plaza Phase I Dalian New World Plaza Phase III | EJV | Subsidiary | 88% | 9,800 |
| Central Region | | | | | |
| 14 | Shanghai Zhongshan Square Phase II | CJV | JCE | 34% | 16,171 |
| 15 | Hong Kong New World Garden Phase I Hong Kong New World Garden Remaining Phases | EJV | Subsidiary | 80% | 114,269 |

Note: Profit sharing percentage in respect of commodity housing units.

| Total GFA | Residential | Commercial | Office | Hotel | Others | Development Status | Expected Completion Date |
|-----------|-------------|------------|---------|-------|---------|--------------------|--------------------------|
| 67,531 | 37,183 | | 3,624 | | 26,724 | Completed | N/A |
| 100,000 | 74,710 | 25,290 | | | | Under Development | Apr, 2003 |
| 547,290 | 532,290 | | | | 15,000 | Under Planning | TBD |
| 127,400 | 122,244 | | | | 5,156 | Under Development | Nov, 2002 |
| 72,345 | 40,879 | 2,615 | 4,083 | | 24,768 | Under Development | Oct, 2001 |
| 60,918 | 60,918 | | | | | Under Development | Jun, 2003 |
| 14,000 | | | 14,000 | | | Under Development | Jun, 2003 |
| 44,467 | | | 44,467 | | | Under Development | Jun, 2003 |
| 382,800 | 205,000 | 30,000 | 81,200 | | 66,600 | Under Planning | TBD |
| 591,625 | 436,846 | 47,574 | | | 107,205 | Under Planning | TBD |
| 35,518 | 35,518 | | | | | Under Planning | TBD |
| 45,000 | 45,000 | | | | | Under Planning | TBD |
| 601,282 | 469,582 | 18,000 | 6,700 | | 107,000 | Under Planning | TBD |
| 79,475 | 72,857 | 4,008 | | | 2,610 | Under Development | Oct, 2001 |
| 119,371 | 83,759 | 3,212 | | | 32,400 | Under Planning | TBD |
| 38,031 | 34,088 | 3,943 | | | | Completed | N/A |
| 18,183 | | | 18,183 | | | Under Planning | TBD |
| 70,160 | 39,267 | 16,161 | | | 14,732 | Under Development | Jun, 2003 |
| 74,440 | 67,141 | 2,000 | | | 5,299 | Under Development | TBD |
| 104,274 | 84,942 | 7,432 | | | 11,900 | Under Planning | TBD |
| 1,300,968 | 896,342 | 383,761 | | | 20,865 | Under Planning | TBD |
| 60,000 | 60,000 | | | | | Under Planning | TBD |
| 34,828 | 32,985 | 1,600 | | | 243 | Under Development | Dec, 2001 |
| 100,108 | 91,612 | 8,496 | | | | Under Planning | TBD |
| 57,761 | 44,694 | | | | 13,067 | Under Development | Jun, 2002 |
| 241,580 | 209,800 | | | | 31,780 | Under Development | Dec, 2002 |
| 206,600 | 196,260 | | 10,340 | | | Under Planning | TBD |
| 2,603,291 | 1,628,600 | 367,232 | 116,320 | | 491,139 | Under Planning | TBD |
| 38,225 | 38,225 | | | | | Under Development | Dec, 2001 |
| 82,169 | | | 59,164 | | 23,005 | Under Development | TBD |
| 127,957 | | | 127,957 | | | Under Planning | TBD |
| 46,659 | 21,520 | 787 | 23,178 | | 1,174 | Under Development | Sep, 2001 |
| 406,433 | 350,570 | 48,037 | | | 7,826 | Under Planning | TBD |

| Project No. | Project Name | Form of Investment | Accounting Classification | NWCL's | |
|--|---|--------------------|----------------------------|------------------------|-----------|
| | | | | Attributable Interests | Site Area |
| Major Development Projects For Sale | | | | | |
| Central Region | | | | | |
| 16 | Wuhan Menghu Garden Phase I | CJV | JCE | 50% | 399,335 |
| | Wuhan Menghu Garden Remaining Phases | | | | |
| 17 a | Wuhan New World Centre (Formerly known as Wuhan Hotel Redevelopment) | CJV | JCE | 60% | 37,234 |
| 18 | Wuhan Changqing Garden Phase IVB | CJV | Fixed Return Joint Venture | 60% (note) | 2,311,331 |
| | Wuhan Changqing Garden Remaining Phases | | | | |
| 19 | Wuhan Xin Hua Garden Phase I (Formerly known as Wuhan Xinhua Road Development Phase I) | CJV | Fixed Return Joint Venture | 60% (note) | 92,909 |
| | Wuhan Xin Hua Garden Remaining Phases | | | | |
| 20a | Nanjing New World Centre | EJV | Subsidiary | 92% | 11,218 |
| 21 | Jinan Sunshine Garden Phase I | EJV | JCE | 65% | 236,000 |
| | Jinan Sunshine Garden Phase II | | | | |
| | Jinan Sunshine Garden Phase III | | | | |
| 22 | Hefei New World Garden Phase I | CJV | JCE | 60% | 82,660 |
| | Hefei New World Garden Phase II | | | | |
| Southern Region | | | | | |
| 23 | New World Casa California | CJV | JCE | 60% | 18,930 |
| 24 | Dong Yi Garden Phase II (Formerly known as New World Eastern Garden Phase II) | CJV | Subsidiary | 100% | 74,585 |
| | Dong Yi Garden Phase III | | | | |
| | Dong Yi Garden Phase IV | | | | |
| 25 | New World Oriental Garden Phase I (Formerly known as Tianhe Shipai Lot No. 2 Phase I) | CJV | Subsidiary | 100% | 96,461 |
| | New World Oriental Garden Phase II (Formerly known as Tianhe Shipai Lot No. 2 Phase II) | | | | |
| | New World Oriental Garden Phase III (Formerly known as Tianhe Shipai Lot No. 5) | | | | |
| 26 | New World Triumph Plaza Phase I (Formerly known as Pearl River New Town Zone L Phase I) | CJV | Subsidiary | 91% | 107,876 |
| | New World Triumph Plaza Phase II | | | | |
| 27 | Covent Garden Phase I (Formerly known as Fangcun District Nos. 1, 2, 4 Development) | CJV | JCE | 60% | 370,383 |
| | Covent Garden Remaining phases | | | | |
| 28 | Fangcao Garden Phase I | CJV | JCE | 20% | 44,516 |
| | Fangcao Garden Phase II | | | | |

