



New World China Land Limited

New World China Land

Interim Report 2001-2002

Financial Highlights

Key Financial Data		
	<i>Unaudited</i>	
	6 months ended 31st December	
	2001	2000
	HK\$'000	HK\$'000
Operating Results		
Turnover		
Property sales	439,766	302,616
Rental operation	61,033	83,671
Hotel operation	–	3,958
Others	1,581	–
Total turnover	502,380	390,245
Profit attributable to shareholders	100,642	96,130
Earnings per share		
Basic	6.80 cents	6.57 cents
Diluted	6.77 cents	N/A

Business Review

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

Analysis of AOP by Activities

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

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

Property Development

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

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

Development Projects Completed During 1st Half of FY02

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

R : Residential

C : Commercial

H : Hotel

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

Projects to be Completed in 2nd Half of FY02

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

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

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

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

Property Investment

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

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

Investment Property to be Completed in 2nd Half of FY02

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

Liquidity and Capital Resources

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

Major Acquisition and Disposals

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

Outlook

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

Directors' interests in securities

As at 31st December 2001, the interests of the directors and their associates in the securities of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

	Personal interests	Family interests	Corporate interests (Note 2)
New World China Land Limited			
(Ordinary shares of HK\$0.10 each)			
Mr. Doo Wai-hoi, William	700,000	–	–
Mr. Chan Kam-ling	100,000	–	–
Mr. Chow Kwai-cheung	126	–	–
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	–	–
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	–	–
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	–	–

Directors' interests in securities (continued)

	Personal interests	Family interests	Corporate interests (Note 2)
International Property Management Limited			
(Non-voting deferred shares of HK\$10.00 each)			
Mr. Chan Kam-ling	1,350	–	–
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 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
Tai Yieh Construction & Engineering Company Limited			
(Non-voting deferred shares of HK\$1,000.00 each)			
Mr. Chan Kam-ling	250	–	–

Directors' interests in securities (continued)

	Personal interests	Family interests	Corporate interests (Note 2)
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	–	–

Notes :

- (1) Details of the directors' interests in certain share options of the Company, 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 31st December 2001, none of the directors, chief executive or any of their associates had any beneficial or non-beneficial interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Directors' rights to acquire shares or debentures

(A) Under the share option scheme of the Company ("Share Option Scheme") adopted on 18th December 2000, certain directors of the Company have personal interests in share options to subscribe for shares in the Company, particulars of which are as follows:

Name of director	Date of grant	Exercisable period (Note 1)	Number of share options with exercise price per share of HK\$1.955		
			Balance as at 1st July 2001	Exercised during the period	Outstanding as at 31st December 2001
Dr. Cheng Kar-shun, Henry	7th February 2001	8th March 2001 to 7th March 2006	5,000,000	–	5,000,000
Mr. Doo Wai-hoi, William	8th February 2001	9th March 2001 to 8th March 2006	3,500,000	700,000 (Note 2)	2,800,000
Mr. Cheng Kar-shing, Peter	9th February 2001	10th March 2001 to 9th March 2006	2,500,000	–	2,500,000
Mr. Chow Yu-chun, Alexander	8th February 2001	9th March 2001 to 8th March 2006	2,500,000	–	2,500,000
Mr. Leung Chi-kin, Stewart	7th February 2001	8th March 2001 to 7th March 2006	500,000	–	500,000
Mr. Chan Kam-ling	9th February 2001	10th March 2001 to 9th March 2006	500,000	100,000 (Note 3)	400,000
Mr. Chow Kwai-cheung	9th February 2001	10th March 2001 to 9th March 2006	500,000	–	500,000
Mr. Chan Wing-tak, Douglas	12th February 2001	13th March 2001 to 12th March 2006	500,000	–	500,000
Mr. So Ngok	9th February 2001	10th March 2001 to 9th March 2006	500,000	–	500,000

Directors' rights to acquire shares or debentures (continued)

Notes:

- (1) The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of grant when the offers of the share options were accepted, provided that the maximum number of share options that can be exercised during a year is 20% of the total number of the share options granted together with any unexercised share options carried forward from the previous year(s).
 - (2) Exercise date was 27th July 2001. On 26th July 2001, being the trading date immediately before the share options were exercised, the weighted average closing price per share was HK\$2.924.
 - (3) Exercise date was 26th October 2001. On 24th October 2001, being the trading day immediately before the share options were exercised, the weighted average closing price per share was HK\$2.328.
 - (4) The cash consideration paid by each director for each grant of the share options is HK\$10.
- (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 director	Date of grant	Number of share options outstanding at 31st December 2001 with exercise price per share of	
		HK\$10.20 (Note 1)	HK\$12.00 (Note 2)
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 (Note 3)	960,000 (Note 4)

Directors' rights to acquire shares or debentures (continued)

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 period ended 31st December 2001.

