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1.Introduction

Hong Kong's economic structure has been changed recently due to internal and external factors which present a typical “three-pronged economy”. Three-pronged economies are the traditional industry that has almost stagnated, the ascendant financial industry and the real estate industry under stagflation (Wang, 2021). In 1980-1990s real estate industry drove the Hong Kong economic development speed. In the 2000s the real estate industry weighed 28% of the GDP (Wang, 2021). In 2021 the real estate industry contributed 9.1% to GDP which is the fourth major economic activity in Hong Kong (Census and Statistics Department Gov. HK, 2023).

As the real estate industry is one of the major GDP economic activities in Hong Kong which is tightly integrated with the Hong Kong economy. Therefore this report would like to analyse one of the largest property companies in Hong Kong, New World Development Company Limited (New World Development or NWD).

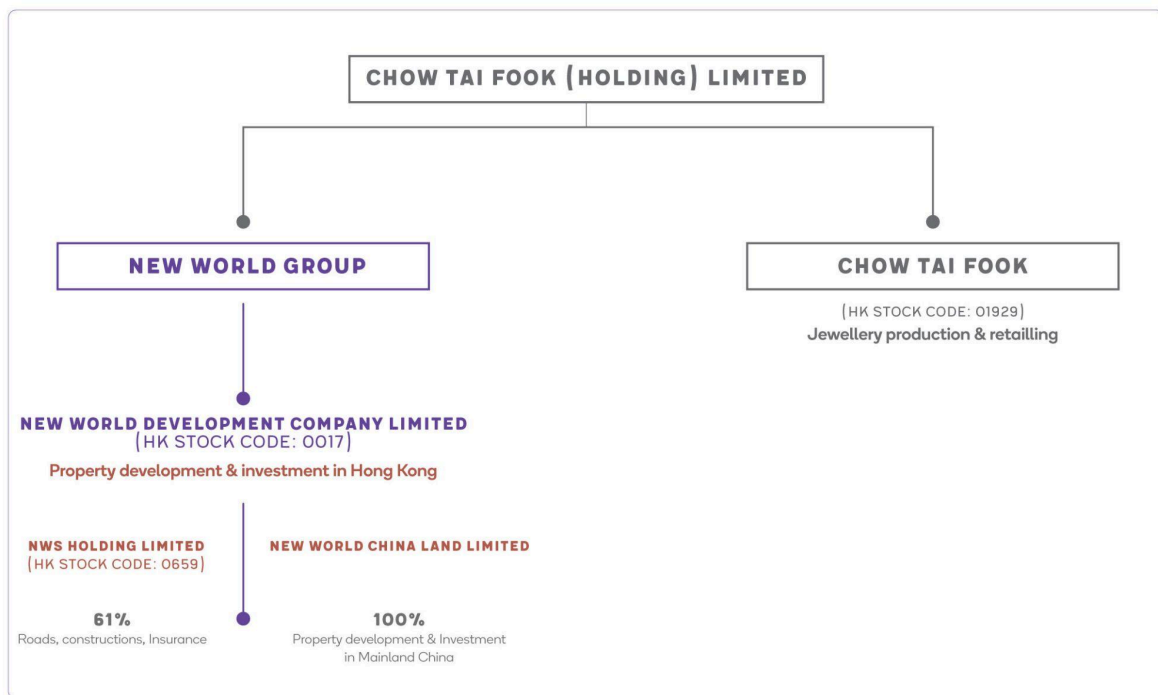
1.1 Company background

New World Development Company Limited (NWD) was established in 1970 by Dr. Cheng Yu Tung and publicly listed in HKEX in 1972, the group HKSE: 00017. Chow Tai Fook (Holding) Group is the largest shareholder of NWD (NWD, 2024). Core business areas of the group included property development and investment, hotel operation, construction, insurance and others. NWD business not only in Hong Kong but also in Greater China especially the Greater Bay Area.

1.2 Corporate Structure

New World Development Company Limited is one of the key members of New World Group which is owned by Chow Tai Fook (Holding) Limited from the Cheng's family (Chow Tai Fook, 2024). Under New World group there are also NWS Holding Limited for road, constrictions (Hip Hing) and insurance (FTLife, now is CTF Life). New World China Land Limited managed all property development and investment in Mainland China (NWD, 2024).

