

HIGHLIGHTS OF FINANCIAL RESULTS

- Profit attributable to shareholders rose by 14.6% to HK\$96.1 million
- Turnover increased from HK\$336.4 million to HK\$390.2 million, a rise of 16% compared with same period of previous fiscal year
- The completion and sale of community housing projects in Shenyang, Beijing and Dongguan were the main contributors to the Group's increase in net profit
- Contributions from property sales set to increase in second half of FY2001 as 10 projects with a gross floor area of 643,944 sq.m. are due for completion. (first half of FY2001: 4 projects, gross floor area 141,670 sq.m.)
- Increased contributions from investment properties were recorded resulting from the increased occupancy and rental rates in Tianjin New World Anderson Centre and from the completion of Beijing New World Centre Phase II and Tianjin Yu Chang Shopping Mall Phase II in the first half of FY2001
- Occupancy and rental rates of the Group's investment properties are expected to rise further with the increased demand of new offices, services apartments and retail facilities with PRC imminent entry into the World Trade Organisation
- PRC has planned to increase government spending by 9.3% to 1.74 trillion Renminbi to stimulate domestic demand and keep annual economic growth at 7% in 2001. It will also increase salaries of government workers for 30% by the end of 2001. These would help to boost the continued housing demand in PRC

	UNAUDITED		CHANGE
	6 MONTHS ENDED 31ST DECEMBER		
	2000	1999	
	HK\$'000	HK\$'000	
Turnover	<u>390,245</u>	<u>336,432</u>	16%
Profit Attributable to Shareholders	<u>96,130</u>	<u>83,889</u>	15%
Earnings Per Share – Basic (HK cents)	<u>6.6</u>	<u>5.7</u>	16%
Dividend Per Share	<u>-</u>	<u>-</u>	N/A

BUSINESS REVIEW

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

Development Projects Completed During 1st Half of FY01

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

R: Residential

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

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

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

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

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

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

Property Investment

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

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

Current Property Portfolio

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

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

FINANCIAL REVIEW

Overview

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

Attributable operating profit ("AOP")

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

Conventional property

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

Community housing

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

Low-cost community housing

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

Head office items

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

Corporate Finance

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

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

OUTLOOK

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

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

DEBT PROFILE

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

DIRECTORS' INTERESTS IN SECURITIES OF THE COMPANY

As at 31st December 2000, 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 31st December 2000, 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	–	–

Disclosure of Interests (Cont'd)

	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
Tai Yieh Construction & Engineering Company Limited			
(Non-voting deferred shares of HK\$1,000.00 each)			
Mr. Chan Kam-ling	250	–	–

	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	–	–

Note:

- (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 31st December 2000, 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

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 31st December 2000 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)

Disclosure of Interests (Cont'd)

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.

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 2000 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.

Except for the foregoing, at no time during the period 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31st December 2000, 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	1,054,599,200 (Note (1))
New World Development Company Limited ("NWD")	1,054,599,200 (Note (2))

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"), 16,546,443 shares held by High Earnings Holdings Limited ("HEH") and 3,830,400 shares held by Financial Concepts Investment Limited ("FCI"). NWCF is a wholly owned subsidiary of NWD, and GWH, HEH and FCI are 59%, 51.3% and 51.3% indirectly owned subsidiaries of NWD respectively. NWD is deemed to have interests in the shares held by NWCF, GWH, HEH and FCI.

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 2000.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2000

	Note	<i>Unaudited</i>	
		6 months ended 31st December	
		2000	1999
		HK\$'000	HK\$'000
Turnover	2	390,245	336,432
Other revenues	3	33,823	19,724
Operating expenses	4	(275,385)	(77,545)
Operating profit before financing	5	148,683	278,611
Finance costs		(31,447)	(46,012)
Share of results of			
associated companies		(11,670)	4,912
jointly controlled entities		9,383	(155,112)
Profit before taxation		114,949	82,399
Taxation	6	19,346	4,880
Profit after taxation		95,603	77,519
Minority interests		527	6,370
Profit retained for the period		96,130	83,889
Earnings per share	8	6.6 cents	5.7 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2000