- (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 31st December 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 period ended 31st December 2001.

Except for the foregoing, at no time during the period was the Company, its subsidiary, 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.

Substantial shareholders' interests in shares

As at 31st December 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows 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 (Note 1)
New World Development Company Limited ("NWD")	1,050,768,800 (Note 2)

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 1,011,714,293 shares directly held by NWD, 22,508,064 shares held by Great Worth Holdings Limited ("GWH") and 16,546,443 shares held by High Earnings Holdings Limited ("HEH"). 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 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 31st December 2001.

Share Option Scheme

As at 31st December 2001, in addition to the share options granted to the directors as disclosed in the section headed 'Directors' Rights to acquire shares or debentures', the Company had granted share options to certain employees of the Company and/or its subsidiaries working under employment contracts that are regarded as "continuous contract" for the purposes of the Employment Ordinance to subscribe for shares of the Company pursuant to the Share Option Scheme, particulars of which were as follows :

Date of grant	Number of share options					Exercise price per share HK\$
	Balance as at 1st July 2001	Granted during the period (Note 2)	Exercised during the period (Note 3)	Lapsed during the period	Outstanding as at 31st December 2001	
5th February 2001 to 2nd March 2001	37,044,000	–	530,400	797,600	35,716,000	1.955
2nd May 2001 to 29th May 2001	458,400	–	–	–	458,400	2.605
29th June 2001 to 26th July 2001	–	2,485,200	–	–	2,485,200	3.192
31st August 2001 to 27th September 2001	–	2,149,200	19,200	–	2,130,000	2.380

Share Option Scheme (continued)

Notes :

- (1) The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of grant when the offers of the share options were accepted, provided that the maximum number of share options that can be exercised during a year is 20% of the total number of the share options granted together with any unexercised share options carried forward from the previous year(s).
- (2) The closing price per share on 28th June 2001 and 30th August 2001 was HK\$3.75 and HK\$2.75 respectively.
- (3) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$3.082.

The fair value of the share options granted during the period with the exercise price per share of HK\$3.192 and HK\$2.38 is estimated at HK\$1.35 and HK\$1.54 respectively using the Black-Scholes option pricing model. Value is estimated based on the risk-free rate of 5.24% per annum with reference to the rate prevailing on the Exchange Fund Notes, a one-year period historical volatility of 0.7, assuming no dividends and an expected option life of 5 years.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. As the characteristics of the options granted during the period are significantly different from those of publicly traded options and changes in the subjective inputs may materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Condensed Consolidated Profit and Loss Account

For the six months ended 31st December 2001

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

Condensed Consolidated Balance Sheet

As at 31st December 2001

	Note	Unaudited As at 31st December 2001 HK\$'000	<i>Audited</i> <i>As at 30th</i> <i>June 2001</i> <i>HK\$'000</i>
Fixed assets		3,606,553	3,248,168
Properties held for development		2,925,838	2,812,556
Associated companies		785,209	781,179
Jointly controlled entities		9,179,411	9,305,700
Other investments		2,926,076	2,925,136
Other non-current assets		114,394	111,634
Total non-current assets		19,537,481	19,184,373
Current assets			
Debtors, deposits and other receivables	10	450,694	425,234
Properties under development		2,533,014	2,254,051
Completed properties held for sale		125,236	139,196
Cash and bank balances		1,022,994	1,141,588
		4,131,938	3,960,069
Current liabilities			
Creditors and accruals	11	392,822	470,556
Deposits received on sale of properties		183,271	231,382
Amounts due to fellow subsidiaries		193,283	221,341
Short term loans			
Secured		602,336	801,897
Unsecured		76,636	–
Current portion of bank and other borrowings	13	587,247	287,848
Taxes payable		97,523	104,445
		2,133,118	2,117,469
Net current assets		1,998,820	1,842,600
Employment of funds		21,536,301	21,026,973
Financed by:			
Share capital	12	148,077	146,851
Reserves		17,449,700	17,322,901
Shareholders' funds		17,597,777	17,469,752
Bank and other borrowings	13	3,423,710	3,019,375
Deferred interest income		455,281	474,968
Minority interests		59,533	62,878
Funds employed		21,536,301	21,026,973

