

	Six months ended 31 December		Change
	2002 (HK\$m)	2001 (HK\$m)	
Turnover	10,961.6	12,748.6	(14.0%)
Operating Profit (before interest and taxation)	681.3	1,992.9	(65.8%)
Share of Results of Associated Companies and Jointly Controlled Entities	520.0	175.1	197.0%
Profit Attributable to Shareholders	52.5	1,035.1	(94.9%)
Net Cash Inflow from Operating Activities	229.5	1,148.3	(80.0%)
Total Assets	127,364.5	128,290.9	(0.7%)

To Our Shareholders,

Economic cycle is just like riding on a ferris wheel. Hong Kong has gone through many ups and downs in the past. Unavoidably, one needs to go through the lowest point before reaching the peak again. Though the global economy is still vulnerable, I believe Hong Kong will soon recover from the doldrums with the people's resilience in the face of economic adversity.

The sluggish economy and high unemployment rate cast a shadow over the property sector. The measures imposed by the government helps in November 2002 to stabilize the market. Though it may still take a short while for the market to absorb the unsold inventory, the sector should soon become healthy and prosperous again.

In 2002, China's economy continues to grow at an enviable pace when compared to other parts of the world. In addition, China has gained the global recognition by having the successful WTO accession, winning the hosting of 2008 Olympics in Beijing and 2010 World Expo in Shanghai.

Going forward, China will continue to be one of the major economic forces in the world. Hong Kong is uniquely positioned as the best place to integrate with fast-growing Pearl River Delta Region and to capitalise on the persistent growth and prospect of China's economy and market. With the Group's firm establishment in Hong Kong and Mainland China, we have a major competitive advantage in terms of being able to grasp future opportunities to benefit our growth.

Dr. Cheng Yu-Tung

Chairman

Hong Kong, 20 March 2003

To Our Shareholders,

The world is evolving in a rapid pace. Everyone needs to always be prepared for changes. This is also true for a responsible company like New World. Our recent successful completion of the restructuring turns a new page for the Group. With the support from you - the Shareholders, the reorganisation unlocks hidden potential of each subsidiary, creates greater business focus, streamlines organization structure and rematches assets and liabilities for New World Group.

In Hong Kong, the local economy remains to be weak with the unemployment rate still at a record high level. The property sector, together with the supporting industries like construction and engineering, is unavoidably adversely affected. For the period under review, New World Development reported a net profit of HK\$52.5 million. The shortfall against same period in previous year was mainly due to the sharp drop in property sales contribution because of the absence of the sale of Regent Hotel as well as less property sales booked this period.

The other divisions like property rentals, hotel and restaurants, traditional infrastructure, services, telecommunications all recorded a healthy growth with current backdrop of economic uncertainty. Going forward, the breadth and maturity of our own businesses is allowing us to weather the prevailing storms.

At New World, we believe that successful relationships are built on communication and trust. As a public listed company, we are committed to keeping communication channels open to investors, fund managers, and other members of the financial and investment community, as well as our employees and members of our greater community. Guided by this principle, we have dedicated ourselves to be both accessible and informative by sharing with all parties our progress and achievements, our challenges and strategies, and, most important of all, our vision and mission.

Dr. Cheng Kar-Shun, Henry

Managing Director

Hong Kong, 20 March 2003

Condensed Consolidated Profit and Loss Account

		Unaudited Six months ended 31 December	
	Note	2002 HK\$m	2001 HK\$m
Turnover	2	10,961.6	12,748.6
Cost of sales		(8,397.9)	(7,798.7)
Gross profit		2,563.7	4,949.9
Other revenues		20.1	8.2
Other income/(charge)	3	7.0	(882.9)
Selling and marketing expenses		(206.9)	(194.4)
Administrative expenses		(458.6)	(467.2)
Other operating expenses		(1,244.0)	(1,420.7)
Operating profit before financing costs and income	2	681.3	1,992.9
Financing costs		(860.0)	(867.1)
Financing income		189.5	282.5
Operating profit	4	10.8	1,408.3
Share of results of			
Associated companies		235.4	112.6
Jointly controlled entities		284.6	62.5
Profit before taxation		530.8	1,583.4
Taxation	5	(224.3)	(262.6)
Profit after taxation		306.5	1,320.8
Minority interests		(254.0)	(285.7)
Profit attributable to shareholders		52.5	1,035.1
Interim dividend		131.5	214.9
Earnings per share	6		
Basic		HK\$0.02	HK\$0.49
Fully diluted		N/A	N/A
Interim dividend per share		HK\$0.06	HK\$0.10

Condensed Consolidated Balance Sheet 5

	Note	Unaudited 31 December 2002 HK\$m	Audited 30 June 2002 HK\$m
Goodwill	7	132.6	123.3
Fixed assets	8	40,304.2	41,046.1
Associated companies		8,996.8	8,871.9
Jointly controlled entities		28,998.7	28,424.8
Other investments		5,665.4	6,148.0
Long term receivables		1,113.1	948.7
Total non-current assets		85,210.8	85,562.8
Current assets			
Properties held for sale		23,594.6	23,279.1
Stocks		1,437.2	1,394.0
Current portion of long term receivables		26.1	75.2
Other loans receivable		100.0	365.6
Debtors and prepayments	9	9,531.9	9,004.3
Cash and bank balances			
Restricted		1,757.1	2,404.4
Unrestricted		5,706.8	4,689.5
		42,153.7	41,212.1
Current liabilities			
Creditors and accrued charges	10	12,015.1	12,347.3
Contracts in progress		484.1	301.9
Deposits received on sale of properties		-	34.2
Bank loans and overdrafts			
Secured		1,582.9	1,528.2
Unsecured		3,528.5	2,190.1
Other unsecured loans		47.8	47.4
Current portion of long term liabilities		14,350.0	13,752.9
Taxation		690.7	859.6
		32,699.1	31,061.6
Net current assets		9,454.6	10,150.5
Employment of funds		94,665.4	95,713.3
Financed by			
Share capital	11	2,166.4	2,166.4
Reserves		51,038.6	51,268.3
Proposed interim dividend		131.5	-
Proposed final dividend		216.6	216.6
Shareholders' funds		53,553.1	53,651.3
Minority interests		18,054.3	18,069.8
Long term liabilities	12	22,992.8	23,929.3
Deferred taxation		65.2	62.9
Funds employed		94,665.4	95,713.3

Condensed Consolidated Cash Flow Statement

	Unaudited Six months ended 31 December	
	2002 HK\$m	2001 HK\$m
Net cash inflow from operating activities	229.5	1,148.3
Net cash used in investing activities	(602.6)	(3,931.1)
Net cash generated from/(used in) financing activities	592.4	(568.0)
Increase/(decrease) in cash and cash equivalents	219.3	(3,350.8)
Cash and cash equivalents at beginning of the period	3,211.8	6,986.8
Effect of foreign exchange rate changes	(16.7)	(14.7)
Cash and cash equivalents at end of the period	3,414.4	3,621.3
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	5,119.3	5,022.1
Bank overdrafts	(1,704.9)	(1,400.8)
	3,414.4	3,621.3

