

Chairman's statement

To Our Shareholders,

Facing the global economic downturn, Mainland China is a place providing stability for investors and businessmen and shields them against worldwide recession caused by sluggish demand from the United States, Europe and Japan. According to the National Statistics Bureau of China, the gross domestic product of China in 2002 has grown by 8 percent on a year-on-year basis. With the persistent growth in Mainland China economy, we are on the right track to accelerate project completion to fulfill the increasing domestic demand.

Regarding the measures imposed by the central government to stabilise the domestic property market, it is the right move in avoiding bubblisation and paving the way to long term healthy growth. Nonetheless, it would still cast a negative sentiment to the market in short term. However, I believe there will be only minimal effect on a national developer with concrete financial strength and best-in-class quality product like New World China Land Limited.

With China's robust demand for housing, liberal mortgage policies and the emergence of a secondary property market, the Group remains very positive on the overall Mainland China property market. After winning its bid to host the 2008 Olympics in Beijing and its successful WTO accession, Mainland China continues to solidify its prominent global status by hosting the 2010 World Expo and establish a Universal Studio in Shanghai. These achievements further confirm the growth and prospect of Mainland China despite the current background of global economic uncertainty. In addition, these developments support our on-going commitment to become one of the Mainland China's major national property developers with footprints on the country's most important cities. With a strong base in Mainland China's major cities, we aim to capture the ever-rising demand in the market.

Furthermore, the Group is well positioned to capture growth in Mainland China market given its diversified property portfolio across sectors, comprehensive geographic coverage and localised business units and management team who can adapt international business strategies to the local environments. Given our competitive advantages, coupled with our strategy to differentiate the NWCL brand by maintaining its reputation for providing best-in-class products and service quality, the future prospect of the Group remains very promising.

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

Chairman

Hong Kong, 20th March 2003

Financial Highlights

Key Financial Data		
	<i>Unaudited</i>	
	6 months ended 31st December	
	2002	2001
	HK\$'000	HK\$'000
Operating Results		
Turnover	378,362	502,380
Cost of sales	(289,834)	(305,033)
Gross profit	88,528	197,347
Other revenue	3,494	61,823
Other income/(charges)	36,355	(8,088)
Selling expenses	(14,388)	(18,759)
Administrative expenses	(20,157)	(18,950)
Other operating expenses	(87,445)	(75,817)
Operating profit before financing	6,387	137,556
Finance costs	(12,794)	(16,147)
Share of results of		
Associated companies	789	(3,836)
Jointly controlled entities	22,086	(13,982)
Profit before taxation	16,468	103,591
Taxation	11,153	7,371
Profit after taxation	5,315	96,220
Minority interests	11,753	4,422
Profit attributable to shareholders	17,068	100,642
Earnings per share		
Basic	1.15 cents	6.80 cents
Diluted	N/A	6.77 cents

BUSINESS REVIEW

For the period under review, New World China Land Limited (“NWCL”) recorded a turnover of HK\$378.4 million. The net profit attributable to shareholders amounted to HK\$17.1 million. Earnings per share were 1.15 HK cents.

The decrease in turnover and profit was mainly due to the slight delay of completion in existing phase of Wuhan Changqing Garden. In the first half of FY2002, Wuhan Changqing Garden contributed 87% of the Group’s attributable operating profit (“AOP”). Excluding the contribution from Wuhan Changqing Garden, AOP contributions from property sales have actually grown 87% against same period last year. In fact, over 37% by saleable area of the projects completed during the period under review were sold as at December 2002.

For projects completed on or before FY2002, there was 67% growth in the saleable area of inventory sold against same period last year. The clearance sales of inventory generated an inevitable negative contribution to AOP as a result of price-cut in inventory, especially in those of Guangzhou.

For the period under review, AOP from rental operation before write-back of provision amounted to HK\$46.9 million, 17% drop against same period last year. The decrease was mainly due to the high initial costs of the Group’s newly completed investment property in Shanghai, Ramada Plaza. However, given the growing importance of Shanghai as an international metropolitan, our two major investment properties in Shanghai, Hong Kong New World Tower and Ramada Plaza, are well positioned to capture the increasing demand for prime location office space and high-end residential space in the coming years.

The increase in contribution from our hotel sector was attributable to the improved average occupancy rates of the NWCL’s hotels and lower borrowing costs.

ANALYSIS OF AOP BY ACTIVITIES

The Group’s AOP by business activities is as follows:

	6 months ended 31st December	
	2002 HK\$’000	2001 HK\$’000
Property sales	(2,705)	55,126
Rental operation	76,508	56,707
Hotel operation	11,060	8,812
Property management	(7,600)	(386)
AOP	77,263	120,259
Finance costs	(12,794)	(16,147)
Bank and other interest income	3,494	57,685
Net gain/(loss) on disposal of other investments/subsidiaries	3,650	(8,088)
Corporate expenses	(54,545)	(53,067)
Profit attributable to shareholders	17,068	100,642

PROPERTY DEVELOPMENT

For the period under review, the Group has completed 12 development projects with a total GFA of over 333,000 sq.m., which are located in Beijing, Shenyang, Jinan, Hefei, Guangzhou and the Pearl Delta River. The AOP from property sales recorded a loss of HK\$2.7 million.

Development projects completed during the first half of FY2003

Projects	Usage	Total GFA (sq.m.)	NWCL's attributable interest
Northern Region			
Beijing New World Garden Phase I	O, Oth	36,218	70%
Northeast Region			
Shenyang New World Garden Phase IB	R, Oth	19,102	90%
Central Region			
Jinan Sunshine Garden Phase I	R	18,382	65%
Hefei New World Garden Phase II	R, C, Oth	19,800	60%
Southern Region			
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	

R	:	Residential
C	:	Commercial
O	:	Office
Oth	:	Others

In the second half of FY2003, 7 projects with a total GFA of 398,433 sq.m. are scheduled for completion. So far, the pre-sale progress of these projects has been satisfactory.