Condensed Consolidated Cash Flow Statement

For the six months ended 31st December 2001

	<i>Unaudited</i>	
	6 months ended 31st December	
	2001	2000
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operating activities	(265,384)	300,323
Net cash inflow/(outflow) from returns on investments and servicing of finance	72,304	(2,652)
Net cash outflow from investing activities	(487,771)	(690,248)
Tax paid	(13,118)	–
Net cash inflow from financing activities	695,382	486,825
Increase in cash and bank balances	1,413	94,248
Cash and cash equivalents at beginning of the period	503,242	382,278
Cash and cash equivalents at end of the period	504,655	476,526
Analysis of balances of cash and cash equivalents		
Cash and bank balances – unrestricted	504,655	476,526

Consolidated Statement of Recognised Gains and Losses

For the six months ended 31st December 2001

	<i>Unaudited</i>	
	6 months ended 31st December	
	2001	2000
	HK\$'000	HK\$'000
Revaluation surplus on investment properties	–	63,881
Share of revaluation surplus of jointly controlled entities	–	39,335
Share of revaluation deficits of associated companies	–	(18,040)
Exchange differences arising on translation of subsidiaries, associated companies and joint ventures	(10,455)	(17,661)
Net (losses)/gains not recognised in the profit and loss account	(10,455)	67,515
Profit for the period	100,642	96,130
Total recognised gains	90,187	163,645
Capital reserve eliminated directly against reserves	–	125,465
	90,187	289,110

Notes to the Accounts

1 Principal accounting policies

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

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

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

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

Goodwill

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

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

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

The Group has adopted the transitional provisions of SSAP30 and goodwill previously written off against reserves has not been restated. However, any impairment arising on such goodwill is required to be accounted for in accordance with provisions of SSAP31 "Impairment of assets".

The adoption of provisions of SSAP31 represents a change in accounting policy and accordingly, the Group has made an assessment on any impairment in goodwill or share of goodwill previously eliminated against reserves and considered that an amount of HK\$153,384,000 being the share of goodwill of a jointly controlled entity was impaired during the 6 months period ended 30th June 2001. The write-off of this share of impaired goodwill by means of a prior year adjustment has the effect of reducing the profit attributable to shareholders for the year ended 30th June 2001 by HK\$153,384,000.

1 Principal accounting policies (continued)

Negative goodwill

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

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

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

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

2 Business segment information

6 months ended 31st December 2001

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

2 Business segment information (continued)

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

No geographical segment analysis is presented as the majority of the assets and operation of the Group are located in the PRC, which is considered as one geographical location in an economic environment with similar risks and returns.

3 Other revenues

	6 months ended 31st December	
	2001	2000
	HK\$'000	HK\$'000
Bank and other interest income	61,823	33,823

4 Operating expenses

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

5 Other operating charge

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

6 Operating profit before financing

	6 months ended 31st December	
	2001	2000
	HK\$'000	HK\$'000
Operating profit before financing is arrived at after crediting:		
Gross rental income from investment properties	61,033	80,463
and after charging:		
Rental for leased premises	6,296	2,946
Outgoings in respect of investment properties	2,047	3,849
Retirement benefit costs	1,840	1,420
Auditors' remuneration	1,697	1,926
Guarantee fee paid to ultimate holding company	–	3,610

7 Taxation

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

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

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

7 Taxation (continued)

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\$7,724 million (30th June 2001: HK\$7,783 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 period, no such tax indemnity was effected (30th June 2001: 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.

8 Dividend

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

9 Earnings per share

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

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

10 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:

	As at 31st December 2001 HK\$'000	As at 30th June 2001 HK\$'000
0 to 30 days	33,072	6,890
31 to 60 days	169	5,874
61 to 90 days	8,253	7,238
Over 90 days	6,949	9,213
	48,443	29,215

Sales proceed receivables in respect of sale of properties are settled in accordance with the installment 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.