		<i>Unaudited</i>	<i>Audited</i>
		As at 31st	As at 30th
		December 2000	June 2000
	<i>Note</i>	HK\$'000	HK\$'000
Fixed assets		3,368,636	2,924,107
Properties held for development		2,946,938	2,660,433
Associated companies		867,764	909,645
Jointly controlled entities		10,409,420	10,166,450
Other investments		2,938,548	2,934,454
Other non-current assets		106,494	108,914
Total non-current assets		<u>20,637,800</u>	<u>19,704,003</u>
Current assets			
Debtors, deposits and other receivables	9	357,604	458,034
Properties under development		1,025,697	1,144,096
Completed properties held for sale		208,674	165,121
Cash and bank balances		794,914	578,309
		<u>2,386,889</u>	<u>2,345,560</u>
Current liabilities			
Creditors and accruals	10	561,834	330,073
Deposits received on sale of properties		163,392	26,899
Amounts due to fellow subsidiaries		59,771	35,563
Secured short term loans		734,206	548,972
Current portion of bank and other borrowings	11	467,775	582,095
Taxes payable		139,053	103,945
		<u>2,126,031</u>	<u>1,627,547</u>
Net current assets		<u>260,858</u>	<u>718,013</u>
Employment of funds		<u>20,898,658</u>	<u>20,422,016</u>
Financed by:			
Share capital		146,377	146,377
Reserves		17,131,252	16,842,142
Shareholders' funds		17,277,629	16,988,519
Bank and other borrowings	11	2,894,230	2,783,617
Deferred interest income		656,757	531,341
Minority interests		70,042	118,539
Funds employed		<u>20,898,658</u>	<u>20,422,016</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2000

	<i>Unaudited</i>	
	6 months ended 31st December	
	2000	1999
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	300,323	(136,268)
Net cash outflow from returns on investments and servicing of finance	(2,652)	(7,464)
Net cash outflow from investing activities	(690,248)	(628,468)
Net cash inflow from financing activities	486,825	1,714,978
Increase in cash and bank balances	94,248	942,778
Cash and cash equivalents at beginning of the period	382,278	383,912
Cash and cash equivalents at end of the period	<u>476,526</u>	<u>1,326,690</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances – unrestricted	<u>476,526</u>	<u>1,326,690</u>

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2000

	<i>Unaudited</i>	
	6 months ended 31st December	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	(17,661)	(17,210)
Net gains/(losses) not recognised in the profit and loss account	67,515	(17,210)
Profit for the period	96,130	83,889
Total recognised gains	163,645	66,679
Capital reserve on acquisition of additional interests in a subsidiary company	125,465	–
	<u>289,110</u>	<u>66,679</u>

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"; and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

As a result of adoption of SSAP 2.101 "Presentation of Financial Statements", the presentation and classification of certain comparative figures have been adjusted or extended to conform with current period's presentation.

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 2000.

2 TURNOVER

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.

	6 months ended 31st December	
	2000 HK\$'000	1999 HK\$'000
Sales of properties	227,506	–
Rental income	80,463	19,450
Management fee income	16,053	20,142
Return on Costs	1,645	129,636
	<u>325,667</u>	<u>169,228</u>
Interest income less withholding tax	64,578	167,204
	<u>390,245</u>	<u>336,432</u>

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

	6 months ended 31st December	
	2000 HK\$'000	1999 HK\$'000
(i) Turnover		
Conventional property projects	114,074	176,895
Community housing projects	221,801	1,697
Low-cost community housing projects	54,370	157,840
	<u>390,245</u>	<u>336,432</u>
(ii) Profit attributable to shareholders		
Conventional property projects	66,850	(28,325)
Community housing projects	41,962	18,727
Low-cost community housing projects	52,583	153,901
Land improvement project	(75)	(107)
	<u>161,320</u>	<u>144,196</u>
Corporate expenses	(65,190)	(60,307)
	<u>96,130</u>	<u>83,889</u>

3 OTHER REVENUES

	6 months ended 31st December	
	2000	1999
	HK\$'000	HK\$'000
Bank and other interest income	<u>33,823</u>	<u>19,724</u>

4 OPERATING EXPENSES

	6 months ended 31st December	
	2000	1999
	HK\$'000	HK\$'000
Cost of properties sold	(183,802)	–
Staff costs	(41,764)	(30,956)
Depreciation	(4,607)	(4,129)
Amortisation of deferred expenditure	(2,794)	(3,951)
Administrative expenses	(42,418)	(38,509)
	<u>(275,385)</u>	<u>(77,545)</u>