Note: Profit sharing percentage in respect of commodity housing units.

| Total GFA | Residential | Commercial | Office | Hotel | Others | Development Status | Expected Completion Date |
|-----------|-------------|------------|--------|-------|---------|--------------------|--------------------------|
| 37,638 | 37,238 | | | | 400 | Under Development | Dec, 2002 |
| 218,362 | 205,562 | 7,400 | | | 5,400 | Under Planning | TBD |
| 59,900 | 59,900 | | | | | Under Planning | TBD |
| 424,181 | 424,181 | | | | | Under Development | Jun, 2002 |
| 1,837,768 | 1,837,768 | | | | | Under Planning | TBD |
| 123,543 | 75,466 | 37,382 | | | 10,695 | Under Development | Sep, 2001 |
| 196,404 | 196,404 | | | | | Under Planning | TBD |
| 74,237 | 74,237 | | | | | Under Development | Jun, 2002 |
| 59,739 | 55,731 | | | | 4,008 | Under Development | Jan, 2002 |
| 340,720 | 306,379 | 14,571 | 11,203 | | 8,567 | Under Planning | TBD |
| 80,000 | | 80,000 | | | | Under Planning | TBD |
| 45,453 | 29,630 | 2,579 | | | 13,244 | Completed | Jun, 2001 |
| 24,329 | 24,329 | | | | | Under Development | Jun, 2002 |
| 13,393 | 8,859 | | | | 4,534 | Completed | Dec, 2000 |
| 48,944 | 33,706 | 7,443 | | | 7,795 | Under Development | Aug, 2001 |
| 57,928 | 49,589 | | | | 8,339 | Under Development | Apr, 2002 |
| 129,804 | 83,361 | 18,931 | | | 27,513 | Under Planning | TBD |
| 177,636 | 115,425 | 25,589 | | | 36,622 | Under Development | Jun, 2003 |
| 150,428 | 117,600 | | | | 32,828 | Under Planning | TBD |
| 84,140 | 69,240 | | | | 14,900 | Under Planning | TBD |
| 202,556 | 150,265 | 15,811 | | | 36,480 | Under Development | May, 2003 |
| 136,979 | 112,818 | 2,951 | | | 21,210 | Under Planning | TBD |
| 35,699 | 35,699 | | | | | Under Development | Dec, 2001 |
| 1,171,300 | 1,045,620 | 5,170 | | | 120,510 | Under Planning | TBD |
| 44,510 | 38,000 | 2,500 | | | 4,010 | Under Development | Jul, 2002 |
| 44,005 | 43,387 | | | | 618 | Under Planning | TBD |

| Project No. | Project Name | Form of Investment | Accounting Classification | NWCL's | |
|------------------------|---|--------------------|----------------------------|------------------------|-----------|
| | | | | Attributable Interests | Site Area |
| Southern Region | | | | | |
| 29 | New World South City Phase IIA (Formerly known as Jiaxianzhuang Low-cost Housing Development Phase IIA) New World South City Phase IIB New World South City Phase II C New World South City Remaining Phases (Formerly known as Jiaxianzhuang Low-cost Housing Development Remaining Phases) | CJV | Fixed Return Joint Venture | 60% (note) | 576,700 |
| | New World South City Remaining Phases (Formerly known as Jiaxianzhuang Commodity Housing Development) | CJV | Subsidiary | 80% | 480,400 |
| 30 | Shenzhen Xilihu Development | CJV | Subsidiary | 70% | 58,121 |
| 31 | Shenzhen New World Yi Shan Garden Phase I Shenzhen New World Yi Shan Garden Phase II Shenzhen New World Yi Shan Garden Phase III | CJV | JCE | 70% | 89,350 |
| 32a | Shunde New World Convention & Exhibition Centre Phase II Shunde New World Convention & Exhibition Centre Phase III | CJV | Assoc. | 35% | 14,171 |
| 33 | Dongguan New World Garden Phase V~IX Dongguan New World Garden Remaining Phases | CJV | JCE | 38% | 504,563 |
| 34a | Huiyang Palm Island Golf Club & Resort Phase I Huiyang Palm Island Golf Club & Resort Remaining Phases | EJV | JCE | 27% | 255,000 |
| 35 | Huizhou Changhuyuan Development Remaining Phases | CJV | Fixed Return Joint Venture | 62.5% (note) | 57,653 |
| 36 | Xintang New World Garden Phase IB & IC Xintang New World Garden Phase II Xintang New World Garden Phase III Xintang New World Garden Phase IV | CJV | Fixed Return Joint Venture | 60% (note) | 283,335 |
| 37 | Zhuhai New World Riveria Garden Phase I (Formerly known as Zhuhai New World Harbour-front Garden Phase I) Zhuhai New World Riveria Garden Phase II Zhuhai New World Riveria Garden Phase III | CJV | JCE | 60% | 42,104 |
| 38 | Zhaoqing New World Garden Phase I (Formerly known as Zhaoqing Lake Development) Zhaoqing New World Garden Remaining Phases | CJV | Assoc. | 32% | 160,367 |
| 39 | Haikou New World Garden Phase I Haikou New World Garden Phase II Haikou New World Garden Phase III | CJV | JCE | 60% | 230,885 |
| | Sub-total | | | | |