Figure 1 Corporate Structure of New World Group

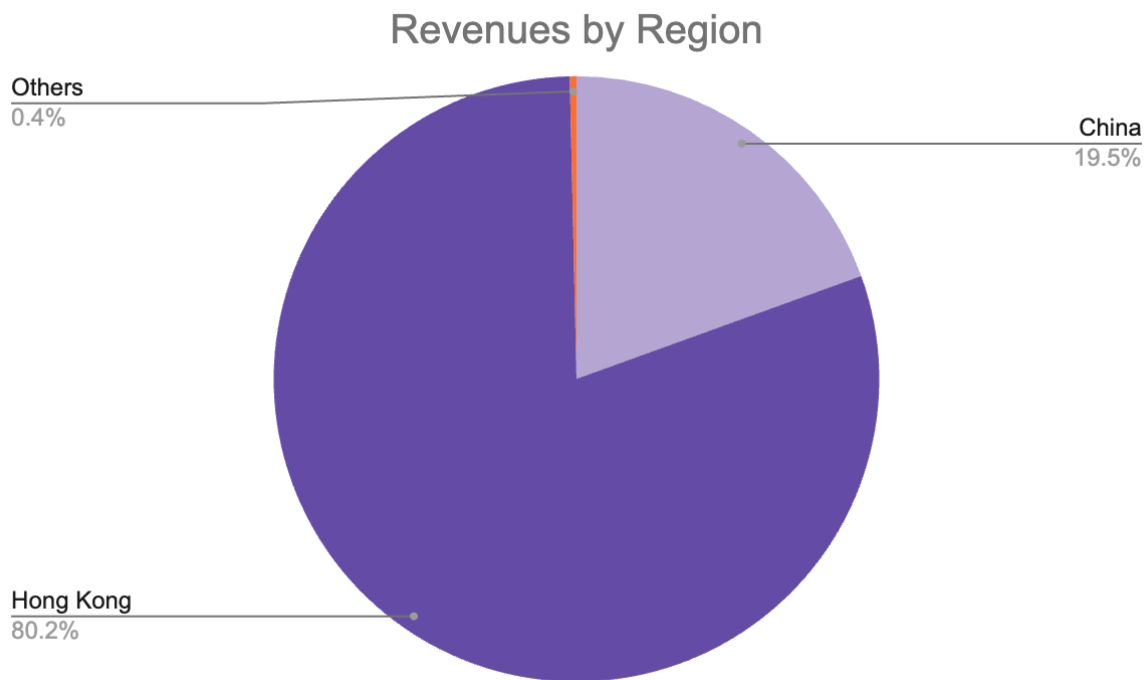


Source: Chow Tai Fook (2024) and NWD(2024). Figure contribute by writer

1.3 Operation Business overview performance

In 2023 NWD consolidated revenues of HK\$95,213.8 million with 80.2% of contribution from Hong Kong and 19.5% from China and 0.4% from other regions or areas.

Figure2 New World Development Revenues by Region 2023

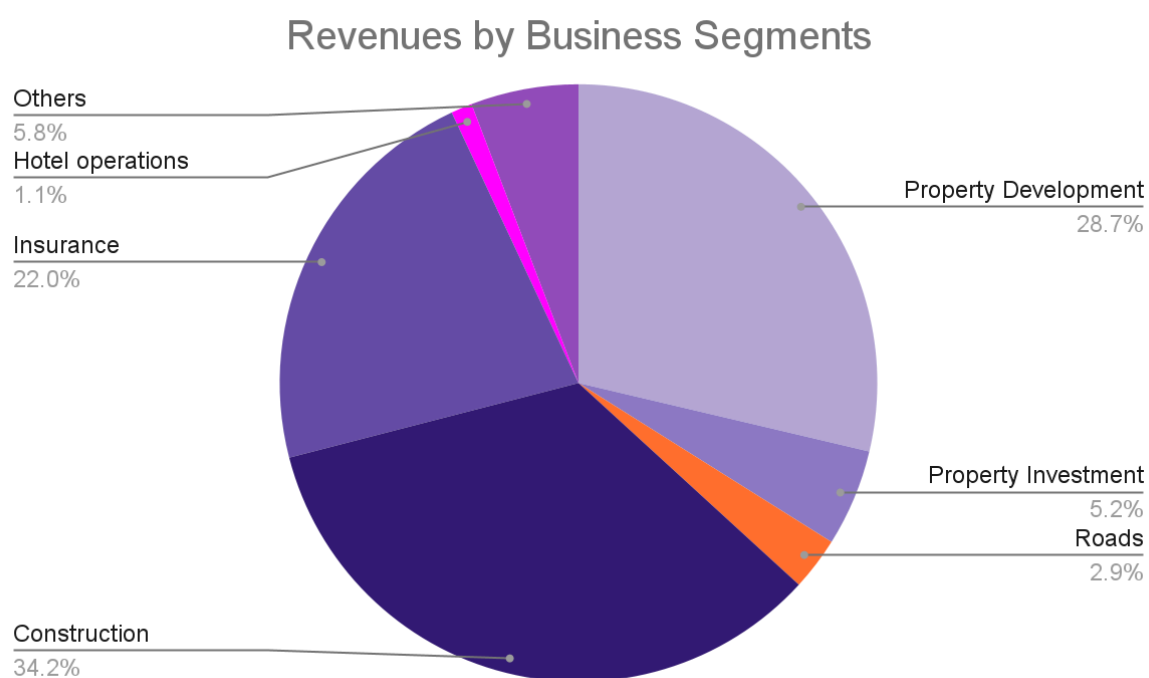


Source: NWD(2024) and figure contribute by writer

Spilled into individual business segments there are 34.2% from construction which majorly contributed by Hip Hing Construction Company Limited¹. Followed by Property development 28.7%, Insurance 22%, Hotel operations 1.1%, then others 5.8% (NWD, 2024).

¹ Hip Hing Construction Company Limited is owned by NWS Holding Limited which is one of the group member of New World Development Company Limited (Hip Hing Construction Co., Ltd., 2024)

Figure3 New World Development Revenues by Business Segments 2023



Source: NWD(2024) and figure contribute by writer

1.4 Financial Performance

Table 1 Financial Performance: 2020 to 2023

Financial Year End	2020 HK\$m	2021 HK\$m	2022 HK\$m	2023 HK\$m
Revenues (Sales)	59,007.8	68233.2	68212.7	95213.8
Profit for the year	3,266.4	4703.9	4301.8	4080.9
Total assets	600,195.9	627077.4	635883.9	616483.2
Total equity	279,745.1	304192.4	288098.8	268491.4
Reserves	134,797.6	144955.5	134978	117670.3

1.5 Market position against competitors

Table 2

Company name (Stock number)	NWD (0017)	Henderson (0012)	SHK (0016)
Business Nature	Property & Developer		
Stock value(HKD)²	19.28	23.3	98.7
PE³	16.53	11.83	8.57
Market area	H.K. & China	H.K. & China	H.K. & China

1.6 Market/ Business environment and challenges

In 2023 Property transactions Value of registered Agreements for Sale and Purchase of property (HK\$ billion) for Residential property declined 4.54% from previous year however rental Private domestic units increased 1.6%. Newly completed residential flats declined 42.2% (censtatd.gov.hk, 2024)

According to Census and Statistics Department (2024) results, Hong Kong residents are tending to rent instead of purchasing residential property, which directly reflects the property revenue. Table X shows the revenue status across the select three companies only Henderson Land Group (2024) is continuously growing in 2022 and 2023. NWD (2024) declined in 2022 and huge raised in 2023. However Sun Hung Kai (2024) was continuously dropping in 2022 and 2023.