11 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:

	As at 31st December 2001 HK\$'000	As at 30th June 2001 HK\$'000
0 to 30 days	69,831	76,726
31 to 60 days	6,851	9,207
61 to 90 days	9,513	1,997
Over 90 days	135,537	101,618
	221,732	189,548

12 Share capital

	As at 31st December 2001 HK\$'000	As at 30th June 2001 HK\$'000
Authorised:		
8,000,000,000 shares of HK\$0.1 each	800,000	800,000
Issued and fully paid:		
1,480,773,094 shares of HK\$0.1 each (30th June 2001: 1,468,511,738 shares of HK\$0.1 each)	148,077	146,851

12 Share capital (continued)

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 2001	1,468,511,738	146,851
Issue of shares for the acquisition of subsidiaries (note (i))	10,911,756	1,091
Exercise of share options (note (ii))	1,349,600	135
At 31st December 2001	1,480,773,094	148,077

- (i) 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 of a further 30% interest in a subsidiary.

On 3rd July 2001, 2,121,140 new shares of the Company were further issued at an issue price of HK\$3.225 each and credited as fully paid for the acquisition of a further 12% interest in a subsidiary.

- (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 period and the balance outstanding at 31st December 2001 are as follows:

Date of offer to grant	Exercise price per share HK\$	Number of shares				
		At 1st July 2001	Granted during the period (note)	Exercised during the period	Lapsed during the period	At 31st December 2001
5th February 2001	1.955	53,044,000	–	1,330,400	797,600	50,916,000
2nd May 2001	2.605	458,400	–	–	–	458,400
29th June 2001	3.192	–	2,485,200	–	–	2,485,200
31st August 2001	2.380	–	2,149,200	19,200	–	2,130,000
		53,502,400	4,634,400	1,349,600	797,600	55,989,600

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.

13 Bank and other borrowings

	As at 31st December 2001 HK\$'000	As at 30th June 2001 HK\$'000
Bank loans (note)		
Secured	327,103	140,187
Unsecured	227,009	93,458
Loans from fellow subsidiaries	3,106,417	2,741,175
Loans from minority shareholders	350,428	332,403
	4,010,957	3,307,223
Current portion included in current liabilities	(587,247)	(287,848)
	3,423,710	3,019,375

Note:

The bank loans are repayable as follows:

	Secured		Unsecured		Total	
	31st December 2001 HK\$'000	30th June 2001 HK\$'000	31st December 2001 HK\$'000	30th June 2001 HK\$'000	31st December 2001 HK\$'000	30th June 2001 HK\$'000
Between one and two years	140,187	140,187	189,626	93,458	329,813	233,645
Between two and five years	186,916	–	37,383	–	224,299	–
	327,103	140,187	227,009	93,458	554,112	233,645

14 Contingent liabilities

- (i) The Group has contingent liabilities of approximately HK\$1,238,484,000 as at 31st December 2001 (30th June 2001: HK\$844,307,000) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies, jointly controlled entities and fixed return joint ventures. As at 31st December 2001, the Group's attributable portion of the outstanding amount under these bank loan facilities granted to the associated companies, jointly controlled entities and fixed return joint ventures was approximately HK\$589,105,000 (30th June 2001: HK\$549,044,000).
- (ii) At 30th June 2001, the Group had contingent liabilities relating to counter-guarantees given to the ultimate holding company of approximately HK\$42,991,000 in respect of bank loan facilities extended to a fixed return joint venture of the Group in respect of which the ultimate holding company had 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. The counter-guarantees were released during the period.

15 Commitments

(i) Capital expenditure commitments

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

	As at 31st December 2001 HK\$'000	As at 30th June 2001 HK\$'000
Contracted but not provided for		
Investments in jointly controlled entities	63,115	142,971
Investments in an associated company	116,234	–
Investments in fixed return joint ventures	–	15,600
	179,349	158,571
Authorised but not contracted for	–	–
	179,349	158,571

(b) As at 31st December 2001, the Group did not have any share of capital commitments of the jointly controlled entities themselves not included in above (30th June 2001: Nil).