5 OPERATING PROFIT BEFORE FINANCING

	6 months ended 31st December	
	2000	1999
	HK\$'000	HK\$'000
Operating profit before financing is arrived at after crediting:		
Gross rental income from investment properties	<u>80,463</u>	<u>19,450</u>
and after charging:		
Outgoings in respect of investment properties	3,849	1,798
Guarantee fee paid to ultimate holding company	3,610	7,608
Rental for leased premises	2,946	3,046
Auditors' remuneration	<u>1,926</u>	<u>1,726</u>

6 TAXATION

	6 months ended 31st December	
	2000	1999
	HK\$'000	HK\$'000
Company and subsidiaries		
PRC income tax	10,386	–
Jointly controlled entities		
PRC income tax	<u>8,960</u>	<u>4,880</u>
	<u>19,346</u>	<u>4,880</u>

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 (1999: 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.

6 TAXATION (Cont'd)

The Group's jointly controlled entities established in the PRC are required under the Foreign Investment Enterprises and Foreign Enterprise Income Tax Law to pay income tax at the rate of 33% (1999: 33%).

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 is also given by the ultimate holding company in respect of these properties.

7 DIVIDEND

The directors do not recommend the payment of a dividend for the six months ended 31st December 2000 (1999: Nil).

8 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$96,130,000 (1999: HK\$83,889,000) and the weighted average of 1,463,772,938 shares (1999: 1,463,772,938 shares) in issue during the period.

Diluted earnings per share is not presented as the Company has no dilutive potential shares as at 31st December 2000 (1999: Nil).

9 DEBTORS, DEPOSITS AND OTHER RECEIVABLES

Included in debtors, deposits and other receivables are trade debtors and their ageing analysis is as follows:

	As at 31st December 2000	As at 30th June 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	9,504	8,868
31 to 60 days	6,420	614
61 to 90 days	11,431	354
Over 90 days	27,789	2,752
	<u>55,144</u>	<u>12,588</u>

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 leased properties are payable in advance by tenants in accordance with the lease agreements.

10 CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors and their ageing analysis is as follows:

	As at 31st December 2000	As at 30th June 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	74,895	40,895
31 to 60 days	21,169	39,322
61 to 90 days	62,512	3,925
Over 90 days	70,909	63,398
	<u>229,485</u>	<u>147,540</u>

11 BANK AND OTHER BORROWINGS

	As at 31st December 2000 HK\$'000	As at 30th June 2000 HK\$'000
Bank loans (note)		
Secured	261,682	261,682
Unsecured	186,720	373,440
Loans from fellow subsidiaries	2,440,773	1,764,400
Loans from minority shareholders	472,830	966,190
	<u>3,362,005</u>	<u>3,365,712</u>
Current portion included in current liabilities	<u>(467,775)</u>	<u>(582,095)</u>
	<u>2,894,230</u>	<u>2,783,617</u>

Note:

The bank loans are repayable as follows:

	Secured		Unsecured		Total	
	31st December 2000 HK\$'000	30th June 2000 HK\$'000	31st December 2000 HK\$'000	30th June 2000 HK\$'000	31st December 2000 HK\$'000	30th June 2000 HK\$'000
Within one year	56,075	-	186,720	373,440	242,795	373,440
Between one and two years	28,037	28,037	-	-	28,037	28,037
Between two and five years	177,570	233,645	-	-	177,570	233,645
	<u>261,682</u>	<u>261,682</u>	<u>186,720</u>	<u>373,440</u>	<u>448,402</u>	<u>635,122</u>

12 CONTINGENT LIABILITIES

- (i) The Group has contingent liabilities of approximately HK\$1,145,755,000 as at 31st December 2000 (30th June 2000: HK\$865,879,000) relating to corporate guarantee given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities. As at 31st December 2000, the Group's attributable portion of the outstanding amount under these bank loan facilities granted to the associated companies and the jointly controlled entities was approximately HK\$656,094,000 (30th June 2000: HK\$367,646,000).
- (ii) The Group has contingent liabilities relating to counter-guarantees given to the ultimate holding company of approximately HK\$47,664,000 as at 31st December 2000 (30th June 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 31st December 2000, 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\$47,664,000 (30th June 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 had given guarantees. As at 30th June 2000, 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 counter-guarantees were released during the period.