With the continued strong demand for property in Mainland China coupled with the accelerated rate at which our projects are being completed, NWCL is well positioned to capture the growth from property sales.

Development projects to be completed in the second half of FY2003

Projects	Usage	Total GFA (sq.m.)	NWCL's attributable interest
Central Region			
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%
Southern Region			
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	

PROPERTY INVESTMENT

The Group's rental operation reported segment revenue of HK\$50.6 million for the period under review while AOP contribution amounted to HK\$76.5 million.

3 investment properties were completed and launched to the market during the first half of FY2003. These properties are combination of residential apartments, commercial and office space with a total GFA of over 148,000 sq.m..

Investment properties 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%
Shanghai Ramada Plaza	R, C	61,651	61.8%
Guangzhou New World Oriental Garden Phase I	C	18,889	100%
Total		148,815	

2 projects located in Nanjing and Shanghai are scheduled for completion in the second half of FY2003. With prime locations and best-in-class quality, the Group's investment properties in various major Chinese cities should be able to capture the growing demand in the market.

Together with the existing 10 completed investment properties with a total GFA of over 490,000 sq.m., the Group's rental operation will generate stronger cash flow and enhance the recurrent income base of the Group.

Investment properties 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%
Shanghai Hong Kong New World Tower	C, O, Oth	137,746	44.1%
Total		256,680	

LIQUIDITY AND CAPITAL RESOURCES

As at 31st December 2002, the Group's cash and bank deposits amounted to HK\$1,451 million (30th June 2002: HK\$1,451 million). Its consolidated net debt amounted to HK\$5,113 million (30th June 2002: HK\$4,017 million), translating into a gearing ratio of 29% (30th June 2002: 22%).

The Group maintained a balanced debt profile with adequate risk diversification through specifying the preferred mix of fixed and floating rate debt, the permitted currency exposure and a well-balanced spread of maturity. The Group's capital structure strikes a balance between equity, bank loans, loans from fellow subsidiaries and loans from minority shareholders of certain subsidiaries of the Group. The Group policy is to leverage funding by straight debts rather than quasi-debt financial instruments and to borrow in local currencies where possible. The proportion of bank loans denominated in Renminbi that the Group has procured directly in Mainland China are continuously being increased to mitigate the foreign currency exposure of the Group.

Interest rate and Maturity Profile

	Fixed rate HK\$'000	Floating rate HK\$'000	Interest free HK\$'000
within 1 year	1,333,717	554,844	–
1-2 years	323,987	892,184	–
2-5 years	1,259,117	1,977,010	–
Over 5 years	250,043	–	361,975
Total	3,166,864	3,424,038	361,975

Currency Profile of Borrowing

	31st December 2002	30th June 2002
Renminbi	42.9%	36.7%
Hong Kong dollar	43.7%	51.1%
US dollar	13.4%	12.2%

The bank loans due within the 12 months to December 2003 amount to HK\$1,334 million, which should be comfortably served by our cash on hand of HK\$1,451 million and by improved property sales proceeds and rental income.

As at 31st December 2002, the Group's committed unutilised bank loan facilities amounted to HK\$890 million (30th June 2002: HK\$514 million).

FOREIGN CURRENCY EXPOSURE

The Group's property projects are all located in Mainland China. Funding for their development is inevitably achieved by cross-border investments through numerous Sino-foreign owned joint ventures in the form of registered capital injected into these joint ventures and shareholder's loan advances. As a result of this locality restriction, the return of such funding is either through repayment of shareholders' advance, interest costs or cash dividend. The funding made from Hong Kong to Mainland China is all denominated in either US dollars or Hong Kong dollars and this quasi-capital investment funding is legally required to go through the registration process in Foreign Exchange Bureaus in China before being converted to Renminbi for funding the development costs. The return of these fundings out of China has to be made in the same original currency remitted from Hong Kong and has to go through the releasing registration procedures. Hence the Group is effectively not exposed to foreign currency risk on return of our investments. Owing to the unique nature of China's foreign currency control system, and our Group's view on the foreseeable continuity of the Hong Kong Dollar peg, the exposure of foreign currency fluctuation is not regarded as substantial. The Group has hence conducted minimal hedging activities.

CONTINGENT LIABILITIES

As at 31st December 2002, the Group has contingent liabilities of approximately HK\$1,709,295,000 (30th June 2002: HK\$1,381,447,000) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities. The rise in contingent liabilities indicates the continuing financing requirements of the Group's property projects.

MAJOR ACQUISITION AND DISPOSAL

During the period under review, there is no major acquisition or disposal undertaken by the Group.

Attributable Operating Profit (“AOP”) Analysis

Breakdown by business activities

	<i>Unaudited</i> 6 months ended 31st December		
	2002 HK\$'000	2001 HK\$'000	Review
Property sales	(2,705)	55,126	The decrease was mainly due to the slight delay of completion in existing phase of Wuhan Changqing Garden. There was 67% increase in stock clearance during the period and these generated an inevitable negative AOP as a result of price-cut in stock, especially in those of Guangzhou.
Rental operation	76,508	56,707	During the period, provision previously made for one of our investment properties under development in Tianjin was written back upon the successful launch of tenancy of the completed phase of the property. AOP before this write-back has decreased by 17% mainly due to the high start-up costs of the newly completed investment property, Shanghai Ramada Plaza.
Hotel operation	11,060	8,812	The improved occupancy and lower borrowing costs are the major factors to the increase of AOP in this sector.
Property management	(7,600)	(386)	The increase in negative AOP from property management during the period arose from continued increasing in scope of services provision for newly completed projects. We have established property management teams in Beijing, Shenyang, Shanghai and Guangzhou to provide property management services to our completed properties.
AOP	77,263	120,259	
Finance costs	(12,794)	(16,147)	
Bank and other interest income	3,494	57,685	
Net gain/(loss) on disposal of other investments/subsidiaries	3,650	(8,088)	
Corporate expenses	(54,545)	(53,067)	
Profit attributable to shareholders	17,068	100,642	

