

**NEW WORLD CHINA LAND LTD :  
THIS IS THE ONLY DECENT COMPANY  
IN NEW WORLD'S PUBLIC 'STABLE'**

If the investment climate in the People's Republic of China (PRC) improves dramatically, and if a greater amount of disposable income becomes available to the more affluent population of the PRC, publicly listed New World China Land Ltd (Code: 917) will be well poised to be standing in line for a large piece of the action.

And, with the probability that the PRC will join the World Trade Organisation (WTO), later this year, it seems more than likely that the above propositions will come to pass.

New World China Land, as at the 2000 Balance Sheet Date, was sitting on a land bank, totalling more than 22.90 million square meters (about 246.49 million square feet) of Gross Floor Area (GFA).

According to Mr Henry Cheng Ka Shun, Chairman and Managing Director of New World China Land: *'Our target of accumulating land on favorable terms is now complete. With the China property market continuing to mature and land values appreciating over the last few years, our focus is clear: To realize the asset values of our land bank by accelerating our property development schedule to capture the upturn of the PRC property market.'*

Of the 3 major, publicly listed companies in which Mr Cheng Ka Shun has invested over the past 4 years or so (excluding the flagship company, New World Development Company Ltd (Code: 17), New World China Land must be considered the most promising, short term and medium term, and, certainly, the most profitable, during the 1997-2000 financial period.

New World China Land is, strictly, a property developer, something about which Mr Henry Cheng should know since his father, Mr Cheung Yu Tung, is regarded as being an expert in the industry.

According to the Chairman's Statement, at Page 6 of the 2000 Annual Report, 85.30 percent of the Company's portfolio of properties is slated for the residential market.

The PRC is very short of good residential housing in major cities and, as the Chairman points out, the PRC Government has recently abolished State housing or the offering of subsidised housing to workers in Government-run agencies/enterprises.

That leaves that door wide open for Mr Henry Cheng Kar Shun's *'little'* company.

And New World China Land operates in some of the biggest and most important cities in the PRC: Beijing; Tianjin; Wuhan; Shenyang; Shanghai; Guangzhou; and, the Pearl River Delta, generally (major cities include: Shenzhen; Dongguan, Zhuhai and Shunde).

In the Financial Year, ended June 30, 2000, New World China Land reported a Net Profit Attributable to Shareholders of about \$HK203.53 million.

This compared with the 1999 Bottom Line of about \$HK166.32 million.

Note 3 at Page 78 of the 2000 Annual Report indicates that the profit improvements in the 12 months to June 30, 2000 were brought about, in large part, by contributions from what the Company refers to as *'Return on Costs'*.

This *'Return on Costs'* is in relation to low-cost community housing projects in the PRC, the country where the Company appears to be totally committed.

Note 3 at Page 78 of the 2000 Annual Report of New World China Land is self-explanatory:

	<b>2000 (\$HK'000)</b>	<b>1999 (\$HK'000)</b>
Return on Costs	169,924	28,724
Sales of Properties	82,975	Nil
Rental Income	156,126	84,041
Management Fee Income	35,875	35,597
<b>SUB-TOTAL</b>	<b>444,900</b>	<b>148,362</b>
Interest Income less Withholding Tax	162,131	396,714
<b>TOTAL</b>	<b>607,031</b>	<b>545,076</b>

What is very clear, on reading the above table, is that, in the 2000 Financial Year, the Company did not sell much property in the PRC, although that which it did sell was a big improvement from the 1999 Financial Year -- when no PRC property was sold.

While the Consolidated Profit and Loss Account, at Page 67 of the 2000 Annual Report, shows the 2000 Bottom Line of \$HK203.53 million against a 1999 Bottom Line of about \$HK166.32 million, it would appear to TARGET that the quality of earnings for the 2000 Financial Year is far superior to that of the 1999 Financial Year.

To begin, the 1999 Year's earnings were boosted by a \$HK105.65-million credit from *'Other Operating Income'*.

Note 5 at Page 79 of the 2000 Annual Report indicates that, during the 1999 Year, New World China Land logged in \$HK6.45 million from gains on disposal of its interests in jointly controlled entities, another \$HK62.04 million was its credit from a one-off gain on the disposal of its interest in a subsidiary, and another \$HK37.15 million was logged in on disposal of its interests in certain other investments.

None of the above came about in the 2000 Year, naturally, so that the composition of the 2000 Year's profits comprised, in the main, gains from core operations – rental income, property sales, and 'Return on Costs', which rose in the 2000 Year to nearly \$HK170 million, up about 492 percent over the 1999 figure of about \$HK28.72 million.