Note: Profit sharing percentage in respect of commodity housing units.

| Total GFA | Residential | Commercial | Office | Hotel | Others | Development Status | Expected Completion Date |
|------------|-------------|------------|---------|-------|-----------|--------------------|--------------------------|
| 43,571 | 37,736 | 5,685 | | | 150 | Under Development | Nov, 2001 |
| 138,850 | 120,000 | 12,250 | | | 6,600 | Under Development | Oct, 2002 |
| 226,250 | 195,000 | 25,350 | | | 5,900 | Under Development | Jun, 2003 |
| 433,600 | 370,000 | 52,800 | | | 10,800 | Under Planning | TBD |
| 710,000 | 496,900 | 186,700 | | | 26,400 | Under Planning | TBD |
| 29,000 | 23,800 | 5,200 | | | | Under Planning | TBD |
| 9,606 | 7,500 | 441 | | | 1,665 | Under Development | Sep, 2001 |
| 99,702 | 79,475 | 6,311 | | | 13,916 | Under Development | Nov, 2003 |
| 69,506 | 53,720 | | | | 15,786 | Under Planning | TBD |
| 31,705 | 29,600 | 270 | | | 1,835 | Under Development | Oct, 2002 |
| 65,549 | 64,792 | | | | 757 | Under Planning | TBD |
| 47,126 | 45,760 | | | | 1,366 | Completed | N/A |
| 686,879 | 686,879 | | | | | Under Planning | TBD |
| 3,906 | 3,906 | | | | | Completed | N/A |
| 256,209 | 245,564 | 10,645 | | | | Under Planning | TBD |
| 120,000 | 120,000 | | | | | Under Planning | TBD |
| 31,218 | 31,218 | | | | | Under Development | Nov, 2001 |
| 133,180 | 115,978 | 6,084 | | | 11,118 | Under Development | Jun, 2003 |
| 90,713 | 84,880 | 3,700 | | | 2,133 | Under Planning | TBD |
| 107,604 | 100,620 | 4,223 | | | 2,761 | Under Planning | TBD |
| 22,139 | 19,525 | 1,875 | | | 739 | Under Development | Dec, 2001 |
| 10,507 | 10,163 | | | | 344 | Under Development | Apr, 2002 |
| 29,458 | 28,274 | | | | 1,184 | Under Development | Oct, 2002 |
| 41,405 | 32,835 | 2,000 | | | 6,570 | Under Development | Oct, 2002 |
| 312,681 | 277,250 | 4,000 | | | 31,431 | Under Planning | TBD |
| 52,638 | 49,560 | | | | 3,078 | Under Development | FEB, 2002 |
| 66,137 | 64,625 | | | | 1,512 | Under Planning | TBD |
| 79,313 | 78,920 | | | | 393 | Under Planning | TBD |
| 18,268,737 | 14,717,705 | 1,518,010 | 520,420 | – | 1,512,603 | | |

| Project No. | Project Name | Form of Investment | Accounting Classification | NWCL's | |
|---|--|--------------------|---------------------------|------------------------|--|
| | | | | Attributable Interests | Site Area |
| Investment Property Under Development | | | | | |
| 5b | Beijing New View Garden Phase I | CJV | JCE | 70% | 19,977 |
| 13b | Dalian New World Plaza Phase II | EJV | Subsidiary | 88% | 9,800 |
| 17b | Wuhan New World Centre (Formerly known as Wuhan Hotel Redevelopment) | CJV | JCE | 60% | 37,234 |
| 20b | Nanjing New World Centre | EJV | Subsidiary | 92% | 11,218 |
| 40 | Hong Kong New World Tower | CJV | Assoc. | 44% | 9,953 |
| 41 | Changning Ramada Square | CJV | Subsidiary | 57% | 9,084 |
| | Sub-total | | | | |
| Completed Investment Property Projects | | | | | |
| 42 | Beijing New World Centre Phase I | CJV | JCE | 70% | 17,141 |
| 1 b | Beijing New World Centre Phase II | CJV | JCE | 70% | 16,224 |
| 43 | New World Courtyard Hotel, Beijing | CJV | JCE | 59% | N/A |
| | | | | | (included in Beijing New World Centre Phase I) |
| 44 | New World Xin An Shopping Centre (Formerly known as Tianjin New World Anderson Centre) | WFE | Subsidiary | 100% | 23,127 |
| 45 | New World Hotel, Shenyang | EJV | JCE | 70% | 7,847 |
| 46 | Wuhan Int'l Trade & Comm. Centre Annex Building | EJV | Subsidiary | 95% | 3,806 |
| 47 | New World Courtyard Hotel, Wuhan | CJV | JCE | 50% | 5,201 |
| 32b | Shunde New World Convention & Exhibition Centre Phase I | CJV | Assoc. | 35% | 14,171 |
| 34b | Huiyang Palm Island Golf Club & Resort Phase I | EJV | JCE | 27% | 255,000 |
| 48 | New World Courtyard Hotel, Shunde | CJV | Assoc. | 33% | 5,000 |
| | Sub-total | | | | |
| | Total | | | | |

