



New World Infrastructure Limited

Interim Report 2003



The Directors of the Company announce that the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2002 were as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2002

	<i>Note</i>	Unaudited Six months ended 31.12.2002 HK\$'000	Unaudited Six months ended 31.12.2001 HK\$'000
Turnover	2	309,366	401,189
Other operating income	3	139,919	123,043
Operating costs	4	(588,684)	(419,335)
Operating (loss)/profit before financing		(139,399)	104,897
Finance costs	5	(381,153)	(420,793)
Share of results of associated companies		105,383	110,931
Share of results of jointly controlled entities		430,142	352,840
Profit before taxation		14,973	147,875
Taxation	6	(74,157)	(55,508)
(Loss)/profit after taxation		(59,184)	92,367
Minority interests		(38,981)	7,743
(Loss)/profit for the period		(98,165)	100,110
(Loss)/earnings per share	8		
Basic		(HK\$0.10)	HK\$0.08
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2002

	Note	Unaudited 31.12.2002 HK\$'000	Audited 30.6.2002 HK\$'000
ASSETS			
Current assets			
Inventories		1,178,465	1,179,124
Debtors, deposits and prepayments	9	1,364,019	1,250,305
Amount due from a minority shareholder		207,237	205,389
Pledged deposits		295,700	838,666
Bank balances and cash		1,837,716	956,408
Total current assets		4,883,137	4,429,892
Non-current assets			
Deferred expenditure		40,175	50,997
Associated companies		2,753,958	2,763,858
Jointly controlled entities		9,975,369	10,837,603
Loans receivable		381,114	381,114
Other investments		789,992	880,333
Deposit for proposed investment		2,131,196	786,916
Fixed assets	10	5,834,762	7,493,158
		21,906,566	23,193,979
Total assets		26,789,703	27,623,871
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Creditors and accruals	11	799,683	1,257,892
Amounts due to minority shareholders		120,645	126,886
Secured short-term bank loans		252,336	598,131
Current portion of bank and other borrowings	12	8,374,453	2,236,935
Provision for premium on redemption of convertible bonds		479,861	373,588
Taxation		2,944	5,108
Total current liabilities		10,029,922	4,598,540
Long-term liabilities			
Bank and other borrowings	12	2,608,118	8,890,408
Deferred interest income		316,471	234,916
Deferred taxation		9,423	9,318
Total liabilities		12,963,934	13,733,182
Equity			
Capital and reserves			
Share capital	13	952,180	952,180
Reserves	14	11,094,786	11,010,464
		12,046,966	11,962,644
Minority interests		1,778,803	1,928,045
Total equity and liabilities		26,789,703	27,623,871

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2002

	Unaudited Six months ended 31.12.2002 <i>HK\$'000</i>	Unaudited Six months ended 31.12.2001 (Restated) <i>HK\$'000</i>
Net cash used in operating activities	(10,173)	(433,786)
Net cash inflow from/(used in) investing activities	1,166,020	(1,337,304)
Net cash used in financing activities	(267,997)	(1,039,893)
Net increase/(decrease) in cash and cash equivalents	887,850	(2,810,983)
Cash and cash equivalents at 1 July	817,623	4,815,552
Cash and cash equivalents at 31 December	1,705,473	2,004,569
Analysis of cash and cash equivalents		
Bank balances and cash	1,705,473	2,004,569

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2002

	Unaudited Six months ended 31.12.2002 HK\$'000	Unaudited Six months ended 31.12.2001 HK\$'000	Unaudited Year ended 30.6.02 HK\$'000
Total equity as at 1 July	11,962,644	12,166,283	12,166,283
Exchange difference arising on translation of a subsidiary	(390)	–	–
Interest on mandatorily convertible bonds	–	(29,492)	(49,149)
Net deficit on revaluation of non-trading investments	(37,467)	(33,654)	(126,022)
Net losses not recognised in the consolidated profit and loss account	(37,857)	(63,146)	(175,171)
(Loss)/profit for the period/year	(98,165)	100,110	(148,364)
Impairment losses on other investments	179,997	52,139	154,024
Written-back of impairment loss on other investments	(1,402)	–	–
Release of reserves upon disposal of non-trading securities listed outside Hong Kong	41,749	–	–
Release of reserves upon disposal of associated companies, a jointly controlled entity and a subsidiary	–	(34,245)	(34,245)
Issue of shares	–	6	6
Premium on shares issued	–	111	111
Total equity as at period/year end	12,046,966	12,221,258	11,962,644