13 COMMITMENTS

(i) Capital expenditure commitments

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

	As at 31st December 2000 HK\$'000	As at 30th June 2000 HK\$'000
Contracted but not provided for		
Fixed assets	242	2,048
Investments in jointly controlled entities	201,442	202,248
Investments in fixed return joint ventures	15,560	76,244
	<u>217,244</u>	<u>280,540</u>
Authorised but not contracted for	–	–
	<u>217,244</u>	<u>280,540</u>

(b) As at 31st December 2000, the Group did not have any share of capital commitments of the jointly controlled entities themselves not included in (a) above (30th June 2000: Nil).

(ii) Lease commitments

	As at 31st December 2000 HK\$'000	As at 30th June 2000 HK\$'000
Annual commitments payable in the following years in respect of land and building expiring in		
The first year	–	62
The second to fifth years	6,046	5,938
	<u>6,046</u>	<u>6,000</u>

(iii) Other commitments

As at 31st December 2000, the Group had issued performance guarantees amounting to approximately HK\$480,996,000 (30th June 2000: HK\$156,602,000) of which HK\$372,791,000 (30th June 2000: HK\$107,069,000) was utilised, in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of property projects developed by a subsidiary and certain jointly controlled entities 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.

14 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	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on loans from fellow subsidiaries	58,697	56,790
Rental for leased premises	2,341	2,372
Guarantee fee paid to ultimate holding company	3,610	7,608
Estate management fee income from a fellow subsidiary	(1,009)	(872)
Interest income from jointly controlled entities	(11,853)	(139,001)
Management fee income from jointly controlled entities	(16,053)	(20,141)
	<u> </u>	<u> </u>

These related party transactions were governed in accordance with the terms as disclosed in 2000 annual report.

- (ii) Total services fees for the provision of project management, construction and engineering consultancy for the Group's property projects and payable to certain fellow subsidiaries amount to HK\$82,335,000 (30th June 2000: HK\$39,794,000). Such fees are charged at fixed amount in accordance with service contracts entered.
- (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 2000: HK\$157.3 million) of which approximately HK\$127.7 million (30th June 2000: HK\$117.7 million) had been incurred as at 31st December 2000.
- (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.

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 amount to approximately HK\$2,640 million (30th June 2000: HK\$2,640 million) of which approximately HK\$2,462.8 million (30th June 2000: HK\$2,462.8 million) had been incurred as at 31st December 2000.
- (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\$220.5 million (30th June 2000: HK\$ 307.5 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 (30th June 2000: US\$52,730,000), bear interest ranging from to 0.5% above HIBOR to 15% per annum (30th June 2000: 15%), and have repayment terms as specified in the loan agreements. The total interest charged at 31st December 2000 by the fellow subsidiary and included as part of the development costs of properties developed by these associated companies was HK\$199.9 million (30th June 2000: HK\$178.2 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 2000.

In aggregate the Company and its subsidiaries had advanced an amount of HK\$8,244,445,000 (30th June 2000: HK\$8,024,891,000) to affiliated companies, guaranteed bank loans and other borrowing facilities for the benefit of the affiliated companies in the amount of HK\$1,097,755,000 (30th June 2000: HK\$1,062,241,000) and contracted to further provide an aggregate amount of HK\$2,989,876,000 (30th June 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\$6,596,542,000 (30th June 2000: HK\$6,435,145,000) which bear 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 2000, the Group's total exposure on the combined indebtedness reported by such affiliated companies (including amounts owing to the Group) amounted to approximately HK\$16,767,501,000 (30th June 2000: HK\$15,128,460,000). Such affiliated companies reported no capital commitments and contingent liabilities as at 31st December 2000 (30th June 2000: Nil).

DETAILS OF THE CHARGES ON GROUP'S ASSETS

As at 31st December 2000, the Group's investment properties, assets under construction and properties held for development of HK\$447,916,000 (30th June 2000: HK\$447,916,000), HK\$339,265,000 (30th June 2000: HK\$339,265,000) and HK\$330,334,000 (30th June 2000: HK\$218,184,000) respectively have been pledged as securities for short term and long term loans.

The Group's interests in a jointly controlled entity with carrying value of HK\$198.9 million (30th June 2000: HK\$198.9 million) has been pledged as part of the security to secure syndicated loan of US\$40 million (30th June 2000: US\$40 million) granted to the jointly controlled entity of which US\$1.5 million (30th June 2000: US\$11.5 million) has been utilised as at 31st December 2000.

AUDIT COMMITTEE

The audit committee has reviewed the unaudited interim accounts and discussed the financial related matters with the management.

EMPLOYEE'S INFORMATION

As at 31st December 2000, the Group had 713 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 during the period under review, 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, 15th March 2001