Condensed Consolidated Statement of Changes in Equity

7

Unaudited										
	Capital redemption		Share premium		Asset re-valuation reserve		Capital reserve	General reserve	Retained profits	Total
	Share capital	reserve account	Share premium	valuation reserve	Capital reserve	General reserve	Retained profits	Total		
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
Balance at 1 July 2002	2,166.4	37.7	19,232.4	15,125.2	558.6	572.9	15,958.1	53,651.3		
Equity securities impairment loss charged to profit and loss account	-	-	-	110.3	-	-	-	110.3		
Release of goodwill upon partial disposal of a jointly controlled entity	-	-	-	-	6.2	-	-	6.2		
Goodwill impairment loss written back	-	-	-	-	(2.1)	-	-	(2.1)		
Equity securities revaluation surplus realised upon disposal	-	-	-	(162.8)	-	-	-	(162.8)		
Equity securities revaluation deficit realised upon disposal	-	-	-	25.4	-	-	-	25.4		
Investment revaluation deficit for the period	-	-	-	(139.1)	-	-	-	(139.1)		
Retained profit for the period	-	-	-	-	-	-	52.5	52.5		
Transfer to capital reserve	-	-	-	-	2.1	-	(2.1)	-		
Transfer to general reserve	-	-	-	-	-	9.6	(9.6)	-		
Translation difference	-	-	-	-	-	-	11.4	11.4		
	2,166.4	37.7	19,232.4	14,959.0	564.8	582.5	16,010.3	53,553.1		
Representing:										
Balance at 31 December 2002	2,166.4	37.7	19,232.4	14,959.0	564.8	582.5	15,662.2	53,205.0		
2002 final dividend proposed	-	-	-	-	-	-	216.6	216.6		
2003 interim dividend proposed	-	-	-	-	-	-	131.5	131.5		
	2,166.4	37.7	19,232.4	14,959.0	564.8	582.5	16,010.3	53,553.1		

Condensed Consolidated Statement of Changes in Equity

Unaudited								
	Capital redemption		Asset re-		Capital reserve	General reserve	Retained profits	Total
	Share capital	reserve account	Share premium	valuation reserve				
	HK\$m	HK\$m	HK\$m	HK\$m				
Balance at 1 July 2001								
as previously reported	2,134.0	37.7	19,047.4	20,088.6	475.7	538.5	15,112.7	57,434.6
Effect of adopting SSAP 9 (revised)	-	-	-	-	-	-	213.4	213.4
Balance at 1 July 2001 as restated	2,134.0	37.7	19,047.4	20,088.6	475.7	538.5	15,326.1	57,648.0
Investment impairment loss charged								
to profit and loss account	-	-	-	3.9	-	-	-	3.9
Disposal of hotel property	-	-	-	(2,501.6)	-	-	-	(2,501.6)
Release of capital reserve upon								
disposal of an associated company	-	-	-	-	(44.5)	-	-	(44.5)
Release of goodwill upon								
disposal of subsidiary companies	-	-	-	-	156.2	-	-	156.2
partial disposal of								
an associated company	-	-	-	-	1.1	-	-	1.1
disposal of an associated company	-	-	-	-	10.9	-	-	10.9
Investment revaluation deficit								
for the period	-	-	-	(103.0)	-	-	-	(103.0)
Investment revaluation deficit written								
back on disposal	-	-	-	28.7	-	-	-	28.7
Retained profit for the period	-	-	-	-	-	-	1,035.1	1,035.1
Transfer to general reserve	-	-	-	-	-	19.5	(19.5)	-
Translation difference	-	-	-	-	-	-	(31.4)	(31.4)
	2,134.0	37.7	19,047.4	17,516.6	599.4	558.0	16,310.3	56,203.4
Representing:								
Balance at 31 December 2001	2,134.0	37.7	19,047.4	17,516.6	599.4	558.0	15,882.0	55,775.1
2001 Final dividend proposed	-	-	-	-	-	-	213.4	213.4
2002 Interim dividend proposed	-	-	-	-	-	-	214.9	214.9
	2,134.0	37.7	19,047.4	17,516.6	599.4	558.0	16,310.3	56,203.4

1. Basis of preparation and accounting policies

These unaudited condensed consolidated accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants ("HKSA").

These condensed consolidated accounts should be read in conjunction with the 2002 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed consolidated accounts are consistent with those used in the annual accounts for the year ended 30 June 2002 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (Revised)	:	"Presentation of Financial Statements"
SSAP 11 (Revised)	:	"Foreign Currency Translation"
SSAP 15 (Revised)	:	"Cash Flow Statements"
SSAP 33	:	"Discontinuing Operations"
SSAP 34	:	"Employee Benefits"

A summary of their major effects is as follows:

SSAP 1 (Revised): Presentation of financial statements

SSAP 1 prescribes the basis for the presentation of accounts and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 11 (Revised): Foreign currency translation

The balance sheet of subsidiary companies, jointly controlled entities and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior periods, the profit and loss of foreign enterprises was translated at closing rate. This is a change in accounting policy, however, the translation of the profit and loss of foreign enterprises in prior periods has not been restated as the Directors consider that this would involve undue delay and expense.

SSAP 15 (Revised): Cash flow statements

SSAP 15 prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flows during the period into operating, investing and financing activities. The condensed consolidated cash flow statement for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

Six months ended 31 December 2001

	Construction							Eliminations	Consolidated
	Rental	Property sales	and engineering	Hotel and restaurant	Infra-structure	Telecom-munication	Others		
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
External sales	760.1	3,719.9	3,200.7	798.0	328.9	1,341.7	2,599.3	-	12,748.6
Intra-segment sales	81.3	-	712.1	0.3	-	3.6	53.1	(850.4)	-
Total turnover	841.4	3,719.9	3,912.8	798.3	328.9	1,345.3	2,652.4	(850.4)	12,748.6
Segment results	446.8	2,073.5	199.9	119.3	102.6	(6.3)	171.9		3,107.7
Other charge									(882.9)
Unallocated corporate expenses									(231.9)
Operating profit before financing costs and income									1,992.9
Financing costs									(867.1)
Financing income									282.5
Operating profit									1,408.3
Share of results of									
Associated companies	26.2	(37.4)	18.6	(1.4)	109.7	-	(3.1)		112.6
Jointly controlled entities	3.7	(263.1)	8.7	11.6	336.6	-	(35.0)		62.5
Profit before taxation									1,583.4
Taxation									(262.6)
Profit after taxation									1,320.8
Minority interests									(285.7)
Profit attributable to shareholders									1,035.1

(b) Geographical segments

	Turnover	Operating profit/(loss) before financing costs and income
	HK\$m	HK\$m
Six months ended 31 December 2002		
Hong Kong and Southeast Asia	8,480.6	991.7
Mainland China	2,481.0	(310.4)
	10,961.6	681.3
Six months ended 31 December 2001		
Hong Kong and Southeast Asia	10,821.2	1,881.1
Mainland China	1,927.4	111.8
	12,748.6	1,992.9

Sales are based on the country in which the customers is located.

The turnover and operating profit before financing costs and income derived from the Group's activities in Southeast Asia comprised less than 10% of the Group's turnover and operating profit before financing costs and income.

	Six Months ended 31 December	
	2002 HK\$m	2001 HK\$m
3. Other income/(charge)		
Amortisation of goodwill:		
A jointly controlled entity	(0.5)	–
Subsidiary companies	(4.5)	–
Dilution loss on partial disposal of a subsidiary company	(0.3)	(75.3)
Write back of impairment loss of:		
Goodwill	2.1	–
Other investments	2.2	–
Impairment loss on:		
Fixed assets	(35.0)	–
Other investments	(180.9)	–
Loss on disposal of:		
Jointly controlled entities	–	(124.0)
Listed shares	–	(60.7)
Other investments	(41.8)	(13.7)
Fixed assets written off	–	(38.0)
Profit on disposal of:		
Associated companies	–	113.0
Jointly controlled entities	9.9	1.9
Other investments	280.5	–
Subsidiary companies	17.5	18.9
Provision for advances to joint ventures	–	(544.3)
Provision for diminution in value of properties held for sale	–	(58.0)
Provision for investment in:		
Deposit paid for joint venture	(18.6)	–
Jointly controlled entities	(76.9)	–
Properties held for sale	(2.6)	–
Unlisted shares	(4.0)	(128.2)
Surplus on liquidation of a subsidiary company	16.8	–
Write back provision for diminution in value of:		
Jointly controlled entities	20.3	–
Properties held for sale	22.8	25.5
	7.0	(882.9)
4. Operating profit		
Operating profit is stated after charging the following:		
Cost of inventories sold	1,683.6	1,775.2
Depreciation		
Leased fixed assets	21.2	22.5
Owned fixed assets	583.6	590.5
Fixed assets written off	–	38.0

5. Taxation

	Six months ended 31 December	
	2002 HK\$m	2001 HK\$m
Company and subsidiary companies		
Hong Kong profits tax	117.7	173.0
Overseas taxation	8.8	4.3
Deferred taxation	2.2	15.0
Associated companies		
Hong Kong profits tax	14.6	10.2
Overseas taxation	24.0	21.2
Jointly controlled entities		
Hong Kong profits tax	15.7	7.4
Overseas taxation	41.3	31.5
	224.3	262.6

Hong Kong profits tax is provided at the rate of 16% (2001: 16%) on the estimated assessable profits for the period. Tax on overseas profits has been calculated on the estimated taxable profits for the period at the rate of taxation prevailing in the countries in which the Group operates.