Table 3 New World Development Revenues and Property revenue with Competitors: 2021 to 2023

² Based on the financial year end of the closing value by dividend and stock split adjustment. NWD & SHK Jun 30, Henderson Dec 31.

³ Stock market closing on 23 August 2024 (Yahoo Finance, 2024)

	 新世界發展有限公司 New World Development Company Limited			 HENDERSON LAND GROUP 恒基兆業地產集團			 新鴻基地產 Sun Hung Kai Properties		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Total Revenue	68,233.20	68,212.70	95,213.80	23,527	25,551	27,570	85,262	77,747	71,195
Property Revenue	27282.3	22193.1	32303.8	19760	21366	22086	63111	53750	45930
Property Revenue Growth		-18.65%	45.56%		8.13%	3.37%		-14.83%	-15.55%

Source: Henderson (2021-2024), NWD(2021-2024) and Sun Hung Kai (2021-2024). Figure contribute by writer

2.NWD financial analysis

The following section will analyse the financials of NWD with the two competitors by profitability, financial, paying debt ability, operating capacity and stock market analysis. Then further analyse the financial status of the companies and how it performs.

2.1 Profitability Analysis and Growth Capacity

Through the profitability analysis it helps to evaluate the business and identify the way of optimisation from the related projects, plants or investments which is a conclusive tool for understanding the financial health and performance of the business (De Luca, 2018).

Growth capacity helps to recognize any new market and opportunities for the business. Also show the capability of funding and turnover from the business able to fund its growth from additional profits; a negative result suggests that the business might experience liquidity problems if it grows (Morrison, 2012).

Table 4 New World Development Revenues and Property revenue with Competitors: 2021 to 2023

	 新世界發展有限公司 New World Development Company Limited			 HENDERSON LAND GROUP 恒基兆業地產集團			 新鴻基地產 Sun Hung Kai Properties		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Nep Profit	4,703.90	4,301.80	4,080.90	13,360	9,503	9,778	27,446	26,131	24,575
Net Profit Growth		-8.55%	-5.14%		-28.87%	2.89%		-4.79%	-5.95%
Gross profit margin	28.07%	26.75%	22.53%	51.35%	40.59%	36.38%	52.51%	51.24%	48.40%
Net Profit margin	6.89%	6.31%	4.29%	56.79%	37.19%	35.47%	32.19%	33.61%	34.52%

Source: Henderson (2021-2024), NWD(2021-2024) and Sun Hung Kai (2021-2024). Figure contribute by writer

Gross profit margin = $\text{Gross Profit} \div (\text{Sales} - \text{COGS}) \div \text{Sales}$

Net Profit margin = $\text{Net Profit} \div \text{Sales}$

2.2 Bankruptcy and Z-score

In finance, a Z-score can show a trader whether a value is normal for a given data collection or not. Generally speaking, a Z-score that is below 1.8 indicates that a business may be on the brink of bankruptcy. While a number that is around 3 indicates that a business is in good financial standing

The Z-score uses multiple corporate income and balance sheet values to measure the financial health of a company (Altman, 1968).

Table 5 New World Development Revenues and Property revenue with Competitors: 2021 to 2023

Financial Year End	 新世界發展有限公司 New World Development Company Limited			 HENDERSON LAND GROUP 恒基兆業地產集團			 新鴻基地產 Sun Hung Kai Properties		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Net current assets	52,133.40	20,365.40	-6,858.70	75,930	64,292	-4,174	169,634	187,274	189,369
Total assets	627,077.40	635,883.90	616,483.20	550,304	529,790	542,550	796,419	807,567	805,991
Retained earnings	144,955.50	134,978.00	117,670.30	282,675	275,603	274,197	523,117	531,243	531,352
EBIT	8,528.90	8,133.00	11,111.20	12,049	7,195	7,907	37,245	33,362	27,545
Stock value	40.35	28.15	19.28	36.8	29.4	23.3	115.7	92.7	98.7

(HKD)									
Number of Stock	2,542.40	2,519.10	2,516.60	4,841	4,841	4,841	2,898	2,898	2,898
Total liabilities	322,885.00	347,785.10	347,991.80	198,125	184,638	198,450	196,793	200,823	199,195
Sales	68,233.20	68,212.70	95,213.80	23,527	25,551	27,570	85,262	77,747	71,195

Source: Henderson (2021-2024), NWD(2021-2024) and Sun Hung Kai (2021-2024). Figure contribute by writer

Table 6 Z-Score of New World Development with Competitors: 2021 to 2023

	 新世界發展有限公司 New World Development Company Limited			 HENDERSON LAND GROUP 恒基兆業地產集團			 新鴻基地產 Sun Hung Kai Properties		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Z score	0.48	0.59	0.57	0.79	1.43	1.36	1.55	2.23	2.3

Source: Guru Focus (2024) and figure contribute by writer

2.3 Financial Structure

Table 8 Z-Score of New World Development with Competitors: 2021 to 2023

	 新世界發展有限公司 New World Development Company Limited			 HENDERSON LAND GROUP 恒基兆業地產集團			 新鴻基地產 Sun Hung Kai Properties		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Fixed Asset to Long term Liability Ratio	4.67%	4.25%	3.56%	0.94%	0.98%	1.12%	5.93%	6.03%	6.27%
Current Liability to Net Asset Ratio	286.88%	848.41%	-2613.57%	83.30%	94.06%	-3313.75%	43.15%	33.31%	28.21%
Current Liability to Stock Ratio	25014.43%	34221.09%	36038.72%	57.93%	62.18%	146.89%	20220.72%	13049.37%	10747.28%

Source: Henderson (2021-2024), NWD(2021-2024) and Sun Hung Kai (2021-2024). Figure contribute by writer

Fixed Asset to Long term Liability Ratio = Fixed Asset ÷ (LTL + Equity)

Current Liability to Net Asset Ratio = Current Liability ÷ Net Asset

Current Liability to Stock Ratio = Current Liability ÷ Inventory

2.4 Paying debt ability

When it comes to debt, debt/loan recovery and debt collection, ability to pay is often discussed.