| Total GFA | Residential | Commercial | Office | Hotel | Others | Development Status | Expected Completion Date |
|------------|-------------|------------|---------|---------|-----------|--------------------|--------------------------|
| 68,346 | 49,478 | 2,159 | | | 16,709 | Under Development | Oct, 2001 |
| 52,195 | | 52,195 | | | | Under Development | Aug, 2002 |
| 216,300 | | 138,300 | 21,100 | 29,900 | 27,000 | Under Planning | TBD |
| 138,083 | | 17,849 | 54,968 | 55,780 | 9,486 | Under Development | Jun, 2002 |
| 137,125 | | 36,637 | 64,198 | | 36,290 | Under Development | Mar, 2003 |
| 122,608 | 34,927 | 17,272 | | 46,102 | 24,307 | Under Development | Mar, 2002 |
| 734,658 | 84,405 | 264,412 | 140,266 | 131,782 | 113,792 | | |
| 126,742 | 5,801 | 74,233 | 26,752 | | 19,956 | | |
| 72,218 | 28,315 | 43,903 | | | | | |
| 23,988 | | | | 23,988 | | | |
| 101,933 | | 71,998 | 10,464 | | 19,471 | | |
| 32,200 | | | | 32,200 | | | |
| 9,423 | | | 9,423 | | | | |
| 10,250 | | | | 10,250 | | | |
| 49,103 | | 33,154 | | | 15,949 | | |
| 1,660 | | | | 1,660 | | | |
| 36,524 | | | | 36,524 | | | |
| 464,040 | 34,115 | 223,289 | 46,639 | 104,622 | 55,375 | | |
| 19,467,435 | 14,836,225 | 2,005,711 | 707,324 | 236,404 | 1,681,771 | | |

Thanks to its potentiality and appealing characteristics, China owes itself a big vote of gratitude for its formidable economic growth in the last five years.

No Longer Lagging Behind: China Within the Past Five Years

Not too long ago, the usual stereotype still depicted China as an under-developed country — whether politically, socially or technologically. Now, times have changed. Anyone who has yet to pay a visit to one of the cities in China is considered to be outdated or behind instead. Every corporation, regardless of whether they are international or local, large or small, wants a share of the profit pie by establishing a presence in the PRC with its 1.2 billion population.

During the 9th Five-Year Plan period, which covered 1996 to 2000, China recorded remarkable economic achievements and its living standards experienced rapid improvements. In fact, growth has been so striking that China has truly become the focus of attention on a global basis. Every pair of commercial eyes is adamantly focused on China's rate of development, hoping to capture the perfect timing for entry or seizing the opportunities of the market. Between 1996 and 1999, China's gross domestic product (GDP) increased by an average of 8.3% each year, and by the end of 2000, the annual GDP per capita in China was expected to surpass US\$800. Thanks to China's steadily growing economy, the average urban citizen's annual income increased by 5.6% while the average farmer's income experienced a surge of 5.4%.

One of the main reasons for robust economic growth in the past five years has been strong and steady foreign direct investment. As of the end of July 2001, foreign direct investment reached a total of US\$372.8 billion. Lured by low costs, productive and industrious workers, an abundance of talents and the hope of a huge domestic market, manufacturers worldwide are expanding their operations in China. Although China has already become a global centre for manufacturing, it has also been rapidly building its capability in the more knowledge-intensive areas of software development and services. China is experiencing what may be considered a virtuous cycle: a steadily more prosperous China will mean a larger market; a larger market will generate more investment opportunities; and ample attractive investment opportunities will allow China to become a more significant trading partner. As China exports more, it will also import more. And its market will only continue to get larger in the future.

But that would be the long-term effect. In the short term, an emerging China will lead to dislocations as industries restructure and trade patterns change. Some workers will become jobless while other industries will demand workers of different and/or specialised skills. Countries that are in the same markets and competing head-on with China may suffer from painful adjustments. The attrition is ruthless, but the survivors will be formidable. Many multinational manufacturers have already shifted their plants into China to utilise the low cost production resources and to enhance their profit margins and competitiveness in the global

market. As a result, China has attracted an enormous amount of foreign direct investment, which in turn has created immense job opportunities. Thanks to its potentiality and appealing characteristics, China owes itself a big vote of gratitude for its formidable economic growth in the last five years.

This remarkable economic growth has also played an important role in establishing a solid foundation for China's successful housing reform policy. Sales of residential properties to individuals in 2000 achieved their highest level in history. Urban citizens spent a large portion of their money buying properties, and by the end of 1999, 70% of urban families owned their homes. The average living space in cities increased to 10.0 sq.m. per person in 2000, from 8.1 sq.m. in 1995. Nevertheless, China still has a long way to catch up with the living space standards of developed countries.