6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$52.5 million (2001: HK\$1,035.1 million) and the weighted average number of 2,166.4 million (2001: 2,134.0 million shares) in issue during the period.

The conversion of the outstanding convertible bonds does not have any dilutive effect on the earnings per share for the current and previous period.

7. Goodwill

	As at 31 December 2002 HK\$m	As at 30 June 2002 HK\$m
Balance at beginning of the period	123.3	–
Acquisition of interests in subsidiary companies	13.8	131.8
Amortisation charge	(4.5)	(8.5)
Balance at end of the period	132.6	123.3

8. Fixed assets

	Investment properties HK\$m	Hotel properties HK\$m	Land and building HK\$m	Toll roads, bridges and port facilities HK\$m	Other assets HK\$m	Assets under construction HK\$m	Total HK\$m
Net book value at 1 July 2002	15,752.6	6,722.0	3,327.5	5,624.1	5,247.1	4,372.8	41,046.1
Translation difference	–	–	(14.3)	–	(2.4)	–	(16.7)
Disposal of subsidiary companies	–	–	–	–	–	(1,512.0)	(1,512.0)
Transfer from joint development project	–	–	446.2	–	–	–	446.2
Additions	6.0	–	10.6	3.7	382.9	567.7	970.9
Transfer from properties under development	31.1	–	–	–	–	–	31.1
Disposals	–	–	(1.6)	(1.2)	(40.0)	–	(42.8)
Reclassification	369.8	–	0.7	–	286.7	(657.2)	–
Depreciation, amortisation, impairment and other movements	–	–	(66.0)	(110.4)	(427.2)	(15.0)	(618.6)
Net book value at 31 December 2002	16,159.5	6,722.0	3,703.1	5,516.2	5,447.1	2,756.3	40,304.2

9. Debtors and prepayments

Debtors and prepayments include trade debtors, amounts advanced to investee companies, deposits and prepayments. The Group has various credit policies for different business operations depending on the requirements of the markets and business in which the subsidiary companies operate. Sales proceeds receivables from sale of properties and retention money receivables in respect of construction and engineering services are settled in accordance with the terms of respective contracts. Ageing analysis of trade debtors is as follows:

	As at 31 December 2002 HK\$m	As at 30 June 2002 HK\$m
– Current to 30 days	2,878.9	2,455.0
– 31 to 60 days	372.8	240.8
– Over 60 days	1,348.6	1,958.2
	4,600.3	4,654.0

10. Creditors and accrued charges

Included in creditors and accrued charges are trade creditors with their ageing analysis as follows:

	As at 31 December 2002 HK\$m	As at 30 June 2002 HK\$m
– Current to 30 days	2,143.8	4,080.4
– 31 to 60 days	244.2	272.7
– Over 60 days	3,999.4	2,178.6
	6,387.4	6,531.7

11. Share capital

	As at 31 December 2002 No. of shares (million)	As at 31 December 2002 HK\$m	As at 30 June 2002 No. of shares (million)	As at 30 June 2002 HK\$m
Authorised:				
Shares of HK\$1.00 each				
Balance at beginning and end of the period	2,500.0	2,500.0	2,500.0	2,500.0
Issued and fully paid:				
Shares of HK\$1.00 each				
Balance at beginning of the period	2,166.4	2,166.4	2,134.0	2,134.0
Issued as scrip dividends	–	–	32.4	32.4
Balance at end of the period	2,166.4	2,166.4	2,166.4	2,166.4

12. Long term liabilities

	As at 31 December 2002 HK\$m	As at 30 June 2002 HK\$m
Bank loans		
Secured	10,317.2	9,151.4
Unsecured	17,857.0	19,272.7
Other secured loans wholly payable within five years	–	250.0
Other unsecured loans		
Wholly repayable within five years	551.0	551.0
Not wholly repayable within five years	60.7	59.5
Obligations under finance leases wholly payable within five years	169.5	115.1
	28,955.4	29,399.7
Convertible bonds	4,033.1	4,063.5
Loans from minority shareholders	2,538.5	2,546.6
Deferred income	693.9	642.7
Long term accounts payable	1,121.9	1,029.7
	37,342.8	37,682.2
Amounts repayable within one year included in current liabilities	(14,350.0)	(13,752.9)
	22,992.8	23,929.3

	Obligations					Total HK\$m
	Secured bank loans HK\$m	Unsecured bank loans HK\$m	Other secured loans HK\$m	Other unsecured loans HK\$m	under finance leases HK\$m	
The maturity of long term borrowings						
at 31 December 2002 is as follows:						
Of less than one year	1,871.8	10,624.0	–	351.0	66.1	12,912.9
Of more than one year, but not exceeding two years	2,182.8	1,083.3	–	200.0	79.1	3,545.2
Of more than two years, but not exceeding five years	6,087.4	6,149.7	–	–	24.3	12,261.4
Of more than five years	175.2	–	–	60.7	–	235.9
	10,317.2	17,857.0	–	611.7	169.5	28,955.4
The maturity of long term borrowings						
at 30 June 2002 is as follows:						
Of less than one year	931.4	10,371.1	250.0	351.0	39.3	11,942.8
Of more than one year, but not exceeding two years	1,765.8	2,136.9	–	200.0	55.4	4,158.1
Of more than two years, but not exceeding five years	6,041.6	6,764.7	–	–	20.4	12,826.7
Of more than five years	412.6	–	–	59.5	–	472.1
	9,151.4	19,272.7	250.0	610.5	115.1	29,399.7

13. Commitments

	As at 31 December 2002 HK\$m	As at 30 June 2002 HK\$m
(a) Capital commitments		
(i) Contracted but not provided for		
Fixed assets	531.5	713.3
An associated company	–	49.5
Jointly controlled entities	209.5	258.6
	741.0	1,021.4
(ii) Authorised but not contracted for		
Fixed assets	261.6	248.3
Jointly controlled entities	–	628.8
	261.6	877.1
(b) The Group's share of capital commitments committed by the jointly controlled entities not included above are as follows:		
Contracted but not provided for	171.0	171.8
Authorised but not contracted for	66.0	89.4
	237.0	261.2
(c) Commitments under operating leases payable		
The future aggregate lease payments under non-cancellable operating leases are as follows:		
Land and buildings		
In the first year	316.5	351.2
In the second to fifth year inclusive	490.5	664.9
After the fifth year	1,271.8	1,755.1
	2,078.8	2,771.2
Other equipment		
In the first year	24.9	21.2
In the second to fifth year inclusive	8.2	19.7
	2,111.9	2,812.1

13. Commitments (con't)

- (d) As at 31 December 2002, the Group had issued performance guarantees amounting to approximately HK\$340.6 million (30 June 2002: HK\$316.2 million), 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.
- (e) A subsidiary company and certain jointly controlled entities are parties to agreements with third parties in respect of the joint development of Container Terminal 9 in Hong Kong, the related berth swap arrangement and the funding thereof. The Group's attributable share of capital commitments as at 31 December 2002 has been disclosed in (a) above.