Ability to pay is defined as the amount a debtor/debtor is able to pay after covering their fixed costs.

An ability to pay can be negative, which means that the debtor/debtor is unable to make payments.

Ability to pay refers to the capacity of a debtor/debtor to pay or repay its debts, loans or similar obligations.

The ability to pay can be calculated using a simple formula. The greater the amount of money available after fixed expenses, the greater the debtor's capacity to pay off their debt. If the debtor's expenses are equal to or greater than income, there is no disposable income after fixed expenses, and consequently no ability to pay debts, loans or other obligations to a creditor. (Miller, 2017)

Table 9 : 2021 to 2023

	 新世界發展有限公司 New World Development Company Limited			 HENDERSON LAND GROUP 恒基兆業地產集團			 新鴻基地產 Sun Hung Kai Properties		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Current Ratio (%)	134.86%	111.79%	96.17%	220.05%	206.31%	96.98%	331.74%	400.23%	454.53%
Quick Ratio (%)	134.46%	111.49%	95.90%	47.43%	45.49%	28.90%	331.25%	399.47%	453.60%
Stock Credit Index	-8619.42 %	-3933.55 %	1478.91%	30.45%	33.90%	104.43%	-46760.22 %	-39078.66 %	-38002.41 %
Cash Ratio (%)	41.20%	33.40%	29.71%	17.31%	18.68%	15.63%	29.76%	32.58%	28.61%
Total Debt Ratio (%)	51.49%	54.69%	56.45%	36.00%	34.85%	36.58%	24.71%	24.87%	24.71%
Debt / Equity Ratio (%)	56.98%	60.73%	62.85%	38.30%	35.97%	17.48%	20.61%	22.82%	24.02%
Long Term Debt Ratio	36.30%	37.79%	38.59%	27.69%	26.46%	14.88%	17.09%	18.58%	19.37%
Total Debt / Fixed Asset Ratio	1447.91%	1766.81%	2235.55%	4308.00%	4031.40%	4402.17%	458.50%	446.72%	422.31%
Time interest cover ratio	13.13%	13.20%	16.25%	2008.17%	581.65%	395.55%	1503.63%	1576.65%	902.23%

$\text{Current Ratio (\%)} = \text{CA} \div \text{CL}$
 $\text{Quick Ratio (\%)} = (\text{CA} - \text{Inventory}) \div \text{CL}$
 $\text{Stock Credit Index} = (\text{CL} - (\text{CA} - \text{Inventory})) \div \text{Inventory}$
 $\text{Cash Ratio (\%)} = \text{Cash} \div \text{CL}$
 $\text{Total Debt Ratio (\%)} = \text{Total Liab} \div \text{Total Asset}$
 $\text{Debt / Equity Ratio (\%)} = \text{LTL} \div \text{Equity}$
 $\text{Long Term Debt Ratio} = \text{LTL} \div (\text{LTL} + \text{E})$
 $\text{Total Debt / Fixed Asset Ratio} = \text{Total Liab} \div \text{FA}$
 $\text{Time interest cover ratio} = \text{EBIT} \div \text{Interest}$

2.5 Operating capacity

Operating capacity is the aggregate amount of revenue that a business can generate within a particular period. Operating capacity depends on several factors, including materials, staffing and equipment costs and manufacturing and shipping efficiency. (Shukla, Grewal and Gupta, 2016)

Table 10 Z-Score of New World Development with Competitors: 2021 to 2023

	 新世界發展有限公司 New World Development Company Limited			 HENDERSON LAND GROUP 恒基兆業地產集團			 新鴻基地產 Sun Hung Kai Properties		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Depreciation and amortisation	19.52%	21.31%	16.19%	53.36%	30.27%	30.63%	47.77%	47.57%	43.78%

Depreciation and amortisation = Depreciation and amortisation ÷ Sale

2.6 Stock market prospects analysis

Table 11 Z-Score of New World Development with Competitors: 2021 to 2023

	 新世界發展有限公司 New World Development Company Limited			 HENDERSON LAND GROUP 恒基兆業地產集團			 新鴻基地產 Sun Hung Kai Properties		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Earning per share (HK\$)	1.85	1.71	1.62	2.76	1.96	2.02	9.47	9.02	8.48
Price-earning Ratio (Times)	89.67	56.30	49.44	13.48	15.39	-	12.56	10.51	11.96
Payout ratio	326.98	502.44	-	65.93	94.24	-	50.72	76.39	-
Dividend yield (%)	6.68	9.36	6.27	5.42	6.61	7.48	5.23	4.63	5.86

Source: Henderson (2021-2024), NWD(2021-2024) and Sun Hung Kai (2021-2024). Figure contribute by writer

Earning per share (HK\$) = Net profit ÷ Total number issued common shares

Price-earning Ratio (Times) = Mkt price ÷ EPS

(Briston, 2017)

3.NWD Governance assessment - Internal control

Corporate governance is important for helping an organisation to minimise legal and reputational risks by ensuring compliance, ethical behaviour, and accountability internally and externally (Solomon, 2007).