(ii) Lease commitments

	As at 31st December 2001 HK\$'000	As at 30th June 2001 HK\$'000
Future aggregate minimum lease payments under non-cancellable operating lease in respect of land and buildings are as follows:		
The first year	7,224	6,969
The second to fifth years	13,767	1,030
After five years	57,618	–
	78,609	7,999

(iii) Other commitments

As at 31st December 2001, the Group had issued performance guarantees amounting to approximately HK\$262,153,000 (30th June 2001: HK\$166,228,000) 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.

16 Related party transactions

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

(i)	6 months ended 31st December	
	2001 HK\$'000	2000 HK\$'000
Interest on loans from fellow subsidiaries	42,384	58,697
Rental for leased premises	1,946	2,341
Guarantee fee paid to ultimate holding company	–	3,610
Estate management fee income from a fellow subsidiary	(1,009)	(1,009)
Interest income from jointly controlled entities	(39,537)	(11,853)
Management fee income from jointly controlled entities	–	(16,053)

These related party transactions were governed in accordance with the terms as disclosed in 2001 annual report.

- (ii) Total fees for the provision of project management, construction and engineering consultancy services in respect of the Group's property projects and payable to certain fellow subsidiaries amount to HK\$89,621,000 (2000: HK\$82,335,000). Such fees are charged at fixed amount in accordance with the terms of 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 (30th June 2001: HK\$157.3 million) of which approximately HK\$117.7 million (30th June 2001: HK\$117.7 million) had been incurred as at 31st December 2001.
- (iv) 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 IT and LAT payable in consequence of the disposal of certain properties (note 7).
- (v) During the period, the Group disposed of its entire interest in three subsidiaries to a fellow subsidiary for a consideration of approximately HK\$401,077,000, resulting in a loss on disposal of HK\$8,088,000.

16 Related party transactions (continued)

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

- (i) 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 amounted to approximately HK\$2,746.6 million (30th June 2001: HK\$2,746.6 million) of which approximately HK\$2,558.1 million (30th June 2001: HK\$2,558.1 million) had been incurred as at 31st December 2001.
- (ii) 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\$71.9 million (30th June 2001: HK\$156.1 million). Such fees are charged at fixed amounts in accordance with the terms of the respective contracts.
- (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: 0.5% above LIBOR to 15% per annum), and have repayment terms as specified in the loan agreements. The total interest charged for the period ended 31st December 2001 by the fellow subsidiary and included as part of the development costs of properties developed by these associated companies was HK\$38.9 million (2000: HK\$21.7 million).

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 31st December 2001.

The Company and its subsidiaries had advanced an aggregate amount of HK\$7,399,897,000 (30th June 2001: HK\$7,108,520,000) to affiliated companies, guaranteed bank loans and other borrowing facilities for the benefit of the affiliated companies in the amount of HK\$945,890,000 (30th June 2001: HK\$796,307,000) and contracted to further provide an aggregate amount of HK\$1,730,943,000 (30th June 2001: HK\$2,422,672,000) 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\$5,845,304,000 (30th June 2001: HK\$5,755,929,000) which carry interest ranging from 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.

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 to provide as an alternative the following statement.

As at 31st December 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\$15,760,579,000 (30th June 2001: HK\$15,195,395,000). Such affiliated companies reported no capital commitments and contingent liabilities as at 31st December 2001 (30th June 2001: Nil).

Details of the charges on Group’s assets

As at 31st December 2001, the Group’s investment properties, assets under construction and properties under development of HK\$279,509,000 (30th June 2001: HK\$240,832,000), HK\$486,988,000 (30th June 2001: HK\$112,149,000), HK\$107,402,000 (30th June 2001: HK\$82,243,000) respectively have been pledged as securities for short term and long term loans.

Audit committee

The audit committee has reviewed the unaudited interim financial statements and discussed the financial related matters with management. At the request of directors, the Group’s external auditors have carried out a review of the interim financial statements in accordance with Statement of Auditing Standards 700 issued by the Hong Kong Society of Accountants.

Employee’s information

As at 31st December 2001, the Group had 1,587 full-time employees. Remuneration of the employees are reviewed annually based on the assessment of individual performance.

Purchase, Sale or Redemption of Shares

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Code of Best Practice

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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.

Dr. Cheng Kar-shun, Henry

Chairman and Managing Director

Hong Kong, 22nd March 2002