10th Five-Year Plan (2001-2005) Dedicated to Property Development

In March 2001, the National People's Congress passed the 10th Five-Year Plan, considered to be a roadmap for 2001-2005. The country's construction authorities aim to increase living space for average urban residents to 23 sq.m. by the end of 2005. According to the Ministry of Construction, this will be the main priority of the housing departments during the 10th Five-Year Plan period. Over the next ten years, there exists great potential in the housing sector due to the gap in average living space between China's housing and that of developed countries. According to economic models, residents will invest more in properties if their average annual income reaches US\$800 to US\$1,500, and according to the World Bank, rational housing prices should be three to six times a family's annual income.

To catch up with world standards, China will aggressively speed up housing reforms and apply advanced technology to housing construction. For the upcoming five years, China aims to increase the trading of old for new houses, since the expansion of residential rental markets is another priority of the housing authorities. At the same time, the government will build more low-cost houses for rent to low-and middle-income families in order to take care of those with less financial capabilities. With its imminent entry into the WTO, China will prepare itself for this highly anticipated event by strengthening the reform of its building companies. Despite all the efforts dedicated to speedy development, the scale of Chinese real estate firms is still a far cry from those of developed countries, both in terms of capital funding and of technical capabilities.

By the end of the 10th Five-Year Plan period, China's GDP is expected to reach Rmb1.25 trillion and GDP per capita will reach Rmb9,400. This translates into an average annual rate of 5% growth in income per capita.

The country's construction authorities aim to increase living space for average urban residents to 23 sq.m. by the end of 2005.

The Chinese Government will take measures to stimulate state investments and public consumption in order to sustain the economic growth.

Policies To Stimulate Economic Growth

As an effort to boost domestic demand and to achieve an average annual growth of 7% during the 10th Five-Year Plan period, the Chinese Government will take measures to stimulate state investments and public consumption in order to sustain the economic boom. It has announced a series of massive investment plans that will be financed through bond issues and bank loans for the coming years. These ambitious schemes include the “Go West” campaign for the western provinces, an expensive pledge to rebuild Beijing for the 2008 Olympic Games, and a gigantic diversion project to transport water from the Yangtze River to irrigate the arid northern provinces. The much awaited Three Gorges Dam — the biggest hydroelectric project in the world — is already under construction and will be completed in the near future.

Other government measures include an increase in the social welfare fund, a 30% salary raise for civil servants, tax rebates on exports, and the opening up of more industries to foreign investment, ranging from building, finance, tourism, education and infrastructure, to services trading and information technology. It also intends to encourage foreign investment in the western part of the country through tax concessions.

Update On Housing Reform Policy

After abandoning the traditional welfare housing allocation system at the end of last year, China will strengthen its housing reform policy this year with a formal inauguration of the new system, which aims at privatising the country's residential housing sector by encouraging state workers to purchase their homes. Currently, amongst China's 35 major cities, 30 have already implemented and executed the new policy. With the help of the government's fiscal and banking policies, housing reform has achieved remarkable progress in the last three years. Individual home purchases accounted for more than 90% of residential sales in most cities.

Currently, amongst China's 35 major cities, 30 have already implemented and executed the new policy.

The new reforms are dedicated to the establishment of seven systems: housing allocation, supply, market, finance, agency, property management and government macro-control. After the plan is initiated, the government will push ahead with the seven systems and lay particular emphasis on implementing them in different periods. Several policies or regulations have been introduced since the announcement of the new policy:

- (1) To further enhance state workers' home-purchase power, the Chinese Government announced that the salary of civil servants would be raised by 30% by the end of 2001, which is equivalent to 100 Yuan added to basic salary. This is the fourth salary hike since 1988 and is estimated to cost the government 70 billion Yuan.

- (2) On the supply side, with an average living space of only ten sq.m. per capita in urban areas, housing for the Chinese is far below average world levels in terms of space. To improve the situation, the Chinese government has decided to speed up construction of residential housing in its 10th Five-year Plan period (2001-05).
- (3) In a bid to reduce the tax burden and encourage people to rent out their properties, the tax authorities announced that starting from next year business tax levied on rental income would be trimmed from 5.5% to 3%. At the same time, individuals' income derived from rent will be taxed by 10% rather than the much higher rate applied to Individual Income Tax.
- (4) To protect buyers' interests and build up their confidence in home purchasing, new regulations for property sales have been introduced. The new property sales regulations that took effect in June 2001 will help the development of China's residential market. The regulations impose pre-conditions for applying presale consents, require the preparation of sales brochures, and provide measures to ensure that the final products do not differ from show flats.
- (5) Increasing efforts are being made to regulate property management and property brokerage business in light of the growing complaints of malpractice. In order to bolster the confidence of homebuyers, China will introduce a property management law by the end of this year.
- (6) Business tax and contract tax imposed on unsold apartments constructed before 30th June 1998 will continue to be exempted until 31st December 2002 in order to facilitate sales of these vacant flats.
- (7) In April 2001, the State announced the elimination of 47 fees charged previously on real estate developers so as to make development costs lower, and ultimately, to make housing more affordable for individuals.
- (8) To further strengthen its housing reform policy, the Ministry of Construction is mulling over the relaxation of requirements for real estate companies listed on the PRC stock exchanges.

The State announced the elimination of 47 fees charged previously on real estate developers so as to make development costs lower, and ultimately, to make housing more affordable for individuals.