Table 12 ROA and ROE performance of New World Development with Competitors:
2021 to 2023

	 新世界發展有限公司 New World Development Company Limited			 HENDERSON LAND GROUP 恒基兆業地產集團			 新鴻基地產 Sun Hung Kai Properties		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
ROA (after tax) (%)	0.56	0.57	0.55	2.61	1.71	1.73	3.36	3.19	2.96
ROE (after tax) (%)	1.31	1.36	1.36	3.98	2.79	2.83	8.08	9.58	8.36

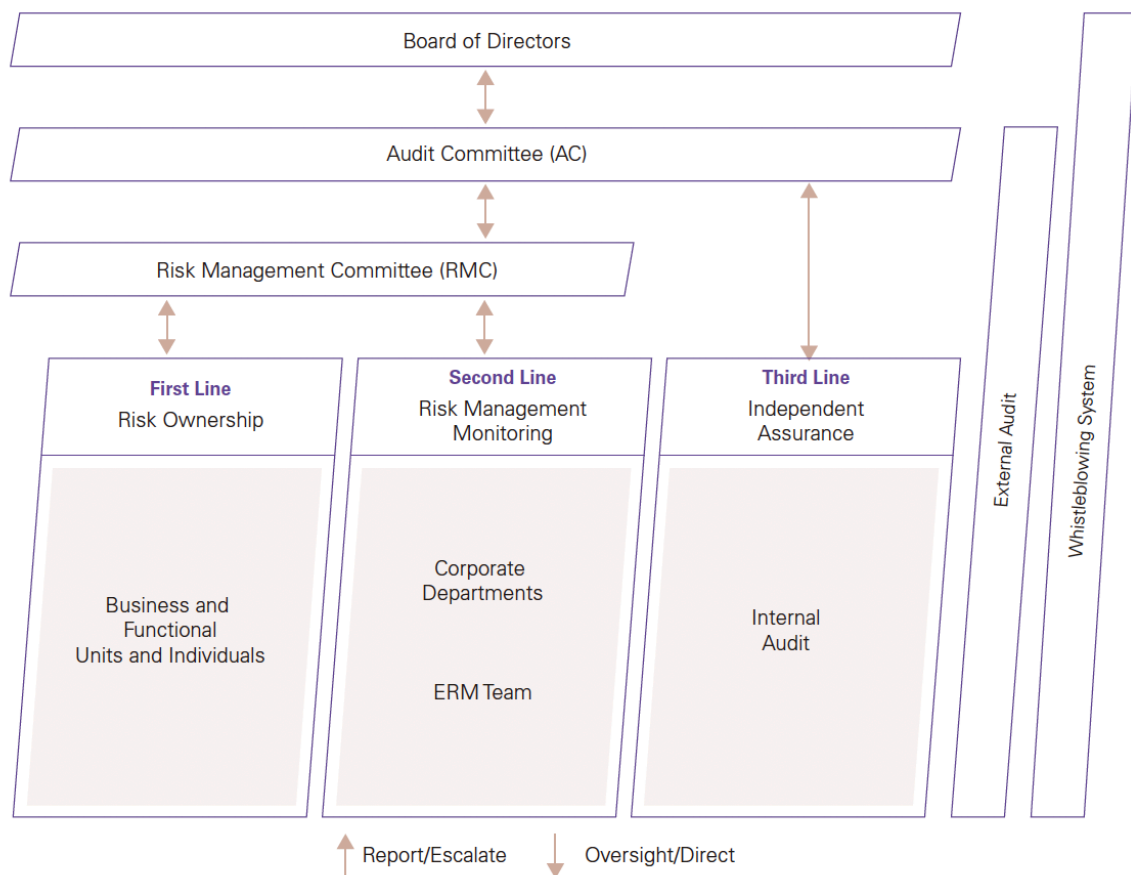
Source: Guru Focus (2024). Figure contribute by writer

Return on equity (ROE) and return on assets (ROA) demonstrate how efficient a company can be at generating profits. The ratios help the investor to plan and review the proper investment for the business (Collins, 2023). Table 12 show the performances for the selected companies Sun Hung Kai with the best performance however NDW with the lowest ratio.

3.1 Corporate governance system

A transparency organisation should encourage all employees to communicate proactively for any potential issues, such as operational risks, unsatisfactory customer service, grievances, whistleblowing, or ways to improve the working environment and ect (Solomon, 2007). It is also important to provide a no pressure platform either online or offline for employees, suppliers and all related stakeholders to speak out safely (Vallabhaneni, 2008).

Figure 4 Governance Structure of New World Group



Source: NWD (2024)

According to figure 4 the governance structure from top to down, the board of directors set up the risk management culture and risk appetite for the entire group. Then evaluate and determine the level or risk and monitor regularly across the group. Also ensure disclosure annually and compliance with the relevant regulations (NWD, 2024).

Audit Committee

Audit committee regularly reviews and evaluates the operation and risk management is appropriate and effective for the business. Identified, assesses, monitors and reports through the internal control effectiveness, Also providing the market insights and recommendation to enhance the group business performance and risk management (NWD, 2024).

Risk management committee

The committee assesses the ERM framework, evaluates and ensures it is appropriate for the business at least twice a year for the assessment. Ensure all core risks are identified, managed and monitored properly (NWD, 2024).

First Line

Focus on the business and functional units and individuals to ensure the effectiveness of risk management systems and mitigation strategies that execute properly and have mitigation measures and actions based on the required to protect the interest and efficacy of the business performance within the group (NWD, 2024).

Second line

Corporate departments to support all the risk owners for implementation and monitoring the risk management framework. Ensure the operations are conducted effectively by proper consideration, assessed and risk managed.

Third line

The internal audit across the NWD focuses on independent and objective assurance and advises communication with management. Also the governing body regularly monitors the adequacy and effectiveness of the risk management and governance management (NWD, 2024).

Supporting the governance structure has regularly reviewed and evaluated the operation and risk management is appropriate and effective for the business there are also two components within the framework which are external audit and whistleblowing system to ensure the whole governance structure is appropriate and efficient.

External Audit

Within NWD focus on independent and objective assurance and advise communicate with management. Also the governing body regularly monitors the adequacy and effectiveness of the risk management and governance management (NWD, 2024).

In NWD not only doing the audit internally but also externally. The external audit has been audited through Messrs. PricewaterhouseCoopers, who is a professional and trustworthy third party services globally (PWCHK, 2024).