One of the jointly controlled entities has obtained banking facilities to finance its share of development cost at Container Terminal 9. The Group has given guarantee in respect of the banking facilities and is included in note 14.

In the event of default of any of the other shareholders of the jointly controlled entities, independent third parties, the relevant subsidiary companies and jointly controlled entities will be required to provide additional funds for the project. The Group has given guarantees in respect of these obligations of the subsidiary companies and jointly controlled entities to provide additional funds. If the Group is required to fulfil its obligations under the guarantees, the maximum amount of the additional commitment assumed, in addition to the Group's share of the capital commitments as disclosed above, will be HK\$1,572.0 million (30 June 2002: HK\$1,482.0 million) out of which approximately HK\$929.0 million (30 June 2002: HK\$876.0 million) has been counter-indemnified by an associated company.

14. Contingent liabilities

	As at 31 December 2002 HK\$m	As at 30 June 2002 HK\$m
Guarantees for performance bonds in respect of:		
Construction contracts undertaken by the Group	100.8	1,140.4
Others	322.4	384.7
Guarantees for credit facilities granted to:		
Associated companies	1,294.2	1,188.1
Investee companies included under other investments	82.2	5.5
Jointly controlled entities	4,784.4	4,059.6
Indemnity to non-wholly owned subsidiary companies for PRC tax liabilities	1,649.7	2,135.3
	8,233.7	8,913.6

The Group is in legal disputes with a joint venture partner in respect of certain joint property development projects in the People's Republic of China. The Group has taken legal actions against this joint venture partner who has also taken counter actions against the Group.

14. Contingent liabilities (con't)

The Group is also in legal dispute with another joint venture partner in respect of a hotel project in Malaysia. The disputes are still at the pre-trial stage.

The Directors have obtained legal advice on the above matters and are of the opinion that the above matters will not have material adverse impact on the financial position of the Group.

15. Related party transactions

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

	Six months ended 31 December	
	2002 HK\$m	2001 HK\$m
Transaction with affiliated companies		
Provision of contracting work service	321.3	426.4
Interest income	71.8	138.1
Management fee income	16.6	18.7
Transaction with other related parties		
Rental income	17.9	15.4

These related party transactions were conducted in accordance with the terms as disclosed in the last annual accounts.

16. Practice note 19 of the listing rules – Supplementary information

In accordance with the requirements under part 3.3 of Practice Note 19 of the Listing Rules, the Directors of the Company reported below the details of advances to, and guarantees given for the benefit of, its associated companies and jointly controlled entities (collectively as "affiliated companies") as at 31 December 2002.

In aggregate the Group had advanced an amount of HK\$21,915.7 million (30 June 2002: HK\$21,739.0 million) to affiliated companies, guaranteed bank loans and other credit facilities for the benefit of the affiliated companies in the amount of HK\$6,078.6 million (30 June 2002: HK\$4,218.7 million) and contracted to further provide an aggregated amount of HK\$2,410.8 million (30 June 2002: HK\$1,291.6 million) in capital and loans to affiliated companies. The advances are unsecured, repayable on demand and are interest free except for aggregate amount of HK\$2,186.7 million (30 June 2002: HK\$3,200.0 million) which bear interest at variable rates ranging from the Hong Kong prime rate to 2% above the Hong Kong prime rate per annum, HK\$6,275.3 million (30 June 2002: HK\$6,037.1 million) which bear interest at fixed rates ranging from 4% to 15% per annum and HK\$19.0 million (30 June 2002: HK\$19.0 million) which bear interest at fixed rates per annum and was subordinated. Contracted capital and loan contributions to affiliated companies would be funded by proceeds from internal resources and bank and other borrowings of the Group.

16. Practice note 19 of the listing rules – Supplementary information (con't)

The above financial assistance given to the affiliated companies, in aggregate, represented 56.8% (30 June 2002: 50.8%) of the consolidated net assets of the Group as at 31 December 2002. No single entity received financial assistance from the Group which exceeds 25% of the consolidated net assets of the Group.

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

As at 31 December 2002, the combined indebtedness, capital commitments and contingent liabilities as reported by such affiliated companies (including amounts owing to the Group) amounted to approximately HK\$68,639.1 million (30 June 2002: HK\$69,331.6 million), HK\$3,004.3 million (30 June 2002: HK\$3,339.7 million) and HK\$3,778.3 (30 June 2002: HK\$1,371.0 million) respectively.

17. Post balance sheet event

On 21 October 2002, the Company together with its subsidiary companies, New World Infrastructure Limited (“NWI”) and Pacific Ports Company Limited (“PPC”), jointly announced that a reorganisation (“the Reorganisation”) of certain subsidiary companies of the Group. The Reorganisation was effect by various transactions including, inter alia, the followings:

- (a) the acquisition of the traditional infrastructure assets by PPC from NWI for an aggregate consideration of approximately HK\$10,227.0 million which is to be satisfied by cash, the issue of PPC shares and an undertaking by PPC to pay certain liabilities of NWI;
- (b) the acquisition of the entire issued share capital of New World Services Limited (“NWS”) by PPC from the Company and other shareholders of NWS for an aggregate consideration of approximately HK\$10,913.0 million which is to be satisfied by the issue of PPC shares; and
- (c) the distribution of all PPC shares held by NWI to its shareholders in the ratio of approximately 5.87 PPC share to one NWI share.

The Reorganisation was completed on 29 January 2003. Following the completion of the Reorganisation, the Group owned approximately 54% in PPC and approximately 54% in NWI. The company name of PPC has been changed to “NWS Holdings Limited” with effect from 29 January 2003.

18. Comparative figures

Certain comparative figures have been reclassified to conform with the current period presentation.

Interim Dividend

The directors have declared an interim dividend for the financial year ending 30 June 2003 in scrip form equivalent to HK\$0.06 per share with a cash option to shareholders registered on 16 April 2003.

Subject to the Listing Committee of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) granting listing of and permission to deal in the new shares, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholders could elect to receive in cash and that they be given the option to elect to receive payment in cash of HK\$0.06 per share instead of the allotment of shares. Full details of the interim scrip dividend will be set out in a letter to be sent to shareholders together with a form of election for cash on or about 25 April 2003.

Book Close Date

Book close dates (both days inclusive):	10 April 2003 to 16 April 2003
Latest time to lodge transfer with Share Registrar:	4:30 p.m. on 9 April 2003
Address of Share Registrar:	Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong

Purchase, Sale or Redemption of Listed Securities

The Company has not redeemed any of its listed securities during the six months ended 31 December 2002. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company’s listed securities during the six months ended 31 December 2002.

Code of Best Practice

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by this interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange.

Details of Charges on Group Assets

As at 31 December 2002, the Group’s fixed assets and properties held for sale of HK\$12,514.6 million (30 June 2002: HK\$11,726.2 million), and HK\$1,571.1 million (30 June 2002: HK\$948.6 million) respectively have been pledged as securities for credit facilities granted to the Group.

The Group’s interests in two jointly controlled entities have been pledged as part of the securities to secure syndicated loan facilities granted to the jointly controlled entities.

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 31 December 2002 with the directors.

Financial Highlights (HK\$million)

Company	1H FY2003 Profit Attributable to Shareholders
New World China Land Limited	17.1
New World Services Limited	409.8
New World Infrastructure Limited	(98.2)

Rental

For the six months ended 31 December 2002, segment contribution from property rentals was HK\$518.6 million, an increase of nearly 9% over the same period last year.

Hong Kong Property Rentals*Shopping Malls*

The Group's major shopping malls, including Discovery Park Shopping Mall, Telford Plaza, Mei Foo Shops and Pearl City, all attained virtually full occupancy. As at the end of December 2002, the New World Centre achieved over 90% occupancy, with The Amazon over 84% leased.