Directors' interests in securities

As at 31st December 2002, the interests of the directors and their associates in the securities of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:–

	Personal interests	Family interests	Corporate interests (note 2)
New World China Land Limited			
(Ordinary shares of HK\$0.10 each)			
Mr. Doo Wai-hoi, William	700,000	–	–
Mr. Chan Kam-ling	100,000	–	–
Mr. Chow Kwai-cheung	126	–	–
Mr. Tien Pei-chun, James	–	–	260,000
New World Development Company Limited			
(Ordinary shares of HK\$1.00 each)			
Mr. Leung Chi-kin, Stewart	23,253	–	–
Mr. Chan Kam-ling	96,669	–	–
Mr. Chow Kwai-cheung	20,818	–	–
New World Infrastructure Limited			
(Ordinary shares of HK\$1.00 each)			
Dr. Cheng Kar-shun, Henry	–	1,000,000	–
Mr. Chan Wing-tak, Douglas	700,000	–	–
Mr. Chan Kam-ling	6,800	–	–
Extensive Trading Company Limited			
(Non-voting deferred shares of HK\$1.00 each)			
Mr. Cheng Kar-shing, Peter	–	–	380,000
Mr. Leung Chi-kin, Stewart	160,000	–	–
Mr. Chan Kam-ling	–	–	80,000
Mr. Chow Kwai-cheung	80,000	–	–
Mr. Chow Yu-chun, Alexander	80,000	–	–
Hip Hing Construction Company Limited			
(Non-voting deferred shares of HK\$100.00 each)			
Mr. Chan Kam-ling	15,000	–	–

Directors' interests in securities (continued)

	Personal interests	Family interests	Corporate interests (note 2)
HH Holdings Corporation			
(Ordinary shares of HK\$1.00 each)			
Mr. Chan Kam-ling	15,000	–	–
International Property Management Limited			
(Non-voting deferred shares of HK\$10.00 each)			
Mr. Chan Kam-ling	1,350	–	–
Master Services Limited			
(Ordinary shares of US\$0.01 each)			
Mr. Leung Chi-kin, Stewart	16,335	–	–
Mr. Chan Kam-ling	16,335	–	–
Mr. Chow Kwai-cheung	16,335	–	–
Mr. Chow Yu-chun, Alexander	16,335	–	–
Matsuden Company Limited			
(Non-voting deferred shares of HK\$1.00 each)			
Mr. Leung Chi-kin, Stewart	44,000	–	–
Mr. Chan Kam-ling	–	–	44,000
Mr. Chow Kwai-cheung	44,000	–	–
Mr. Chow Yu-chun, Alexander	44,000	–	–
New World Services Limited			
(Ordinary shares of HK\$0.10 each)			
Mr. Cheng Kar-shing, Peter	–	–	3,382,788
Mr. Leung Chi-kin, Stewart	4,214,347	–	250,745
Mr. Chan Kam-ling	–	–	10,602,565
Mr. Chow Kwai-cheung	2,562,410	–	–
Mr. Chow Yu-chun, Alexander	2,562,410	–	–
Progreso Investment Limited			
(Non-voting deferred shares of HK\$1.00 each)			
Mr. Leung Chi-kin, Stewart	–	–	119,000

Directors' interests in securities (continued)

	Personal interests	Family interests	Corporate interests (note 2)
Tai Yieh Construction & Engineering Company Limited			
(Non-voting deferred shares of HK\$1,000.00 each)			
Mr. Chan Kam-ling	250	–	–
Urban Property Management Limited			
(Non-voting deferred shares of HK\$1.00 each)			
Mr. Cheng Kar-shing, Peter	–	–	750
Mr. Leung Chi-kin, Stewart	750	–	–
Mr. Chow Kwai-cheung	750	–	–
Mr. Chow Yu-chun, Alexander	750	–	–
YE Holdings Corporation			
(Ordinary shares of HK\$1.00 each)			
Mr. Leung Chi-kin, Stewart	37,500	–	–

Notes :

- (1) Details of the directors' interests in share options of the Company, New World Infrastructure Limited and NWS Holdings Limited (formerly known as Pacific Ports Company Limited), are disclosed under the sections headed "Directors' rights to acquire shares or debentures" and "Share option scheme".
- (2) These shares are beneficially owned by a company in which the relevant director is deemed to be entitled under the SDI Ordinance to exercise or control the exercise of one-third or more of the voting power at its general meeting.

Save as disclosed above, as at 31st December 2002, none of the directors, chief executive or any of their associates had any beneficial or non-beneficial interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Directors' rights to acquire shares or debentures

- (A) Directors' rights to acquire shares in the Company were disclosed under the section headed "Share option scheme" below.
- (B) Under a share option scheme of a fellow subsidiary, New World Infrastructure Limited ("NWI"), options may be granted to directors and employees of NWI or its subsidiaries to subscribe for shares in NWI. The following directors of the Company were also directors of NWI as at 31st December 2002 and had personal interests in share options to subscribe for shares in NWI which had been granted to them as follows:

Name of directors	Date of grant	Number of share options outstanding at 31st December 2002 with exercise price per share of	
		HK\$10.20 ^(note 1)	HK\$12.00 ^(note 2)
Dr. Cheng Kar-shun, Henry	2nd December 1998	600,000	2,400,000
Mr. Cheng Kar-shing, Peter	1st December 1998	120,000	480,000
Mr. Doo Wai-hoi, William	16th December 1998	200,000	800,000
Mr. Leung Chi-kin, Stewart	8th December 1998	120,000	480,000
Mr. Chan Kam-ling	9th December 1998	200,000	800,000
Mr. Chan Wing-tak, Douglas	26th November 1998	320,000	1,280,000
Mr. Cheng Wai-chee, Christopher	11th December 1998	120,000	480,000
Mr. Fu Sze-shing	23rd September 1999	240,000 ^(note 3)	960,000 ^(note 4)
Mr. So Ngok*	26th November 1998	200,000	800,000

* Mr. So Ngok resigned as director of the Company with effect from 17th January 2003.