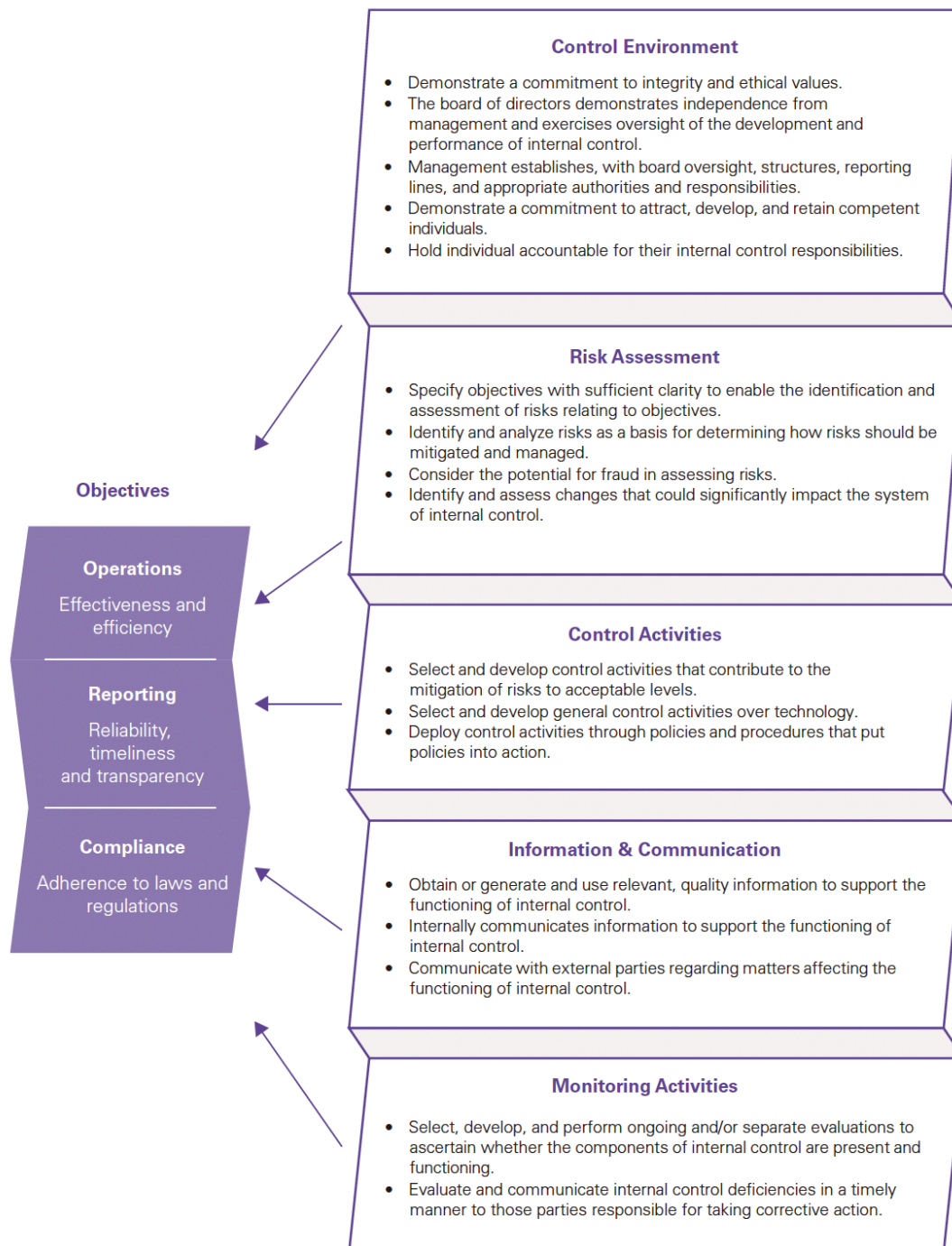
Whistleblowing system

Providing confidentiality, no pressure and safe platform and environment for employees, suppliers and all related stakeholders to speak out and raise concerns including suspected fraud, malpractice, misconduct or irregularity cases.

3.2 Transparency and board diversity within a traditional family business

As known, New World Group is owned by Chow Tai Fook (Holding) Group which is owned by the Cheng's families. Therefore the transparency of the business and governance are very important. A transparent governance and board is more trustworthy and reliable for the shareholders and employees (Zu, 2008). Family businesses typically manage the business under authoritarianism. All the decisions are made by a single voice without doubt. A large scale business group should have more transparency for internal and external monitoring and auditing (Vallabhaneni, 2008). Figure 4 and figure 5 shows NWD has a well structured and transparent governance structure and internal control module for supporting the group to evaluate and monitor the risk.

Figure 5 Internal control module



Source: NWD (2024)

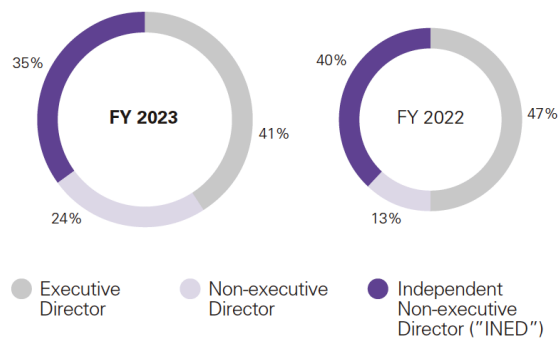
Additional work diversity is a key trend in the workplace, NWD is transitioning to engage different genders, age group, length of service, work field expertise into the board. Board members from different industries, age group, gender will bring different expertise from their professional field then will be beneficial for the business

to explore the market and new opportunities for better business performances (Solomon, 2007) .