Land Policy

Having announced a stricter control policy over the usage of land for building last year, the major tasks of the Municipal House and Land Administration (MHLA) this year will focus on the administration of the new policy. Under the new regulations, the municipal government will take over the responsibility for authorising the usage of non-farming land below 0.70 square kilometers and

To ensure the transparency of land supply and avoid wastage of land resources, state-owned land supply will be centralised by the municipal governments and granted through public land auction and tenders.

farming land (excluding the most-protected farmland) below 0.35 square kilometers. The MHLA will strengthen its measures to clamp down on illegal land supply activities, such as the change of land usage and plot ratios without proper approval and to supply more land than that allowed by the municipal government. It will also enforce the land policy on reclaiming site areas left vacant for more than two years.

To ensure the transparency of land supply and avoid wastage of land resources, state-owned land supply will be centralised by the municipal governments and granted through public land auction and tenders. This new regulation helps to establish an open and fair disposal system to complement China's accession to the World Trade Organisation. At present, developers are building up their land banks in the city through private negotiation with district government units. The new system aims to better control and coordinate land supply and to help foster the long-term development of the property market.

Starting from 1st August 2001, the demarcation between so-called domestic-sale houses and foreign-sale houses has been lifted in Shanghai. Previously, expatriates and Chinese from Hong Kong, Macau and Taiwan were restricted to buying specially targeted houses — foreign-sale properties — while Chinese on the mainland could only buy domestic-sale houses. Foreign-sale houses are generally more expensive than apartments targeted for local Chinese buyers, since plots designated for foreign-sale house development were sold to developers for almost double their value on the domestic-sale market. The lifting of the demarcation will ensure more housing demand from overseas buyers and help to stimulate the property market.

Secondary Market

China's second-hand housing market is expected to start booming as more and more provincial governments take action to deregulate the housing market.

China's second-hand housing market is expected to start booming as more and more provincial governments take action to deregulate the housing market. Formerly, there were four main obstacles keeping the secondary market from development:

- (1) Complicated and time-consuming procedures on the completion of sales registration.
- (2) Heavy taxes such as contract tax and value added tax together with the payment of land premium costs on the purchase of public housing contributed to high transaction costs.
- (3) A lack of qualified brokerage agency firms with the result that malpractice on fee charges and services caused many complaints.
- (4) Insufficient mortgage financing from banks.

Major cities like Beijing, Shanghai, and Guangzhou have already taken steps to address these problems in the past few years. Nowadays, the purchase and sales registration procedures have been simplified with the result that the transaction period has been largely reduced to around two weeks. In Shanghai, the contract tax of 1% on transaction prices charged by the government on any property transaction has been waived for public houses bought before 2000 and sold anytime in the future. Whereas for public houses bought in 2000 and thereafter, the contract tax to be charged will be 1% of the purchase cost. Starting from 1st July 2001, Shenyang will also adopt a new policy to stimulate the secondary housing market. The procedural fee charged on any property transaction will be reduced from 1% to 0.5% of the transaction price and the threshold for charging contract tax will be raised from Rmb 4,000 per sq.m. to Rmb 8,000 per sq.m. For public housing purchased before 1st January 2002, there will be no need to repay the land premium to the State Land Bureau when the unit is sold in the future. For individuals using bank loans to finance home purchases, the mortgage instalment repayment from their salary is tax deductible on calculation of the Individual Income Tax.

In order to regulate property sales agents following the increasing number of complaints of malpractice, the Chinese government has decided that sales agents need to be trained professionally and agency firms need to acquire legal business licenses before they can carry out business, effective as of 1st June 2001. In addition, apart from sales commission, they cannot procure any other fees or charges. This is to ensure that homebuyers obtain the best and most professional services.

To enable more people to buy their own homes, Shanghai's commercial banks have promoted housing loan programs and simplified the mortgage application procedure. Banks have also adopted measures to help lower-income families to enter the property market. For example, the Industrial and Commercial Bank of China in Shanghai is allowing buyers to use other property as security for 100% mortgages. Mortgages and public housing funds for second-hand property have also recently become available for consumers.

A new type of house lease, or the so-called "house bank", has been launched in the Shenzhen, Shanghai and Beijing markets recently. The main function is to provide house owners with a comprehensive personal finance service and to diversify the banks' consumer business sector. Once a client or house owner wishing to lease a house agrees with the rental amount evaluated by the bank, he or she can leave the often very complicated and tedious renting process to the bank; for example, looking for suitable tenants, signing the contract and collecting the rent. Regardless of the house being let or not, the agreed rental will be transferred to the client's account automatically at a designated date every month by the bank. If the actual rental is higher than the evaluated amount, 80% of the higher figure goes to the client and the rest belongs to the

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bank. Other fee collection services the bank can provide range from water and gas to electricity and telephone. The bank will deduct 45 days for tenant searching every year, during which no rental income will be paid to the client. The client is therefore free from intricate house leasing and management as long as he signs the lease contract with the bank. Most importantly, this service is commission-free, or in other words, neither the landlord nor the tenant will need to pay for the service. The introduction of such a leasing service will help standardise and boost the development of the house lease market.