Notes:

- (1) Exercisable from 1st July 1999 to 1st June 2004, unless otherwise stated.
- (2) Divided into 3 tranches exercisable from 1st July 2000, 2001 and 2002 to 1st June 2004 respectively, unless otherwise stated.
- (3) Exercisable from 1st July 2000 to 1st June 2005.
- (4) Divided into 3 tranches exercisable from 1st July 2001, 2002 and 2003 to 1st June 2005 respectively.

The cash consideration paid by each director for each grant of the share options is HK\$10. No share option has been exercised by the directors under the share option scheme of NWI for the period ended 31st December 2002.

Directors' rights to acquire shares or debentures (continued)

- (C) Under another share option scheme of a fellow subsidiary, NWS Holdings Limited ("NWS") (formerly known as Pacific Ports Company Limited), the following director of the Company, who was also a director of NWS as at 31st December 2002, had personal interests in share options to subscribe for shares in NWS which had been granted to him as follows:

Name of director	Date of grant	Number of share options outstanding at 31st December 2002 with exercise price per share of HK\$0.693
Mr. Chan Wing-tak, Douglas	11th May 1999	10,000,000 ^(note)

Note: Divided into 4 tranches exercisable from 5th November 1999, 5th May 2001, 5th May 2002, 5th May 2003 to 4th November 2004 respectively.

No share option has been exercised by the director under the share option scheme of NWS for the period ended 31st December 2002.

Except for the foregoing, at no time during the period was the Company, its subsidiaries, its fellow subsidiaries or its holding company, a party to any arrangements to enable the directors of the Company or chief executive or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial shareholders' interests in shares

As at 31st December 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the following parties had interests of 10% or more of the issued share capital of the Company:—

Name	Number of shares held
Chow Tai Fook Enterprises Limited	1,050,768,800 ^(Note 1)
New World Development Company Limited ("NWD")	1,050,768,800 ^(Note 2)

Notes :

- (1) Chow Tai Fook Enterprises Limited and its subsidiaries have interests in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares deemed to be interested by NWD.
- (2) This represents the 1,011,714,293 shares directly held by NWD, 22,508,064 shares held by Great Worth Holdings Limited ("GWH") and 16,546,443 shares held by High Earnings Holdings Limited ("HEH"). GWH and HEH are 59% and 52.35% indirectly owned subsidiaries of NWD respectively as at 31st December 2002. NWD is deemed to have interests in the shares held by GWH and HEH.

Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 16(1) of the SDI Ordinance as at 31st December 2002.

Share option scheme

During the period ended 31st December 2002, movement of share options granted to the directors and employees of the Group under the share option scheme of the Company which was adopted on 18th December 2000 ("2000 Share Option Scheme") was as follows:–

(A) Share options to directors

Name of directors	Date of grant	Exercisable period (note 1)	Number of	Number of	Subscription price per share HK\$
			share options outstanding at 1st July 2002	share options outstanding at 31st December 2002	
Dr. Cheng Kar-shun, Henry	7th February 2001	8th March 2001 to 7th March 2006	5,000,000	5,000,000	1.955
Mr. Doo Wai-hoi, William	8th February 2001	9th March 2002 to 8th March 2006 (note 2)	2,800,000	2,800,000	1.955
Mr. Cheng Kar-shing, Peter	9th February 2001	10th March 2001 to 9th March 2006	2,500,000	2,500,000	1.955
Mr. Chow Yu-chun, Alexander	8th February 2001	9th March 2001 to 8th March 2006	2,500,000	2,500,000	1.955
Mr. Leung Chi-kin, Stewart	7th February 2001	8th March 2001 to 7th March 2006	500,000	500,000	1.955
Mr. Chan Kam-ling	9th February 2001	10th March 2002 to 9th March 2006 (note 2)	400,000	400,000	1.955
Mr. Chow Kwai-cheung	9th February 2001	10th March 2001 to 9th March 2006	500,000	500,000	1.955
Mr. Chan Wing-tak, Douglas	12th February 2001	13th March 2001 to 12th March 2006	500,000	500,000	1.955
Mr. So Ngok*	9th February 2001	10th March 2001 to 9th March 2006	500,000	500,000	1.955
Total			15,200,000	15,200,000	

* Mr. So Ngok resigned as director of the Company with effect from 17th January 2003.

Notes:

- (1) The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of each 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% 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 options is HK\$10.

No share option of the Company was exercised by the above directors during the period ended 31st December 2002.

Share option scheme (continued)

(B) Share options to employees

Date of grant	Number of share options				Outstanding as at 31st December 2002	Subscription price per share HK\$
	Balance as at 1st July 2002	Granted during the period	Exercised during the period (note 2)	Lapsed during the period		
5th February 2001 to 2nd March 2001	32,627,600	–	42,400	1,404,400	31,180,800	1.955
2nd May 2001 to 29th May 2001	458,400	–	–	–	458,400	2.605
29th June 2001 to 26th July 2001	2,328,000	–	–	–	2,328,000	3.192
31st August 2001 to 27th September 2001	2,130,000	–	–	–	2,130,000	2.380
26th March 2002 to 22nd April 2002	2,067,600	–	–	–	2,067,600	2.265
Total	39,611,600	–	42,400	1,404,400	38,164,800	

Notes:

- (1) The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of each 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% of the total number of the share options granted together with any unexercised share options carried forward from the previous years.
- (2) The weighted average closing price of the shares immediately before the date on which share options were exercised was HK\$2.05.