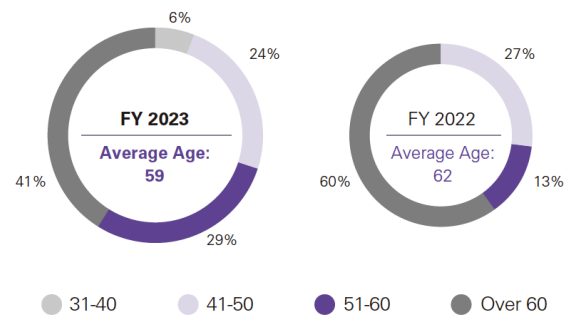
Figure 6 Board Diversity Mix of New World Group

Diversity Mix

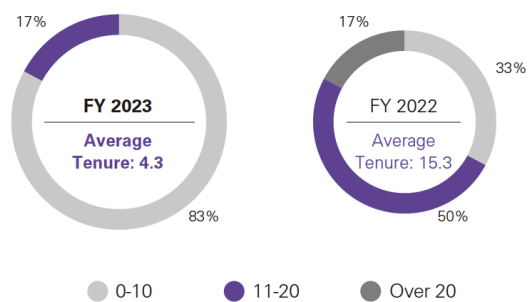
Designation



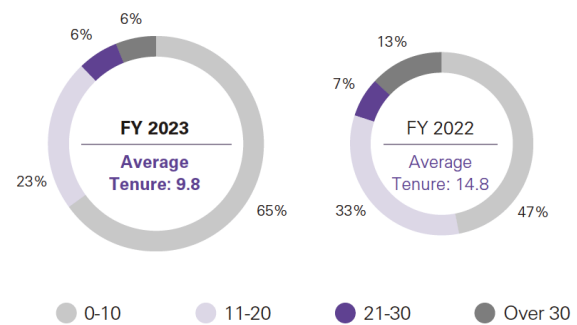
Age Group



Length of Service – INED (No. of years)



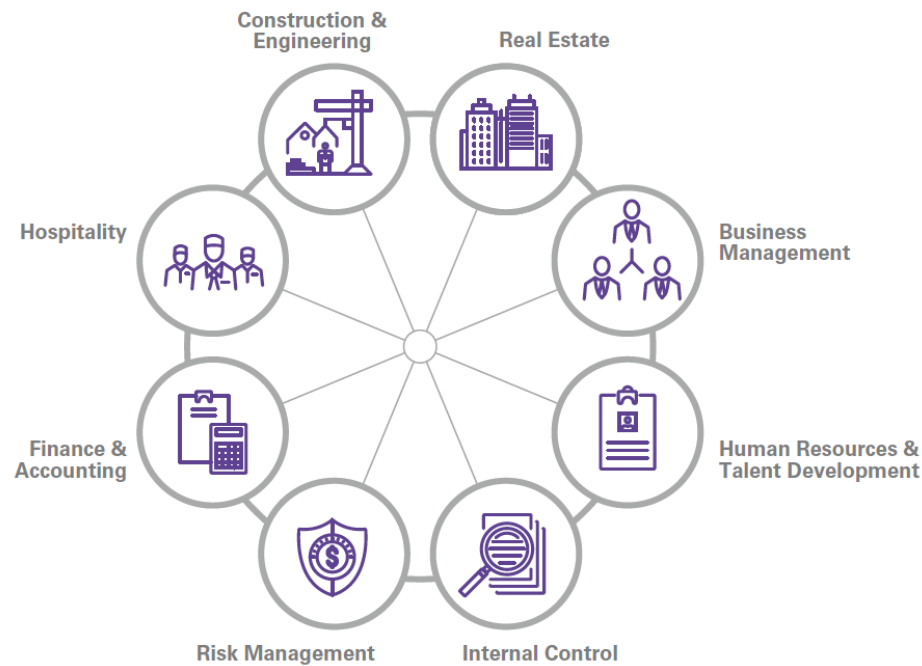
Length of Service – Board (No. of years)



Source: NWD (2024)

Figure 7 Board expertise of New World Group

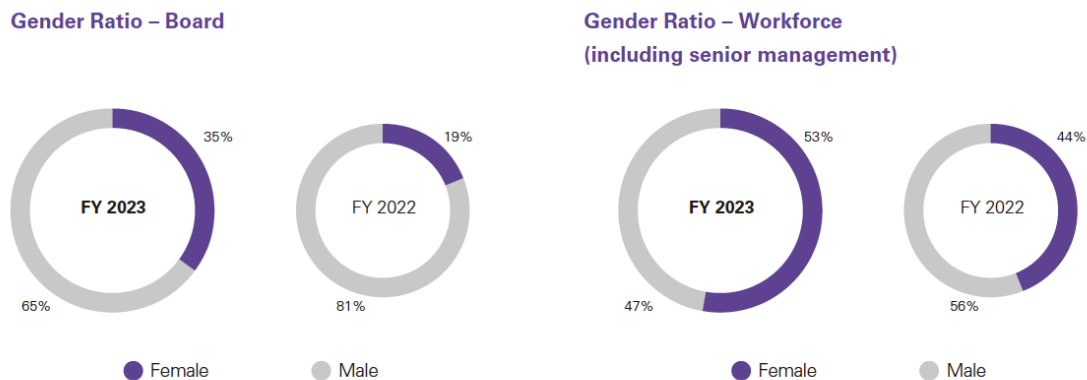
Board Expertise



Source: NWD (2024)

Out of 17 directors six are from the Cheng's family, three of them are executive directors and three of them are non-executive directors which means it created more opportunities for others to share in the board outside of the families. Also the gender ratio in 2023 of females has been increased across the workforce and the board. Actual support and changes begin from the top management which encourage gender equality in the workplace then will deliver down to the frontline (Zu, 2008).

Figure 8 Gender Ratio



Source: NWD (2024)

3.3 Compliance with Corporate governance code

Well compliance of corporate governance code should establish a written guidelines not only for the board members but also for all the relevant employees. As there is a huge size of employees of the group which is important to deliver the governance code widely and transparently. The company also required to committed to maintaining a high standard of corporate governance practices to safeguard the interests of its shareholders and enhance the performance of the group under the code (Vallabhaneni, 2008). NWD have been well deliver and establish clear guidelines for all relevant employees.

3.4 Emerging risk and challenges

In the NWD group there is an ERM team for supporting and managing the emerging risk and challenges. The team majors to facilitate identification, assessment, monitoring, and reporting processes for all the risks and provide relevant solutions and support the risk owner on risk-related matters (NWD, 2024).