Currently, the flow of visitor traffic within the New World Centre continues to be hampered due to reduced pedestrian flow resulting from ongoing construction of the KCR East Tsim Sha Tsui Station and the associated road works nearby. Continuous promotional activities have been held in an effort to attract the public. However, it is expected that visitor traffic will be restored to normal in mid-2004 when all the excavation and construction work has been completed.

In 2002, we created "The Amazon" theme in the Palace Mall. Together with the opening of Teddy Bear Kingdom, a teddy bear theme park, at the basement level in August 2002, visitor traffic to the Palace Mall has improved. In 2003, we will concentrate on securing potential tenants specialising in children's apparel, toys and gifts in order to make The Amazon one of the main attractions in Tsim Sha Tsui.

Offices

During the period under review, despite the ample supply of office space in Central and neighbouring areas, the Group has maintained the occupancy of New World Tower, New World Centre office, Manning House and Methodist House. However, there is downward pressure on the rental side.

Rental (con't)

Hong Kong Property Rentals (con't)

Hong Kong Convention and Exhibition Centre

During the period under review, the Hong Kong Convention and Exhibition Centre (“HKCEC”) held a total of 861 events with over 2.7 million visitors. Major international events included ITU Telecom Asia 2002 and the Sixteenth World Congress of Accountants.

HKCEC was named the “Best Overseas Conference Centre” for the ninth consecutive year by the United Kingdom-based “Meetings & Incentive Travel Magazine”. This honour is one amongst the many achievements accomplished by our diversified businesses and HKCEC is expected to provide a substantial and steady income stream to the Group.

Mainland China Property Rentals

The decline in Mainland China property rentals was mainly due to the initial launch of our newly completed investment property, Ramada Plaza, located in Shanghai.

During the period under review, New World China Land Limited (“NWCL”) completed construction of 148,815 sq m of investment properties in Guangzhou, Shanghai and Dalian.

Investment Properties under NWCL completed during the first half of FY2003

Projects	Usage	Total GFA (sq m)	NWCL's attributable interest
Dalian New World Plaza Phase II	C, Oth	68,275	88.0%
Shanghai Ramada Plaza	R, C	61,651	61.8%
Guangzhou New World Oriental Garden Phase I	C	18,889	100.0%
Total		148,815	

R : Residential

C : Commercial

Oth : Others

Property Sales

Hong Kong Property Sales

In 2002, the property market remained soft due to the prevailing weak Hong Kong economy with primary sales seeing a pick up only towards the end of the year. Our successful launch of Queen's Terrace in December last year drew substantial public interest and sparked the subsequent successful sales of several major property development projects in Hong Kong.

Property Sales (con't)

Hong Kong Property Sales (con't)

During the period under review, the Group's attributable share of property sales revenues, including those from associated companies and joint ventures, amounted to over HK\$ 1,600 million. This sum represents proceeds from sales of residential projects including the Monte Carlton and Sereno Verde Phase I & II, and the Group's share of sales of residential flats in Tung Chung Crescent, Seaview Crescent, The Parcville, Sky Tower, Bijou Apartments and Queen's Terrace.

The Group now has 40 property development projects with a total attributable GFA of 13.1 million sq ft. At present, the Group's agricultural land bank amounts to 22.5 million sq ft. This includes the expected 10.5 million sq ft agricultural land conversion reflected in the following development schedule.

Summary of development schedule

Development schedule	Site area (sq ft)	Total GFA (sq ft)	NWD's attributable GFA (sq ft)	No. of projects
Urban development	4,048,799	13,755,251	7,502,752	27
Agricultural land	10,520,304	9,398,087	5,622,733	13
Total	14,569,103	23,153,338	13,125,485	40

Agriculture land bank by location

Location	Total land area (sq ft)	NWD's attributable land area (sq ft)	Total site area of agricultural land included in development schedule (sq ft)
Yuen Long	14,555,000	13,071,100	7,646,304
Fanling	2,360,000	2,360,000	200,000
Shatin / Tai Po	3,500,000	2,614,000	1,290,000
Sai Kung	1,950,000	1,688,000	1,384,000
Tuen Mun	120,000	120,000	–
Total	22,485,000	19,853,100	10,520,304

With 40 development projects in the pipeline, the Group will take a prudent approach to consider any new projects.

Mainland China Property Sales

There was a decline in Mainland China property sales mainly due to the slight delay in the completion of the existing phase of Wuhan Changqing Garden. In the first half of FY2002, Wuhan Changqing Garden contributed 87% of AOP. Excluding this contribution, the AOP contribution from property sales has actually grown 87% against the same period last year. In fact, 37% by saleable area of the projects completed in the period under review were sold as at the end of December 2002.

Property Sales (con't)

Mainland China Property Sales (con't)

For projects completed on or before FY2002, we launched a special sale which resulted in a 67% increase in the saleable area of inventory sold against the same period last year. The inventory clearance has generated an inevitable negative contribution as a result of a price-cut in inventory, especially in Guangzhou.

During the period under review, NWCL completed the construction of around 330,000 sq m of development properties. The completed properties include 12 development projects in Beijing, Shenyang, Jinan, Hefei, Guangzhou, and the Pearl River Delta.

Development projects under NWCL completed during the first half of FY2003

Projects	Usage	Total GFA (sq m)	NWCL's attributable interest
Beijing New World Garden Phase I	O, Oth	36,218	70%
Shenyang New World Garden Phase IB	R, Oth	19,102	90%
Jinan Sunshine Garden Phase I	R	18,382	65%
Hefei New World Garden Phase II	R, C, Oth	19,800	60%
Guangzhou Covent Garden Phase IB	R	10,000	60%
Guangzhou Fangcao Garden Phase I	R	48,202	40%
Guangzhou Dong Yi Garden Phase III	R, Oth	57,929	100%
Guangzhou Park Paradise Phase IIA	R	42,921	60%
Huiyang Palm Island Golf Resort Phase II	R	1,505	34%
Huiyang Palm Island Golf Resort Phase III	R	18,732	34%
Zhuhai New World Riviera Garden Phase I	R	10,311	60%
Haikou New World Garden Phase I	R	50,230	60%
Total		333,332	

Construction and Engineering

As at 31 December 2002, Hip Hing Construction Company Limited has HK\$19,049 million of contracts on hand and new contracts awarded in the past six months amounted to HK\$1,200 million. NWS Engineering Limited had HK\$5,152 million of contracts on hand.

Hotel and Restaurant

Segment contribution from NWD's hotel and restaurant operations increased by 24% to HK\$161.1 million due to higher occupancy, higher average room rates and stringent cost controls.

Hotel and Restaurant (con't)

The Group currently has a total of 14 hotels in Hong Kong, Mainland China and Southeast Asia. Overall, during the period under review, the operating performance amongst our hotel portfolio has shown improvement. In particular, the Group's three hotels in Hong Kong achieved higher occupancy and higher average room rates due to an increased number of business travellers attending international conferences such as ITU Telecom Asia 2002 and an increase in visitors from Mainland China.

Infrastructure

The Group's traditional infrastructure operations consist of three major groups, ports and cargo handling, roads and bridges, and energy and water. Segment contribution from NWD's traditional infrastructure operations increased by 28% to over HK\$700 million. Traditional infrastructure has benefited from the rise in car ownership, high economic growth and increased inter-provincial trade in Mainland China. Our investments in infrastructure are expected to continue to generate stable revenue for the Group.

Ports and Cargo Handling

Hong Kong's container throughput rebounded in year 2002, by capturing the strong surge in exports in South China. Hong Kong operations continue to be key profit contributors for the Group. In fact, during the first half of FY2003, Pacific Ports Company Limited, (renamed NWS Holdings Limited on 29 January 2003) reported a net profit of HK\$174.7 million. The growth momentum for our ports and cargo-handling business in Hong Kong is expected to be sustainable given the strong export trade growth in Guangdong and the capacity constraints of the Shenzhen terminals. The Group's Mainland China operations are spread over strategic locations in the North, East and South. Our investments in cities like Xiamen are expanding at a rapid pace and will become part of the growth engine of the Group.