Mortgage Market

On 21st March 2001, the Industrial and Commercial Bank of China (ICBC), the country's largest commercial bank, disclosed that it will grant 155 billion Yuan (US\$18.7 billion) in housing loans this year to further optimise its credit structure. Out of the total, 80 billion Yuan (US\$9.6 billion) will go to housing loans for individuals while the rest will go to housing construction projects and other large developments. ICBC has been increasing the volume of individual loans since 1995 as an effort to develop consumer loans and to help the State revitalise domestic consumption. Individual housing loans may constitute some banks' best assets because the delinquency rate is very low. According to statistics by ICBC, less than 0.6% of individual borrowers could not afford to make payments on time last year, which puts them on par with international borrowers in terms of reliability. The figures released by the China Construction Bank also indicated that only 1.97% of individual banking loans resulted in bad lending in its six-year practices. ICBC said it would continue to accelerate its housing credit businesses over the next few years. By 2005, the bank expected to provide no less than 500 billion Yuan (US\$60 billion) in housing loans to at least five million families nationwide. To realise this goal, ICBC has begun developing new housing-related products, including mortgage loans for second-hand houses and individual remodeling loans.

Efforts should be made to expand new credit businesses while minimising credit risks.

Such relaxed credit policies, however, were clouded by a circular issued by the People's Bank of China in June 2001 regarding regulation of the housing financial sector. The circular demanded that all commercial banks must strictly examine related conditions for real estate development loans. Borrowers of such loans should be qualified developers with a good credit record and the loans should be put into housing development projects with good market prospects. In addition, the developers' self-owned capital should be no less than 30 percent of the total investment in the projects. When granting mortgage loans to individuals, the actual value of the pledged assets should be strictly evaluated, the proportion of the loan to the pledged assets should not be higher than 80%, and zero down payment is forbidden for individual housing loans. The circular also called on commercial banks to further improve housing financial services. Efforts should be made to expand new credit businesses while minimising credit risks.

Many people think that the circular portends a change in the easy credit policy and is the first step to a curb on housing mortgage loans. But if we examine the circular more closely, it actually aims to rectify the housing financing market rather than to tighten up credit policy, since the delinquency figure for individual banking loans is still relatively low. The circular's intention is to standardise housing financial business and to minimise housing loan risks in order to boost the development of housing finance. Indeed, there is a possibility that the circular might push smaller, financially weaker developers out of the market and might squeeze more loan quota for the big real estate developers.

In August, the State Economic and Trade Commission announced that China's pawnbrokers could now provide mortgage loans, not only on moving assets but also on non-moving assets. In effect, this means that they can provide housing mortgage loans. The new regulation provides another channel for individuals to obtain house financing and to make home purchasing more affordable.

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Property Management Sector

China currently has roughly three million millionaires, most of whom are self-made and beneficiaries of the reform and opening-up policies. They account for approximately 2.5% of the country's total urban population. 17% of the rest of the urban population are also classified as high-income earners.

As a result of the increase in the quality of life, mainland buyers now expect much more than just ordinary property management services, such as cleaning and security. Value added property services with a personal touch are now considered essential in order to attract buyers and outperform competitors. Such an expectation is even more notable in developed cities such as Beijing, Shanghai, Guangzhou and Shenzhen. People expect dedication to good housekeeping from the property management office. Should a technical problem arise, such as a dripping faucet during the odd hours of the night, residents expect prompt action from the management office.

Expectations also include a consolidated bill from the management for all utility services, and the courtesy of being addressed by name by the security guard as they enter the building to demonstrate attentiveness and genuine concern for residents. Moreover, residents expect to have their laundry, daily milk supply, newspapers and mail delivered to their doorsteps daily, punctually and regardless of whatever weather conditions are prevailing. Such attentive and meticulous management services, however, are very costly.

Because of increasing demand for such services, residents in coastal cities are accustomed to paying management fees, and are more willing to pay them as long as the fees reflect the quality of the services. In Shenzhen, for example, the approved management fee for high-end residential properties is approximately

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5.22 Yuan (HK\$4.95) per sq.m. However, China is a vast country. The distribution of wealth and pace of development varies from province to province. The transition from public to private housing is taking place, but sometimes only gradually. Residents who are already owners of private flats do not always demand quality property management. The traditional definition of property management is simply to provide cleaning and security services normally provided by the government. The cleaning service is nothing much more than garbage removal. The security service means allocating guards to stand behind the desks at the entrance to the building. Residents have been tolerant of such conditions because they have only paid a few cents per square meter as management fees.

Now, times have changed. Property management companies are making an effort to provide quality services. Although the services in the inner provinces may not be comparable with those available in the coastal cities, there is nevertheless an overall improvement in terms of what the government needs to provide. Eventually, the idea of paying a higher management fee for better services will catch on with the general public in the less developed cities and provinces, particularly with residential property owners. This will ensure not only a better living environment for owners across the country but also an effective means to preserve the value of their properties, which can be put up for sale at a good price when offered on the secondary market.

Impact of WTO Entry on:

(i) Banking Policy

After its highly anticipated WTO entry, China will further relax its control on foreign banks to conduct Renminbi business. Currently, foreign banks' Renminbi business is confined to Shanghai Pudong (浦東) and Shenzhen. In other parts of the country, foreign banks can provide loans to foreign-funded companies, but they cannot provide loans and any other services to state-owned enterprises, rural or urban companies or even private companies. After five years of WTO membership, these restrictions will be changed. Foreign banks will not only be able to conduct retail-banking business but also they will have the freedom to conduct business at the place of their choice.