The Company has terminated the 2000 Share Option Scheme at the annual general meeting of the Company held on 26th November 2002 ("2002 AGM"). Any share options which were granted under the 2000 Share Option Scheme prior to such termination shall continue to be valid and exercisable in accordance with the terms of the 2000 Share Option Scheme. At the 2002 AGM, 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 options have been granted under the new share option scheme during the period ended 31st December 2002.

Consolidated Profit and Loss Account

For the six months ended 31st December 2002

	Note	<i>Unaudited</i>	
		6 months ended 31st December	
		2002	2001
		HK\$'000	HK\$'000
Turnover	2	378,362	502,380
Cost of sales		(289,834)	(305,033)
Gross profit		88,528	197,347
Other revenue	3	3,494	61,823
Other income/(charges)	4	36,355	(8,088)
Selling expenses		(14,388)	(18,759)
Administrative expenses		(20,157)	(18,950)
Other operating expenses		(87,445)	(75,817)
Operating profit before financing	5	6,387	137,556
Finance costs		(12,794)	(16,147)
Share of results of			
Associated companies		789	(3,836)
Jointly controlled entities		22,086	(13,982)
Profit before taxation		16,468	103,591
Taxation	6	11,153	7,371
Profit after taxation		5,315	96,220
Minority interests		11,753	4,422
Profit attributable to shareholders		17,068	100,642
Earnings per share	8		
Basic		1.15 cents	6.80 cents
Diluted		N/A	6.77 cents

Consolidated Balance Sheet

As at 31st December 2002

	Note	Unaudited As at 31st December 2002 HK\$'000	<i>Audited</i> As at 30th June 2002 HK\$'000
Fixed assets		4,012,091	3,703,088
Properties held for development		3,583,739	3,268,128
Associated companies		1,585,149	1,422,852
Jointly controlled entities		10,106,469	10,099,496
Other investments		1,948,029	1,973,041
Other non-current assets		48,031	50,311
Total non-current assets		21,283,508	20,516,916
Current assets			
Debtors, deposits and other receivables	9	706,936	486,737
Properties under development		2,238,355	2,244,030
Completed properties held for sale		585,123	458,790
Cash and bank balances		1,405,867	1,405,094
		4,936,281	4,594,651
Current liabilities			
Creditors and accruals	10	353,396	319,924
Deposits received on sale of properties		186,342	190,713
Amounts due to fellow subsidiaries		298,983	272,790
Short term loans			
Secured		493,458	518,691
Unsecured		439,730	160,748
Current portion of bank and other borrowings	12	955,374	834,045
Taxes payable		98,691	105,786
		2,825,974	2,402,697
Net current assets		2,110,307	2,191,954
Employment of funds		23,393,815	22,708,870
Financed by:			
Share capital	11	148,194	148,190
Reserves		17,721,868	17,703,671
Proposed final dividend		–	29,639
Shareholders' funds		17,870,062	17,881,500
Bank and other borrowings	12	5,063,931	4,334,097
Deferred interest income		384,191	407,788
Minority interests		75,631	85,485
Funds employed		23,393,815	22,708,870

Condensed Consolidated Cash Flow Statement

For the six months ended 31st December 2002

	<i>Unaudited</i>	
	6 months ended 31st December	
	2002	2001
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(717,268)	(312,336)
Net cash outflow from investing activities	(332,573)	(381,633)
Net cash inflow from financing activities	1,132,299	695,382
Increase in cash and bank balances	82,458	1,413
Cash and cash equivalents at beginning of the period	847,844	503,242
Cash and cash equivalents at end of the period	930,302	504,655
Analysis of balances of cash and cash equivalents		
Cash and bank balances – unrestricted	930,302	504,655

Consolidated Statement of Changes in Equity

For the six months ended 31st December 2002

	<i>Unaudited</i>	
	6 months ended 31st December	
	2002	2001
	HK\$'000	HK\$'000
At 1st July	17,881,500	17,469,752
Exchange differences arising on translation of subsidiaries, associated companies and joint ventures not recognised in the profit and loss account	1,051	(10,455)
Issue of shares	4	1,226
Premium on issue of shares	78	36,612
Profit for the period	17,068	100,642
2002 final dividend paid	(29,639)	–
At 31st December	17,870,062	17,597,777

Notes to the Accounts

1 Principal accounting policies

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

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with accounting principles adopted in the preparation of the Group’s annual financial statements for the year ended 30th June 2002 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

The adoption of the above new/revised SSAPs has no material effect on the interim financial statements of the Group for the period ended 31st December 2002. Certain presentational changes have been made upon implementation of SSAP1 (revised) and SSAP15 (revised).

In addition, certain comparative figures for the consolidated profit and loss account have been reclassified for the purpose of presenting an extended analysis of expenses. The directors consider that this extended analysis provides a more meaningful presentation of the Group’s results.

2 Turnover and segment information

- (a) The Group is principally engaged in development and investment of property projects in the Peoples Republic of China (“PRC”). Turnover comprises gross proceeds from sales of properties, revenue from rental operation, property management services fee income, project management fee income and interest income in respect of loan financing provided to associated companies and joint ventures, net of withholding tax.

	2002	2001
	HK\$’000	HK\$’000
Sales of properties	273,346	312,571
Rental income	51,094	61,033
Property management services fee income	10,928	1,580
Project management fee income	6,616	–
Income from other joint ventures	–	56,213
	341,984	431,397
Interest income less withholding tax	36,378	70,983
	378,362	502,380

- (b) The Group is organised into three main business segments, comprising property sales, rental operation and hotel operation. There is no other significant identifiable separate business segment.