Roads and Bridges

The Group has a total of 32 road projects covering 1,114 kilometres which span four provinces (Guangdong, Guangxi, Shanxi and Hubei), one municipality (Tianjin) and one Special Administrative Region (Hong Kong). During the period under review, our roads portfolio had an segment contribution of HK\$161 million, a 10% increase versus the same period last year. Guangzhou City Northern Ring Road remains an important contributor. The segment contribution from our bridges portfolio, which includes four bridge projects, declined 80% versus the same period last year to HK\$6.7 million due to regulations effective 1 October 2002 which prohibited the collection of bridge tolls in Wuhan. We are currently in negotiation with the Wuhan government for compensation.

Energy and Water Treatment

In 2002, Guangdong and Sichuan provinces both experienced double-digit economic growth higher than the national average due to strong economic development and more affordable electricity prices. Despite on-grid tariff reductions faced by coal-fired power plants in Guangdong and rising fuel costs, our investment still delivered promising results with moderate growth due to our stringent cost control.

During the period under review, two additional water projects were put into operation, namely Qingdao and Chongqing. The Group currently owns and manages water treatment plants throughout Greater China which have a total capacity of 3 million cubic meters per day. As compared to the same period last year, the segment contribution from our energy and water treatment portfolio increased by 23% to HK\$219 million.

Telecommunications

Our telecommunications businesses, New World Mobility (“NWM”) and New World Telecommunication (“NWT”), achieved a net profit of HK\$84.6 million for the period under review. Now that these businesses have progressed beyond the investment/start-up phase and given their innovative services and stringent cost controls, they are expected to gradually increase their contribution to the Group going forward.

New World Mobility

As at 31 December 2002, the subscriber base of NWM had grown to over 820,000 from 720,000 in June 2002. As at the end of March 2003, the subscriber base had already surpassed 900,000, representing a 25% growth since June 2002.

During the period under review, NWM successfully repositioned itself from a network operator to a service provider by partnering with various content providers to bring innovative mobile data services, such as Twins Mobile and HomeCare Mobile Viewing Service to its customers.

NWM has also put a strong focus on providing tailored service for different customer segments. In light of the highly competitive market, Priority-One Program was launched to enhance customer loyalty of high-value customers by offering personalised customer services.

As a committed service provider, a new switch centre equipped with state-of-the-art equipment has been commissioned in February 2003.

New World Telecom

In December 2002, New World Telephone Limited changed its name to “New World Telecommunications Limited” to reflect its “Go Beyond Hong Kong” business vision, which signifies NWT’s commitment to providing a comprehensive range of world-class services to its global customers and carrier partners. Riding on its success in the IDD market, NWT has strategically evolved itself into an international telecom network service provider capturing significant business opportunities arising from the dynamic growth of data traffic, broadband connectivity, multimedia and content services throughout the Asia Pacific region and beyond. NWT has secured facilities-based telecom licenses and established new branch offices as well as Point of Presence (POP) network facilities in Mainland China (Beijing, Shenzhen), Taiwan and the United States.

For fixed-lines services, NWT has over 124,000 subscribers as at the end of December 2002, representing a 25% growth in 6 months. NWT’s IDD 009 international calling service covers over 260 countries/destinations around the world. Total traffic volume grew 60%, reaching 383 million minutes during the period under review.

NWT has just launched “Vitamin”, a 12 Mbps ultra-speed symmetric broadband service powered by Cisco Systems technology and deployed over the NWT Next-Generation Network (NGN). The launch of “Vitamin” represents yet another pioneering initiative in NWT’s commitment to providing best-in-class telecommunication services to the Hong Kong market alongside its NGN services which were rolled-out in December 2002.

Others

TMT

On the operational front, the Group's TMT assets continued to make substantial progress in a number of business areas. New technologies were introduced and tested, contracts were signed with leading enterprises in Mainland China, the consolidation process moved ahead and new synergies between New World Group companies were explored.

Currently, the portfolio is composed of a broad range of TMT-related projects at various levels of the business cycle. Many existing telecommunications and media enterprises are now in a position to launch products into the market. Meanwhile, research and development across all segments will deliver new products and services to a market with an enormous appetite for technology.

New World Department Store

As at the end of 2002, New World Department Stores Limited ("NWDS") had 14 department stores and 5 supermarkets with a total GFA of over 4.1 million sq ft in Hong Kong and in 9 cities in Mainland China. During the period under review, NWDS opened the 320,000 sq ft Dalian New World Department Store which includes a 20,000 sq ft supermarket. In addition, an expansion project has been completed at the Harbin New World Department Store.

Total sales at these stores during the period under review amounted to HK\$1.3 billion. Even excluding the Tianjin Xin An Shopping Centre, the Shanghai Trendy Plaza and the new Dalian store which had not been completed in the same period last year, the total sales increase was 32% against last year. In order to further capture the substantial growing demand in China, Nanjing New World Department Store is scheduled to open in 2003.

New World China Enterprises

New World China Enterprises Projects Limited ("NWCEP") focuses on four core business sectors in the Mainland China market: healthcare, consumer products, building materials, and automotive mid-stream and down-stream services. Investments to date cover more than ten projects.

NWCEP is also the project manager for New World Liberty China Ventures Limited, established in December 2000 as a strategic alliance with Liberty Mutual Group of the United States and other investors including lead participation from the Asian Development Bank. 60% of the initial US\$150 million capital has been allocated to high-growth, small- to medium-sized enterprises in Mainland China. The mission of NWCEP is to help increase their competitiveness and profitability by initiating good corporate governance and management practices, thus bringing them in line with international standards. Many of the invested businesses are already contributing profits.

Liquidity and Capital Resources

As at 31 December 2002, the Group's consolidated net debt amounted to HK\$30,683.6 million (30 June 2002: HK\$30,135.0 million), translating into a gearing ratio of approximately 57%. Debt maturity profile is set out in Note 12 to the accounts.

The Group has maintained a balanced debt profile with adequate risk diversification through a preferred mix of fixed and floating rate debt.

	As at 31 December 2002 HK\$m	As at 30 June 2002 HK\$m
Net debt		
Consolidated net debt	30,683	30,135
– New World Infrastructure Limited	8,047	8,641
– New World China Land Limited	4,879	4,017
– New World Telecom and New World Mobility	864	70
– New World Services	1,336	112
Net debt excluding major subsidiaries	15,557	17,295
Gross debt		
Consolidated gross debt	38,148	37,229
– New World Infrastructure Limited	10,181	10,436
– New World China Land Limited	6,565	5,468
– New World Telecom and New World Mobility	950	137
– New World Services	3,666	2,751
Gross debt excluding major subsidiaries	16,786	18,437

Liquidity and Capital Resources (con't)

Source of Borrowings

As at 31 December 2002, less than one-third of the total outstanding loans were secured by the Group's assets.

Interest Rate and Maturity Profile

As at 31 December 2002, HK\$18,986.2 million debt will be due within the next twelve months. Our cash on hand as of 31 December 2002 was HK\$7,463.9 million and a syndicated loan of HK\$7,000.0 million was raised in December 2002 for drawdown in January 2003.

This combination of cash on hand, together with the operating cash inflow from property sales, property rentals, telecommunications, NWS Holdings Limited and our remaining undrawn banking facilities, should enable the Group to satisfy its debt repayment commitments and working capital requirements.

Over 75% (77% in FY2002) of the Group's total debt is on a floating rate basis, whilst fixed rate borrowings are mainly related to the RMB loan facilities and convertible bonds. With a larger portion of floating rate debt, our interest outlay is set to drop further in line with falling interest rates.