4.Investment project

According to HKSAR government urban development strategy and site rezoning, the Northern Metropolis will be the major focus of the New development area. In the New Territories NWD group had approximately 16.36 million sq ft pending land use conversion from the landbank and approximately 90% was located in the Northern Metropolis areas (NWD, 2023, pg10).

For supporting the development “Creating shared Value” & “New World Build for Good” charitable social housing enterprise which supports HK in alleviating housing problems with innovative solutions. Providing below-market price rent/ sell flat for enabling young families to purchase their ideal homes at affordable prices(NWD, 2023, pg11).

4.1 Project overview

In the new investment project the new estate will be located in Yuen Long, New Territories which is from farmland converted to residential land. There are 2100 units on 10 blocks and 30 floors in an approximately 25,155 sq ft site area. There will be 80% (1680 units) of the unit for rental and 20% (420 units) for sale. The rental and selling price are 15% off from the market price.

Table 13 Project basic information

Project Cost		Remark
Built area (sq ft)	25,155	Existing Park Signature Project Built area
Premium / Rental Assessment	79.46	Land Department Release 2024
Building price (HK\$m)	880.425	RLB 2024 Q2 Construction Cost Update
Clubhouse + Car Park Construction area (sq ft)	48,000	Existing Park Signature Project Built area
Clubhouse + Car Park Construction price (HK\$m)	1680	RLB 2024 Q2 Construction Cost Update
Staff (HK\$m)	0.375	Census and Statistics Department Average monthly salaries report
Total cost	2,640.26	
Remaining basic information		
NWD Building depreciation years	20 to 40 years	NWD regulate approach
Decoration period (years)	5 years	NWD regulate approach
Sales growth rate	39.58%	NWD 2023 growth rate
Ultimate growth rate (Inflation)	2.5%	HK Budget 2024
EBITDA (%) 利潤率	16.19%	NWD 2023
Operating period (days)	95 days	NWD 2023
WACC	2.88	Guru Focus 2024

4.2 First year of Sales

Table 14 First year Cost od Sales

Project Sales		Remark
Sales per per sq ft (HK\$m)	423	70% Market price
Rental per per sq ft (HK\$m)	1,638.00	70% Market price
Clubhouse membership free (HK\$m)	323.4	Similar estate price
Car Park Rental (HK\$m)	23	Market price with same property group
Shop Rental per sq ft (HK\$m)	45.279	Market price with same property group
Management fee per unit (HK\$m)	65.52	Market price with same property group
Total Sales	2,519	

4.3 Computing Tax Cost

Table 15 Computing tax Cost for 5 years

Project (Unit: Million HKD)		1st year	2nd year	3rd year	4th year	5th year
Sales = Last year sales x (1+inflation rate)	Inflation: 2.5%	2,518.70	2,581.60	2,646.20	2,712.30	2,780.10
Earnings before Interest, Tax, dep&Amort(EBITDA)	HK Standard tax rate: 17.00%	415.6	426	436.6	447.5	458.7
Dep = -(Building/50+Decoration/5)	Building 20	-441.9	-441.9	-441.9	-441.9	-441.9
	Decoration 10	-0.5	-0.5	-0.5	-0.5	-0.5
Total depreciation		-442.4	-442.4	-442.4	-442.4	-442.4
EBIT:		-26.8	-16.4	-5.8	5.1	16.3
Tax expense (std HK tax rate: 17%)	17%	4.7	2.9	1	-0.9	-2.9
Profit:		-22.1	-13.6	-4.8	4.2	13.5

4.4 Cash Flow calculation

Table 16 Cash Flow calculation for 5 years

Project (Unit: Million HKD)	Initial Cost	1st year	2nd year	3rd year	4th year	5th year
EBITDA		415.6	426	436.6	447.5	458.7
Working capital movement*1		-	-	-	-	-
Expenditure*2		-0.5	-0.5	-0.5	-0.5	-0.5
Tax Expenses		4.7	2.9	1	-0.9	-2.9
free cash flow*3:	-2640.26	419.8	428.3	437.1	446.1	455.4

4.5 ARR and NPV calculation

Table 16 ARR and NPV calculation

Year	CASHFLOW in/(out)	PV
0	-2,640	-2,640
1	419.8	408
2	428.3	405
3	437.1	401
4	446.1	398.2
5	455.4	395.1
6	466.7	393.6
7	478.4	392.2
8	490.4	390.7
9	502.6	389.3
10	515.2	387.9
NPV= all cashflow for 10 year - Initial cost: 1,320.94		

ARR: 0.19%

4.6 Payback Period and IRR

Table 17 Payback Period and IRR

Year	CASHFLOW in/(out)	CUM CASHFLOW
0	-2,640	-2,640
1	419.8	-2,220
2	428.3	-1,792
3	437.1	-1,355
4	446.1	-909
5	455.4	-454
6	466.7	13
Payback period =		5 Years 12 months

IRR=0.1%

Based on the investment project structure 80% of the unit for rental and 20% for sale with 15% mark down from the market price the payback period will be around 5 Years 12 months, almost 6 Years.

5.Conclusion and Recommendations

After all, the financial analysis can understand the current market of the property industries and the business performance of New World Development Company Limited and with its competitors. Although property industries were the key value and contributor in Hong Kong economics, during time to time change and internal and external factors, property industries turned to be the second tier of the economics contributor. In the future should considerate with the customer behaviour change people is more favourable to rent instead of purchase household which many also bring significance affect for the property industries.

5.1 Recommendations

According to 2023 NWD individual business segments the majority revenues are from construction in the future the group can focus more on the construction projects, as the construction projects are managed by a mature group owned business and also it would be great to control and manage to reduce the non profit business segments. Therefore can control the budget and well spend on the core value of the business to provide a better performance for the business group.

In addition future investment project can corporate with the government development plan which will the the great opportunities for the business to survive and growth.

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