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

2 Turnover and segment information (continued)

	Property sales	Rental operation	Hotel operation	Other operations	Total
6 months ended 31st December 2002	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenues	310,359	50,554	5,981	11,468	378,362
Segment results	12,889	46,055	5,065	(10,221)	53,788
Bank and other interest income					3,494
Net gain on disposal of other investments					3,650
Corporate expenses					(54,545)
Operating profit before financing					6,387
Finance costs					(12,794)
Share of results of					
Associated companies	(1,264)	357	1,696	–	789
Jointly controlled entities	(5,724)	20,838	4,298	2,674	22,086
Profit before taxation					16,468
Taxation					11,153
Profit after taxation					5,315
Minority interests					11,753
Profit attributable to shareholders					17,068

	Property sales	Rental operation	Hotel operation	Other operations	Total
6 months ended 31st December 2001	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenues	439,766	61,033	–	1,581	502,380
Segment results	103,877	37,152	(40)	37	141,026
Bank and other interest income					57,685
Net loss on disposal of subsidiaries					(8,088)
Corporate expenses					(53,067)
Operating profit before financing					137,556
Finance costs					(16,147)
Share of results of					
Associated companies	(4,351)	(369)	884	–	(3,836)
Jointly controlled entities	(38,346)	16,639	7,968	(243)	(13,982)
Profit before taxation					103,591
Taxation					7,371
Profit after taxation					96,220
Minority interests					4,422
Profit attributable to shareholders					100,642

3 Other revenue

	6 months ended 31st December	
	2002 HK\$'000	2001 HK\$'000
Bank and other interest income	3,494	61,823

4 Other income/(charges)

	6 months ended 31st December	
	2002 HK\$'000	2001 HK\$'000
Write-back of provision for amounts due from joint ventures	35,294	–
Write-back of provision for diminution in values of properties held for sale	3,813	–
Net gain/(loss) on disposal of other investments/subsidiaries	3,650	(8,088)
Provision for diminution in value of completed properties held for sale	(2,698)	–
Provision for amount due from a joint venture	(3,704)	–
	36,355	(8,088)

5 Operating profit before financing

	6 months ended 31st December	
	2002 HK\$'000	2001 HK\$'000
Operating profit before financing is arrived at after crediting:		
Gross rental income from investment properties	41,923	61,033
and after charging:		
Cost of properties sold	271,559	314,741
Staff costs	46,908	51,557
Outgoings in respect of investment properties	26,087	2,047
Depreciation	12,303	5,865
Rental for leased premises	6,398	6,296
Amortisation of deferred expenditure	2,645	1,825
Retirement benefit costs	1,944	1,840
Auditors' remuneration	1,600	1,697

6 Taxation

	6 months ended 31st December	
	2002 HK\$'000	2001 HK\$'000
PRC income tax		
Company and subsidiaries	1,825	576
Associated companies	(232)	–
Jointly controlled entities	9,560	6,795
	11,153	7,371

No provision for Hong Kong profits tax has been made within the Group as the Group has no assessable profits in Hong Kong for the period (2001: Nil). PRC income tax has been provided on the estimated assessable profits of a subsidiary operating in the PRC at the applicable rate of taxation.

The Group's associated companies and jointly controlled entities established in the PRC are required to pay income tax at the rate of 33% (2001: 33%).

In July 1999, a deed of tax indemnity was entered into between the ultimate holding company and the Group whereby New World Development Company Limited ("NWD"), the ultimate holding company undertakes to indemnify the Group in respect of, inter alia, certain PRC income tax ("IT") and Land Appreciation Tax ("LAT") payable in consequence of the disposal of certain properties held by the Group as at 31st March 1999 and in respect of which the aggregate amount of LAT and IT is estimated at approximately HK\$7,036 million (30th June 2002: HK\$7,059 million). The tax indemnity is also given in respect of LAT and IT payable in consequence of the disposal of any low-cost community housing in the event the relevant company in the Group is unable to pay such taxes. During the period, no such tax indemnity was effected (30th June 2002: Nil).

Realisation of the surplus on revaluation of the Group's investment and hotel properties would give rise to a taxation liability in the PRC. No provision has been made in the accounts for this liability as these properties are held for the long term and management has no intention to dispose of these properties in the foreseeable future. Tax indemnity has also been given by the ultimate holding company in respect of these properties.

7 Dividend

The directors do not declare the payment of a dividend for the six months ended 31st December 2002 (2001: Nil).

8 Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of 17,068,000 (2001: HK\$100,642,000) and the weighted average of 1,481,941,068 shares (2001: 1,480,338,406 shares) in issue during the period.

Diluted earnings per share is not presented for the period ended 31st December 2002 as the exercise of subscription rights attached to the share options would not have a dilutive effect on the earnings per share. Diluted earnings per share for the period ended 31st December 2001 was based on profit attributable to shareholders of HK\$100,642,000 divided by 1,480,338,406 shares which was the weighted average number of shares in issue during the period ended 31st December 2001 plus the weighted average of 6,749,129 shares deemed to be issued at no consideration as if all outstanding share options had been exercised.

9 Debtors, deposits and other receivables

Debtors, deposits and other receivables include trade debtors, utility and other deposits, interest and other receivables and prepayment for land cost.

The ageing analysis of trade debtors is as follows:

	As at 31st December 2002 HK\$'000	As at 30th June 2002 HK\$'000
0 to 30 days	45,313	36,628
31 to 60 days	7,570	29,909
61 to 90 days	11,858	9,733
Over 90 days	31,337	24,673
	96,078	100,943

Sales proceed receivables in respect of sale of properties are settled in accordance with the instalment schedules as stipulated in the sale and purchase agreements. Monthly rental in respect of rental properties are payable in advance by tenants in accordance with the lease agreements.