Interest Coverage

The interest cover was 1.4 times as at 31 December 2002 as compared to 1.8 times as at 30 June 2002.

Employees

The Group had approximately 25,500 employees as at 31 December 2002, compared to over 26,100 as at 30 June 2002. Total staff cost for the 6 months under review was HK\$1,754.8 million.

Outlook

Our progress during the rest of this fiscal year will continue to be impacted by the sluggish economy. The key factors which may weigh on our future profitability are the continued downward pressure on Hong Kong office rentals due to a supply-demand imbalance, potentially rising average oil prices, a further contraction in construction projects and weak consumer demand for property in Hong Kong.

However, we are confident that NWD will be able to capitalise on its diverse businesses to weather the current difficult markets. We believe that there are 4 key areas of growth for NWD over the near-term and beyond.

First, the economic growth in Mainland China and the increased development of its cities will have a significant positive impact on our business exposure in Mainland China. In 2002, China's economy grew at an enviable pace when compared to other parts of the world. This robust economic growth has fueled demand for residential housing and prime location office space. Together with liberalised mortgage policies and the emergence of a secondary market, favourable conditions for a rising property market are emerging. Mainland China's growth has also fueled rising disposable incomes, increasing car ownership and increasing trade activities, factors that will have a direct benefit on our traditional infrastructure, ports and service businesses as well as on our strategic businesses such as New World Department Stores.

Outlook (con't)

With our subsidiaries NWCL, NWS Holdings, NWDS and NWCEP, we have already laid the groundwork and are uniquely positioned to capture these growth opportunities. For example, in the second half of FY2003, 7 development projects and 2 investment properties are scheduled for completion with a total GFA of 655,000 sq m under NWCL.

Development projects under NWCL to be completed in the second half of FY2003

Projects	Usage	Total GFA (sq m)	NWCL's attributable interest
Nanjing New World Centre	R	73,940	92%
Jinan Sunshine Garden Phase I	R	39,329	65%
Wuhan Changqing Garden Phase IV	R	168,155	60%
Guangzhou Covent Garden Phase II	R	11,600	60%
Guangzhou Park Paradise Phase IIB	R	55,235	60%
Guangzhou Xintang New World Garden Phase II	R	13,674	60%
Zhaoqing New World Garden Phase I	R	36,500	40%
Total		398,433	

Investment properties under NWCL to be completed in the second half of FY2003

Projects	Usage	Total GFA (sq m)	NWCL's attributable interest
Nanjing New World Centre	C, O, Oth	118,934	92.0%
Shanghai Hong Kong New World Tower	C, O, Oth	137,746	44.1%
Total		256,680	

Given our competitive advantages, coupled with our strategy to differentiate our corporate brands by maintaining their reputation for providing best-in-class products and service quality, the future prospects of the Group remain very promising in the Mainland.

The second growth area for the Group is telecommunications. We expect NWM and NWT to gradually increase their contribution to the Group going forward now that the businesses have progressed beyond the investment/start up phase. Both companies are launching new and innovative products and are significantly growing their subscriber bases.

Outlook (con't)

The third key area will be our convention and exhibition, hotel and restaurant businesses. Developments such as the relaxation of visa restrictions will result in a rising number of visitors from Mainland China, resulting in a positive impact on these businesses.

The fourth key area of growth is in Hong Kong. With our healthy pipeline of 40 development projects and an extensive land bank, we are well-positioned to benefit from any pick up in property sales. Of course, a pick up in the property market will also benefit our construction and engineering as well as services businesses. One of our major development projects is the 1 million sq ft Tsim Sha Tsui Hanoi Road Redevelopment, which has commenced the foundation work and is expected to be completed by late 2005. This project tentatively comprises a shopping mall, hotel and service apartments.

In 2003, the Group is expected to have 9 development projects with over 6,000 units for sale of which the Group's interest in these projects ranges from 16% to 100%. In terms of estimated saleable area, over 70% of the projects are located in urban areas.

Property development projects to be sold in 2003

Projects	Location	Total GFA (sq ft)	No. of units	NWD's interest (%)
11 MacDonnell Road	Mid-level	62,780	28	33.3
Seaview Crescent – Block 5	Tung Chung	237,535	387	16.4
La Padera #	Yuen Long	303,350	425	56.0
Sky Tower	Kowloon City	1,500,368	2,208	20.0
Parc Palais	Homantin	900,000 *	700	30.0
2 Park Road	Mid-levels	150,280	148	100.0
West End Terrace & Bonham Road	Mid-levels	123,244 *	128	70.0
Kennedy Town Redevelopment	Western district	676,687 *	1,174	100.0
Tseung Kwan O Area 55b	Tseung Kwan O	914,079	1,472	45.0
Total		4,868,323	6,670	

Note: * – Estimated; # – Sereno Verde Phase III & IV

In order to promote Hong Kong tourism, the Government has a series of plans to re-develop the Tsim Sha Tsui waterfront into an international arts and cultural attraction. Under the current plan, New World Centre will become the focal point of Tsim Sha Tsui with easy access by KCR, MTR and bus. One of the initiatives is the development of the “Avenue of Stars”, a concept similar to the “Walk of Fame” in Hollywood in Los Angeles, to honour contribution made by actors and others in film production over the years in promoting Hong Kong’s film industry. With the completion of this “Avenue of Stars” along the New World Centre waterfront and the construction of KCR East Tsim Sha Tsui Station in 2004, New World Centre will become the “heart” of Tsim Sha Tsui.

Outlook (con't)

As a publicly listed company, we are committed to consistent and open discussion with investors, fund managers, and other members of the financial and investment community, as well as our employees and members of our greater community. We are also committed to corporate social responsibility and as a Group are engaged in a number of charitable initiatives in Hong Kong. Over the past 6 months the group has made significant strides towards enhancing our transparency particularly during our reorganisation process. In an effort to promote better understanding of our group reorganisation, we have consistently reached out to investors, analysts and the media through activities such as briefings, roundtables and site visits. We believe that maintaining this focus will be essential in order to differentiate ourselves in this ever-changing and difficult market environment. Guided by these principles, we are dedicated to sharing with all parties concerned our progress and achievements, our challenges and strategies, and, most important of all, our vision and mission.

Disclosure of Interests

Directors' Interests in Shares

As at 31 December 2002, interests of the Directors and their associates in the equity securities of the Company and its subsidiary companies which have been recorded in the register kept by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance were as follows:

	Personal Interests	Family Interests	Corporate Interests⁽¹⁾	Other Interests
New World Development Company Limited				
(Ordinary shares of HK\$1.00 each)				
Dr. Cheng Yu-Tung	–	–	–	–
Dr. Cheng Kar-Shun, Henry	–	–	–	–
The Honourable Lee Quo-Wei	–	–	3,583,464	253,321 ⁽²⁾
Ld. Sandberg, Michael	–	–	–	–
Dr. Ho Tim	1,805,813	–	–	–
Dr. Sin Wai-Kin, David	3,363,363	33,642	–	–
Mr. Cheng Yue-Pui	–	–	–	–
Mr. Liang Chong-Hou, David	–	–	–	–
Mr. Yeung Ping-Leung, Howard	–	–	–	–
Mr. Cha Mou-Sing, Payson	–	–	–	–
Mr. Cheng Kar-Shing, Peter	–	–	–	–
Mr. Leung Chi-Kin, Stewart	23,253	–	–	–
Mr. Chan Kam-Ling	96,669	–	–	–
Mr. Chow Kwai-Cheung	20,818	–	–	–
Mr. Cha Mou-Zing, Victor (alternate director to Mr Cha Mou-Sing, Payson)	–	–	–	–
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	–	–	–
Hip Hing Construction Company Limited				
(Non-voting deferred shares of HK\$100.00 each)				
Dr. Sin Wai-Kin, David	42,000	–	–	–
Mr. Chan Kam-Ling	15,000	–	–	–
HH Holdings Corporation				
(Ordinary share of HK\$1.00 each)				
Dr. Sin Wai-Kin, David	42,000	–	–	–
Mr. Chan Kam-Ling	15,000	–	–	–
International Property Management Limited				
(Non-voting deferred shares of HK\$10.00 each)				
Dr. Sin Wai-Kin, David	5,400	–	–	–
Mr. Chan Kam-Ling	1,350	–	–	–