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1 Principal accounting policies

These unaudited condensed interim accounts (the "interim accounts") have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 (revised), "Interim financial reporting", issued by the Hong Kong Society of Accountants.

The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those in the annual financial statements for the year ended 30 June 2002, except that the Group has changed certain of its accounting policies following the adoption of new and revised SSAPs which became effective during the current accounting period:

SSAP 1(revised)	:	Presentation of financial statements
SSAP 11(revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 33	:	Discontinuing operations
SSAP 34 (revised)	:	Employee benefits

The adoption of these new or revised SSAPs has no material effect to interim accounts except for certain reclassification of the comparative figures of the condensed consolidated cash flow statement into operating, investing and financing activities and the presentation of the consolidated statement of changes in equity.

2 Turnover and segment information

Turnover represents income from the operation of toll roads and bridges, income from cargo and container handling and storage, interest income and investment income from joint ventures, net of business and withholding taxes, where applicable.

The Group is organised into five main business segments including energy and water treatment, toll roads, toll bridges (collectively the "Infrastructure Assets"), cargo handling and telecommunications, media and technology ("TMT"). Upon the completion of the Reorganisation as further described in note 15, segments except TMT discontinued.

In respect of geographical segment reporting, segment revenues are based on the country in which the investments/operating assets are located.

There are no sales or other transactions between the business and geographical segments. Unallocated costs represent corporate expenses.



2 Turnover and segment information (Continued)

Primary reporting format – business segments

	Six months ended 31 December 2002						Group HK\$'000
	Energy and water treatment HK\$'000	Toll roads HK\$'000	Toll bridges HK\$'000	Cargo handling HK\$'000	TMT HK\$'000	Others HK\$'000	
Segment revenues	2,058	225,201	59,639	9,222	25	–	296,145
Other interest income							13,221
Turnover							309,366
Segment results	(4,161)	127,899	4,284	(46,825)	(155,124)	1,402	(72,525)
Other interest income							13,221
Unallocated costs							(80,095)
Operating loss before financing							(139,399)
Finance costs							(381,153)
Share of results of							
Associated companies	–	–	–	150,414	(45,031)	–	105,383
Jointly controlled entities	230,073	104,916	3,750	111,868	(20,465)	–	430,142
Profit before taxation							14,973
Taxation							(74,157)
Loss after taxation							(59,184)
Minority interests							(38,981)
Loss for the period							(98,165)

2 Turnover and segment information (Continued)

Primary reporting format – business segments (Continued)

	Six months ended 31 December 2001					Group HK\$'000
	Energy and water treatment HK\$'000	Toll roads HK\$'000	Toll bridges HK\$'000	Cargo handling HK\$'000	TMT HK\$'000	
Segment revenues	24,277	200,273	67,186	75,013	5,336	372,085
Other interest income						29,104
Turnover						401,189
Segment results	23,025	106,318	32,813	28,221	(48,976)	141,401
Other interest income						29,104
Unallocated costs						(65,608)
Operating profit before financing						104,897
Finance costs						(420,793)
Share of results of						
Associated companies	–	–	–	136,553	(25,622)	110,931
Jointly controlled entities	187,069	82,108	1,376	90,126	(7,839)	352,840
Profit before taxation						147,875
Taxation						(55,508)
Profit after taxation						92,367
Minority interests						7,743
Profit for the period						100,110