10 Creditors and accruals

Creditors and accruals include trade creditors, retentions payable of construction costs, other payables and various accruals. The ageing analysis of trade creditors is as follows:

	As at 31st December 2002 HK\$'000	As at 30th June 2002 HK\$'000
0 to 30 days	90,322	39,988
31 to 60 days	3,130	283
61 to 90 days	2,095	6,126
Over 90 days	75,088	71,324
	170,635	117,721

11 Share capital

	As at 31st December 2002 HK\$'000	As at 30th June 2002 HK\$'000
Authorised:		
8,000,000,000 shares of HK\$0.1 each	800,000	800,000
Issued and fully paid:		
1,481,944,294 shares of HK\$0.1 each (30th June 2002: 1,481,901,894 shares of HK\$0.1 each)	148,194	148,190

11 Share capital (continued)

Details of the movement in the issued share capital of the Company are summarised as follows:

	Number of shares of HK\$0.1 each	HK\$'000
At 30th June 2002	1,481,901,894	148,190
Exercise of share options (note)	42,400	4
At 31st December 2002	1,481,944,294	148,194

Note: Pursuant to the share option scheme adopted on 18th December 2000 ("2000 Share Option Scheme"), the Company may grant options to executive directors and employees of the Company to subscribe for shares in the Company. The movements in the number of share options granted under the 2000 Share Option Scheme during the period are as follows:

Date of offer to grant	Exercise price per share HK\$	Number of share options			
		At 1st July 2002	Exercised during the period	Lapsed during the period	At 31st December 2002
5th February 2001	1.955	47,827,600	42,400	1,404,400	46,380,800
2nd May 2001	2.605	458,400	–	–	458,400
29th June 2001	3.192	2,328,000	–	–	2,328,000
31st August 2001	2.380	2,130,000	–	–	2,130,000
26th March 2002	2.265	2,067,600	–	–	2,067,600
Total		54,811,600	42,400	1,404,400	53,364,800

12 Bank and other borrowings

	As at 31st December 2002 HK\$'000	As at 30th June 2002 HK\$'000
Bank loans (note (a))		
Secured	1,327,653	940,810
Unsecured	1,380,280	961,683
Loans from fellow subsidiaries (note (b))	2,924,038	2,886,037
Loans from minority shareholders (note (c))	387,334	379,612
	6,019,305	5,168,142
Current portion included in current liabilities	(955,374)	(834,045)
	5,063,931	4,334,097

12 Bank and other borrowings (continued)

Notes:

(a) The bank loans are repayable as follows:

	Secured		Unsecured		Total	
	31st December 2002 HK\$'000	30th June 2002 HK\$'000	31st December 2002 HK\$'000	30th June 2002 HK\$'000	31st December 2002 HK\$'000	30th June 2002 HK\$'000
Within one year	52,960	155,763	347,570	140,187	400,530	295,950
Between one and two years	193,146	24,922	130,841	190,654	323,987	215,576
Between two and five years	857,247	523,365	901,869	630,842	1,759,116	1,154,207
After five years	224,300	236,760	-	-	224,300	236,760
	1,327,653	940,810	1,380,280	961,683	2,707,933	1,902,493

Included in the total bank loans is an amount of HK\$348,910,000 (30th June 2002: HK\$361,371,000) which is repayable by instalments up to December 2016 and has been on-lent to an associated company.

(b) The loans from fellow subsidiaries are repayable as follows:

	As at 31st December 2002 HK\$'000	As at 30th June 2002 HK\$'000
Within one year	554,844	538,095
Between one and two years	892,184	892,188
Between two and five years	1,477,010	1,455,754
	2,924,038	2,886,037

The loans from fellow subsidiaries are unsecured and bear interest ranging from three months HIBOR to 0.5% above LIBOR and wholly repayable within five years.

(c) At 31st December 2002, the loans are unsecured, interest free and have no specific repayment terms. At 30th June 2002, except for loans of HK\$25,744,000 which were interest bearing at 10% per annum, the remaining balance was interest free, unsecured and had no specific repayment terms.

13 Contingent liabilities

The Group has contingent liabilities of approximately HK\$1,709,295,000 as at 31st December 2002 (30th June 2002: HK\$1,381,447,000) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities. As at 31st December 2002, the Group's attributable portion of the outstanding amount under these bank loan facilities granted to the associated companies and jointly controlled entities was approximately HK\$1,186,517,000 (30th June 2002: HK\$965,049,000).

14 Commitments

(i) Capital expenditure commitments

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

	As at 31st December 2002 HK\$'000	As at 30th June 2002 HK\$'000
Contracted but not provided for		
Fixed assets	165,843	330,326
Investments in associated companies	–	49,544
Investments in jointly controlled entities	46,419	47,001
	212,262	426,871
Authorised but not contracted for	–	–
	212,262	426,871

(b) As at 31st December 2002, the Group did not have any share of capital commitments of the jointly controlled entities themselves not included in above (30th June 2002: Nil).

(ii) Lease commitments

	As at 31st December 2002 HK\$'000	As at 30th June 2002 HK\$'000
The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:		
The first year	35,856	38,170
The second to fifth years	21,013	139,165
After five years	54,007	473,492
	110,876	650,827

(iii) Other commitments

As at 31st December 2002, the Group had issued performance guarantees amounting to HK\$340,580,000 (30th June 2002: HK\$316,199,000) in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of property projects developed by certain subsidiaries of the Group. Pursuant to the terms of the performance guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties.

15 Related party transactions

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

(i)	6 months ended 31st December	
	2002 HK\$'000	2001 HK\$'000
Interest on loans from fellow subsidiaries	24,685	42,384
Rental for leased premises to a fellow subsidiary	2,508	1,946
Rental for leased premises to an associated company	14,486	–
Estate management fee income from a fellow subsidiary, an associated company and jointly controlled entities	(2,585)	(1,009)
Interest income from jointly controlled entities	(36,378)	(39,537)
Rental income from a fellow subsidiary	(5,607)	–
Rental income from associated companies	(3,095)	–

These related party transactions were governed in accordance with the terms as disclosed in 2002 annual report.