Furthermore, China will also loosen its grip on foreign exchange control and allow commercial banks to transact foreign exchange on current account items without the necessity of prior approval. Capital foreign exchange transactions will continue under the central bank's tight control and supervision, but the changes will definitely speed up the processing of foreign exchange applications.

(ii) Property market

Entry into the WTO will open up the Chinese market to various industries, ranging from financial, insurance, banking, securities trading, telecommunications and trading, to travel and many other intermediary services industries. The need to set up representative companies is anticipated to stimulate the demand for office space in Beijing, Shanghai and Guangzhou in the coming years.

WTO entry will also boost foreign direct investment in the manufacturing industry. To accommodate expatriate staff and family, foreign companies will buy or rent luxury properties, stimulating demand for luxury properties.

Due to the reduction of import duties and keen competition from overseas companies, car prices are expected to decline substantially, which will lead to an increase in car ownership, and ultimately, make luxury villas and apartments that are usually located in the suburbs much more accessible. WTO entry will thus indirectly cause an increase in demand in this market segment.

To compete with foreign companies that have a strong financial background, rich experience and better management, domestic real estate firms will have to increase their use of advanced technology and improve their design and management. Housing quality will therefore improve with WTO accession.

Conclusion

Undoubtedly, China's real estate industry will undergo extensive development in the next five years, as demand for housing is expected to surge in tandem with the anticipated rise of residents' disposable income. Experience from developed countries suggests that housing demand will surge when a country's per capita gross domestic product (GDP) reaches more than US\$800. China already achieved this figure last year. Meanwhile, the country is striving to reach the goal of 23 sq.m. of living space for every urban resident by 2005. This means that China will have to build at least 8.4 billion sq.m. of real estate in the next five years in order to realize such a goal.

High economic growth is expected to continue in the next several years, as the country's economy is further fuelled by Beijing's hosting of the 2008 Olympic Games and the country's impending accession to the WTO. High expectations of economic development in the years ahead will provide a strong impetus to the country's real estate development and a much greater opportunity for real estate developers. It may not be too much of an exaggeration to say that there will be at least 1.2 billion pairs of eyes following the speedy economic development of a country that has the highest growth potential in the world.

Entry into the WTO will open up the Chinese market to various industries...

High expectations of economic development in the years ahead will provide a strong impetus to the country's real estate development and a much greater opportunity for real estate developers.

General Terms

AGM: Annual General Meeting

BVI: British Virgin Islands

Company or NWCL: New World China Land Limited

FY: Fiscal year, July 1 to June 30

GDP: Gross domestic product

GFA: Gross floor area

Group: New World China Land Limited and its subsidiary companies

HK: Hong Kong

HK\$: Hong Kong dollar(s), the lawful currency of Hong Kong

HPF: Housing Provident Fund

ICBC: Industrial and Commercial Bank of China

IPO: Initial Public Offering

N/A: Not applicable

PBoC: People's Bank of China

PRC or Mainland: The People's Republic of China

RMB: Renminbi, the lawful currency of The People's Republic of China

SAR or HKSAR: Special Administrative Region – A status granted to Hong Kong to own an independent government and legislative system and to enjoy a degree of autonomy from the PRC Government under the principle of “one country, two systems”

SEHK: The Stock Exchange of Hong Kong Limited

SOEs: State-owned Enterprises

US: The United States of America

US\$: United States dollar(s), the lawful currency of the United States of America

WTO: World Trade Organisation

Financial Terms

Attributable Operating Profit: Profit attributable to shareholders before head office items

Net Debt: The aggregate of bank loans, other loans, overdrafts, convertible bonds, debentures and finance leases, net of cash and bank balances

Net Debt to Equity Ratio:

$$\frac{\text{Net Debt}}{\text{Shareholders' funds}}$$

Basic Earnings Per Share or EPS:

$$\frac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$$

HIBOR: Hong Kong Interbank Offered Rate

LIBOR: London Interbank Offered Rate

Technical Terms

CJV: Co-operative joint venture

EJV: Equity joint venture

Individual Purchase Ratio of Residential Buildings:

$$\frac{\text{Residential buildings purchased by individuals in real estate development}}{\text{Floor space of residential buildings actually sold in real estate development}}$$

WFE: Wholly foreign-owned enterprise

Measurement

Sq.m. or m²: Square meter

Corporate Information

| | |
|---|--|
| Chairman and Managing Director | Dr. Cheng Kar-shun, Henry |
| Vice-chairman | Mr. Doo Wai-hoi, William |
| Executive Directors | Mr. Cheng Kar-shing, Peter Mr. Leung Chi-kin, Stewart Mr. Chan Kam-ling Mr. Chow Kwai-cheung Mr. Chow Yu-chun, Alexander Mr. Chan Wing-tak, Douglas Mr. So Ngok |
| Non-executive Directors | Mr. Fu Sze-shing Dr. Lo Hong-sui GBS JP Mr. Cheng Wai-chee, Christopher Mr. Tien Pei-chun, James |
| Company Secretary | Mr. Chow Yu-chun, Alexander |
| Auditors | PricewaterhouseCoopers |
| Principal Bankers | Hang Seng Bank Limited The Hongkong and Shanghai Banking Corporation Limited Bank of East Asia Industrial and Commercial Bank of China |
| Share Registrars and Transfer Office | Standard Registrars Limited 5/F, Wing On Centre 111 Connaught Road Central Hong Kong |
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| Stock Code | Hong Kong Stock Exchange 917 |
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