Directors' Interests in Shares (con't)

	Personal Interests	Family Interests	Corporate Interests⁽¹⁾	Other Interests
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	–	–	–
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	–	–	–
New World China Land Limited				
(Ordinary shares of HK\$0.10 each)				
Mr. Chan Kam Ling	100,000	–	–	–
Mr. Chow Kwai-Cheung	126	–	–	–
New World Infrastructure Limited				
(Ordinary shares of HK\$1.00 each)				
Dr. Cheng Kar-Shun, Henry	–	1,000,000	–	–
Dr. Ho Tim	148	–	–	–
Dr. Sin Wai-Kin, David	5,594	53	–	–
Mr. Liang Chong-Hou, David	262	–	–	–
Mr. Chan Kam-Ling	6,800	–	–	–
New World Services Limited				
(Ordinary shares of HK\$0.10 each)				
Dr. Sin Wai-Kin, David	–	–	29,350,490	–
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	–	–	–
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)				
Dr. Sin Wai-Kin, David	700	–	–	–
Mr. Chan Kam-Ling	250	–	–	–

Directors' Interests in Shares (con't)

	Personal Interests	Family Interests	Corporate Interests ⁽¹⁾	Other Interests
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	–	–	–
YE Holdings Corporation (Ordinary shares of HK\$1.00 each)				
Mr. Leung Chi-Kin, Stewart	37,500	–	–	–

Notes:

- ⁽¹⁾ These shares were beneficially owned by a company in which the relevant director is deemed to be entitled under the Securities (Disclosure of Interests) Ordinance to exercise or control the exercise of one third or more of the voting power at its general meeting.
- ⁽²⁾ Interests held by a charitable foundation of which The Honourable Lee Quo-Wei and his spouse are members of its board of trustees.

Directors' Rights to Acquire Shares or Debentures

Under the respective share option schemes of New World China Land Limited ("NWCL"), New World Infrastructure Limited ("NWI") and NWS Holdings Limited ("NWS") (formerly known as Pacific Ports Company Limited), options may be granted respectively to certain directors and employees of NWCL, NWI or NWS to subscribe for shares. Certain directors of the Company have personal interest in share options to subscribe for shares in NWCL or NWI respectively.

2000 Share Option Scheme of NWCL

Share options to directors

Name of director	Date of grant	Exercisable period	Number of share options			Exercise price per share HK\$
			Balance at 1 July 2002	Exercised during the period	Balance at 31 December 2002	
Dr. Cheng Kar-Shun, Henry	7 February 2001	8 March 2001 to				
		7 March 2006	5,000,000	–	5,000,000 ⁽¹⁾	1.955
Mr. Cheng Kar-Shing, Peter	9 February 2001	10 March 2001 to				
		9 March 2006	2,500,000	–	2,500,000 ⁽¹⁾	1.955
Mr. Leung Chi-Kin, Stewart	7 February 2001	8 March 2001 to				
		7 March 2006	500,000	–	500,000 ⁽¹⁾	1.955
Mr. Chan Kam-Ling	9 February 2001	10 March 2002 to				
		9 March 2006 ⁽²⁾	400,000	–	400,000 ⁽¹⁾	1.955
Mr. Chow Kwai-Cheung	9 February 2001	10 March 2001 to				
		9 March 2006	500,000	–	500,000 ⁽¹⁾	1.955

Directors' Rights to Acquire Shares or Debentures (con't)

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 share options were accepted, provided that the maximum number of share options that can be exercised during a year is 20.0% of the total number of the share options granted together with any unexercised share options carried forward from the previous years, unless as specified in note (2).
- (2) The share options were exercisable during the remaining exercisable period of four years, provided that the maximum number of share options that can be exercised during a year is 25% of the outstanding balance of the share options held on the respective commencement date of the exercisable period.
- (3) The cash consideration paid by each director for each grant of the share option is HK\$10.

The 2000 Share Option Scheme of NWCL was terminated by NWCL at its annual general meeting held on 26 November 2002 ("2002 AGM"). Any share options which were granted under the 2000 Share Option Scheme of NWCL prior to such termination shall continue to be valid and exercisable in accordance with the terms of the 2000 Share Option Scheme of NWCL. At the 2002 AGM of NWCL, a new share option scheme was adopted in compliance with the new requirements of the Listing Rules of the Stock Exchange of Hong Kong Limited. No share option had been granted to any of the directors or employees of NWCL under the new share option scheme during the period ended 31 December 2002.

1997 Share Option Scheme of NWI

Share options to directors

Name of director	Date of grant	Number of share options			Exercise price per share HK\$
		Balance at 1 July 2002	Exercised during the period	Balance at 31 December 2002	
Dr. Cheng Kar-Shun, Henry	2 December 1998	600,000	–	600,000 ⁽¹⁾	10.20
	2 December 1998	2,400,000	–	2,400,000 ⁽²⁾	12.00
Mr. Cheng Kar-Shing, Peter #	1 December 1998	120,000	–	120,000 ⁽¹⁾	10.20
	1 December 1998	480,000	–	480,000 ⁽²⁾	12.00
Mr. Leung Chi-Kin, Stewart #	8 December 1998	120,000	–	120,000 ⁽¹⁾	10.20
	8 December 1998	480,000	–	480,000 ⁽²⁾	12.00
Mr. Chan Kam-Ling #	9 December 1998	200,000	–	200,000 ⁽¹⁾	10.20
	9 December 1998	800,000	–	800,000 ⁽²⁾	12.00

resigned as director of NWI with effect from 17 January 2003.

Notes:

- (1) Exercisable from 1 July 1999 to 1 June 2004.
- (2) Divided into 3 tranches exercisable from 1 July 2000, 2001 and 2002 respectively to 1 June 2004.
- (3) The cash consideration paid by each director for each grant of the share options is HK\$10.
- (4) No option had been exercised by the directors of NWI under the Share Option Scheme for the period ended 31 December 2002.

Directors' Rights to Acquire Shares or Debentures (con't)

A new share option scheme (the "2001 Share Option Scheme") was approved by the board of directors of NWI on 10 October 2001 and adopted by the shareholders of NWI at the annual general meeting held on 6 December 2001. Under the 2001 Share Option Scheme, the directors of NWI may, at their discretion, grant options to directors and employees of NWI, to subscribe for shares in NWI. No share option had been granted to any of the directors and employees of NWI under the 2001 Share Option Scheme since it was adopted.

Share Option Scheme of NWS

A share option scheme was adopted by NWS on 6 December 2001 and was amended by the approval of the shareholders at the special general meeting ("SGM") of NWS held on 12 March 2003 ("the NWS 2001 Share Option Scheme"). The NWS 2001 Share Option Scheme which will be valid and effective for a period of ten years from the date of adoption. The total number of shares of NWS which may be issued upon exercise of all share options to be granted under the NWS 2001 Share Option Scheme and any other share option schemes must not in aggregate exceed 10.0% of the ordinary share capital of NWS in issue as at the date of SGM. No share option had been granted under such scheme since its adoption.

Save as disclosed above, at no time during the period was the Company or any of its subsidiary companies 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 Shareholder

As at 31 December 2002, Chow Tai Fook Enterprises Limited, together with its subsidiary companies, had interests in 831,206,530 shares in the Company.

Save for the above, no other shareholder is recorded in the register kept pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance as having an interest in 10% or more of the issued share capital of the Company as at 31 December 2002.