The 2000 Net Profit Attributable to Shareholders, at about \$HK203.53 million, represented about nearly 10 percent on the Funds Employed, amounting to about \$HK20.42 billion.

### **The 2001 Financial Year**

For the Current Financial Year, ending June 30, 2001, things look as though they could be even better than in prior Years, with the 2002 Year, very likely to be another bumper period.

According to the Consolidated Balance Sheet, as at the 2000 Balance Sheet Date, New World China Land was holding 'Properties Under Development' at the Book Cost of about \$HK1.14 billion.

This compared with the 1999 Balance Sheet Date figure of about \$HK760.71 million, listed as being, 'Property Under development'.

Also, under Current Assets, there is an item, marked, 'Completed Properties Held for Sale'. The Book Cost of this item is about \$HK165.12 million.

There was no such item in the Current Assets Schedule as at the 1999 Financial Year's Balance Sheet Date.

With \$HK2.66-billion worth of properties, held for development in the PRC, it would appear that New World China Land has enough work on its plate to last for some years to come.

While interest income should never be much of a consideration to a company of this nature, TARGET notes that, in the 2000 Financial Year, this Company was able to log in about \$HK57.24 million in interest income from the cash positions that it held, throughout the Year.

And as at June 30, 2000, New World China Land held a cash position of about \$HK578.31 million. This compared with the 1999 Balance Sheet Date figure of about \$HK383.91 million.

Net Current Assets stood at about \$HK718.01 million, as at June 30, 2000.

In short, this Company is solidly based and one might even be tempted to say that its Management employs extremely conservative financial policies since total bank borrowings, at about \$HK2.78 billion, represented about 16.36 percent of Shareholders' Funds.

The previous 5 Financial Years have not been the best for this Company, but, with a little bit of luck, the next 5 Financial Years could well be extremely good Years.

The following is a summary of the past 5 Financial Years, taken from the 2000 Annual Report at Page 116:

	Financial Year ended June 30				
	2000	1999	1998	1997	1996
	All Figures are Denominated in \$HK'000				
Turnover	607,031	545,076	409,068	302,320	192,915
Operating Profit after Financing Costs	341,259	464,898	201,405	269,446	139,058
Share of Results of:					
Associates	(2,213)	(20,465)	(22,951)	(11,100)	(46,011)
Jointly Controlled Entities	(118,509)	(263,297)	39,169	61,348	(11,032)
Profit before Taxation	220,537	181,136	217,623	319,694	82,015
Taxation	11,620	17,353	38,191	33,873	5,049
Profit after Taxation	208,917	163,783	179,432	285,821	76,966
Minority Interests	(5,388)	2,536	10,516	4,273	6,885
Profit Attributable to Shareholders	203,529	166,319	189,648	290,094	83,851

It is apparent that, in the Financial Years 1996, 1997, 1998 and 1999, certain subsidiaries had been losing money, as shown in the credits in Minority Interests. It was only in the 2000 Year that there was a reverse entry.

**Conclusion:** This is the best of the 4 publicly listed companies that are controlled by Mr Henry Cheng Kar Shun.

New World China Land went public on The Stock Exchange of Hongkong Ltd on July 6, 1999 when it collected about \$HK1.43 billion by the Issuing and Placing of 575,834,732 shares at \$HK10.75 per share.

It estimated that it would earn a Net Profit after Taxation but before Extraordinary Expenses of not less than \$HK170 million for the Financial Year, ended June 30, 1999.

It missed its forecast by about \$HK4 million.

But, true to its word, this Company did not pay a dividend for the 1999 Financial Year or the 2000 Financial Year.

The question is whether or not it will consider paying a dividend in the 2001 Financial Year.

As at yesterday closing price, the shares of New World China Land were trading at about \$HK2.575.  
Pity the investors who invested in this Company in July 1999!

**Over the next 3 Fridays, TARGET will be publishing analyses of companies, controlled by Mr Henry Cheng Kar Shun.**

**While New World China Land may appear to be have a very promising near-term and intermediate-term future, subscribers may be interested to learn how, in the case of  
New World Development Company Ltd (Code: 17),  
New World CyberBase Ltd (Code: 276) and  
New World Infrastructure Ltd (Code: 301),  
things are not all that good.**

**In fact, one might go so far as to say that Mr Henry Cheng Kar Shun has done a lousy job in the other, 3 publicly listed companies.**

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