- (ii) Total fees for the provision of project management, construction and engineering consultancy services in respect of certain of the Group's property projects and payable to certain fellow subsidiaries amount to HK\$80,352,000 (2001: HK\$89,621,000). Such fees are charged at fixed amount in accordance with the terms of respective contracts.
- (iii) Certain subsidiaries in the PRC have entered into contract with the PRC partners or their supervisory authority for site clearance, demolition, and resettlement of existing tenants from the sites of the property development projects on the basis of fixed contract sums with overrun costs being wholly borne by the respective PRC partners. The aggregate contract sums under these contracts amount to approximately HK\$166.6 million (30th June 2002: HK\$166.6 million) of which approximately HK\$137.1 million (30th June 2002: HK\$137.1 million) had been incurred as at 31st December 2002.
- (iv) A deed of tax indemnity was entered into between NWD and the Group whereby NWD undertakes to indemnify the Group in respect of IT and LAT payable in consequence of the disposal of certain properties (note 6).

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

- (i) During the year ended 30th June 2002, total fees for the provision of project management, construction and engineering consultancy services in respect of certain property projects of associated companies and jointly controlled entities of the Group amounted to HK\$17.9 million, such fees were payable to certain fellow subsidiaries and were charged at fixed amounts in accordance with the terms of the respective contracts. During the period ended 31st December 2002, no such fee was incurred.

15 Related party transactions (continued)

- (ii) Certain associated companies and jointly controlled entities in the PRC have entered into various contracts with the PRC partners or their supervisory authority for site clearance, demolition, and resettlement of existing tenants from the sites of the property development projects on the basis of fixed contract sums with overrun costs being wholly borne by the respective PRC partners. The aggregate contract sums under these contracts amounted to approximately HK\$308.7 million (30th June 2002: HK\$308.7 million) of which approximately HK\$183.2 million (30th June 2002: HK\$183.2 million) had been incurred as at 31st December 2002.

- (iii) Certain associated companies of the Group have entered into loan agreements with a fellow subsidiary. These loan balances amount to US\$52,730,000 (2001: US\$52,730,000), bear interest ranging from 0.5% above LIBOR to 15% per annum (2001: 0.5% above LIBOR to 15% per annum), and have repayment terms as specified in the loan agreements. The total interest charged for the period ended 31st December 2002 by the fellow subsidiary and included as part of the development costs of properties developed by these associated companies was HK\$3 million (2001: HK\$38.9 million).

Practice Note 19 of the Listing Rules – Supplementary information

(A) Financial assistance and guarantees to affiliated companies

In accordance with the requirements under part 3.3 of Practice Note 19 (“PN 19”) of the Listing Rules, the directors of the Company reported below the details of advances to, and guarantees given for the benefit of, their affiliated companies (as defined by PN 19).

As at 31st December 2002, the Company and its subsidiaries had advanced an aggregate amount of HK\$8,608,234,000 (30th June 2002: HK\$8,456,687,000) to affiliated companies, guaranteed bank loans and other borrowing facilities for the benefit of the affiliated companies in the amount of HK\$1,709,295,000 (30th June 2002: HK\$1,322,568,000) and contracted to further provide an aggregate amount of HK\$771,949,000 (30th June 2002: HK\$1,117,119,000) in capital and loans to affiliated companies. The advances are unsecured, have no fixed repayment terms and are interest free except for an aggregate amount of HK\$6,508,086,000 (30th June 2002: HK\$6,535,232,000) which carry interest ranging from 4% to 12% per annum (30th June 2002: 4% to 12% per annum). Other than an amount of HK\$348,910,000 (30th June 2002: HK\$361,371,000) which is repayable by instalments up to December 2016, the advances have no fixed repayment terms. Contracted capital and loan contributions to affiliated companies would be funded by proceeds from internal resources and bank and other borrowings of the Group.

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

As at 31st December 2002, the Group’s total exposure on the combined indebtedness reported by such affiliated companies (including amounts owing to the Group) amounted to approximately HK\$16,203,183,000 (30th June 2002: HK\$16,232,310,000). Such affiliated companies reported no capital commitments and contingent liabilities as at 31st December 2002 (30th June 2002: Nil).

Practice Note 19 of the Listing Rules – Supplementary information (continued)

(B) Banking facilities with covenants relating to specific performance of the controlling shareholder

In accordance with the requirement under paragraph 3.9 of PN 19 of the Listing Rules, the directors of the Company reported below the details of loan facilities which include conditions relating to specific performance of the controlling shareholder of the Company.

On 9th May 2002, the Company was granted a 4-year term loan facility of up to HK\$500,000,000 and on 16th July 2002, Guangzhou Xin Yin Development Limited, a 90.5% owned subsidiary, was granted a 4-year term loan facility of up to HK\$171,600,000 and a revolving loan facility of up to RMB228,250,000. Upon the granting of each of these loan facilities, the Company undertook to the respective lenders that New World Development Company Limited would retain a holding of at least 51% beneficial interest in the issued share capital of the Company throughout the terms of these facilities. Failure to perform the undertaking which continues for a period of 14 days following the date of notice given by the lender will constitute an event of default.

Details of the charges on Group's assets

As at 31st December 2002, the Group's investment properties, assets under construction, completed properties held for sales and bank deposits of HK\$221,286,000 (30th June 2002: HK\$220,484,000), HK\$1,108,440,000 (30th June 2002: HK\$340,779,000), HK\$116,642,000 (30th June 2002: HK\$116,808,000) and HK\$529,430,000 (30th June 2002: HK\$603,114,000) respectively have been pledged as securities for short term and long term loans.

Audit committee

The Audit Committee has reviewed the unaudited interim financial statements and discussed the financial related matters with management. At the request of Directors, the Group's external auditors have carried out a review of the interim financial statements in accordance with Statement of Auditing Standards 700 issued by the HKSA.

Employee's information

As at 31st December 2002, the Group had 1,221 full-time employees. Remuneration of the employees are reviewed annually based on the assessment of individual performance.

Purchase, Sale or Redemption of Shares

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

Code of Best Practice

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at Annual General Meeting in accordance with Article 116 of the Company's Articles of Association.

Dr. Cheng Kar-shun, Henry

Chairman and Managing Director

Hong Kong, 20th March 2002