2 Turnover and segment information (Continued)

Secondary reporting format - geographical segments

	Six months ended 31.12.2002		Six months ended 31.12.2001	
	Segment revenues HK\$'000	Segment results HK\$'000	Segment revenues HK\$'000	Segment results HK\$'000
China mainland	291,064	101,575	368,777	91,366
Hong Kong	5,081	51,616	3,110	102,963
Overseas	–	(225,716)	198	(52,928)
	296,145	(72,525)	372,085	141,401
Other interest income	13,221	13,221	29,104	29,104
Turnover	309,366		401,189	
Unallocated costs		(80,095)		(65,608)
Operating (loss)/profit before financing		(139,399)		104,897

3 Other operating income

	Six months ended 31.12.2002 HK\$'000	Six months ended 31.12.2001 HK\$'000
Gain on disposal of subsidiaries	15,514	–
Gain on disposal of unlisted investment	118,541	–
Gain on disposal of jointly controlled entities	–	113,676
Surplus arising from deconsolidation of a subsidiary	–	4,905
Written-back of impairment loss on other investments	1,402	–
Others	4,462	4,462
	139,919	123,043

4 Operating costs

	Six months ended 31.12.2002 HK\$'000	Six months ended 31.12.2001 HK\$'000
Impairment losses on other investments	179,997	52,139
Impairment losses on fixed assets	35,000	77,500
Depreciation	118,407	110,004
Loss on disposal of non-trading securities listed outside Hong Kong	41,749	–
Management fees paid in connection with toll collection, maintenance and management services	28,831	28,487
Auditors' remuneration	3,559	3,066
Rental for leased premises	6,723	10,587
Loss on disposal of fixed assets	118	4,938
Amortisation of cost of investments in co-operative joint ventures	8,929	767
Staff costs	60,500	76,076
Retirement benefit costs	2,172	4,082
Provision for payments on account of proposed joint ventures	18,677	2,340
Other operating costs	84,022	49,349
	588,684	419,335

5 Finance costs

	Six months ended 31.12.2002 HK\$'000	Six months ended 31.12.2001 HK\$'000
Interest on convertible bonds	6,635	8,664
Interest on bank and other borrowings		
Wholly repayable within five years	215,287	293,503
Not wholly repayable within five years	32,183	29,782
Amortisation of deferred expenditure	10,822	16,009
Provision for premium on redemption of convertible bonds	116,226	97,350
	381,153	445,308
Amount capitalised as construction in progress	–	(24,515)
	381,153	420,793

6 Taxation

	Six months ended 31.12.2002 HK\$'000	Six months ended 31.12.2001 HK\$'000
Company and subsidiaries		
PRC income tax	8,019	6,461
Deferred tax	105	–
	8,124	6,461

Associated companies		
Hong Kong profits tax	24,367	21,166
PRC income tax	27	–
	24,394	21,166

Jointly controlled entities		
Hong Kong profits tax	15,519	12,077
Macau income tax	12,009	11,370
PRC income tax	13,637	4,434
Deferred tax	474	–
	41,639	27,881

	74,157	55,508

Hong Kong profits tax has been provided at the rate of 16% (six months ended 31.12.2001: 16%) on income assessable to Hong Kong profits tax. PRC and Macau income tax have been provided on the estimated assessable profits for the period at their prevailing rates of taxation.

7 Dividend

The Board of Directors does not recommend the payment of an interim dividend in respect of the six months ended 31 December 2002 (six months ended 31.12.2001: nil).

8 (Loss)/earnings per share

The calculation of (loss)/earnings per share is based on the loss for the period of HK\$98,165,000 (six months ended 31.12.2001: profit attributable to the shareholders of HK\$70,618,000 after adjusting for the interest of HK\$29,492,000 on the mandatorily convertible bonds) and the weighted average of 952,180,007 (six months ended 31.12.2001: 855,330,742) shares in issue during the period.

The diluted loss per share for the period is not presented as the Company has no dilutive potential shares at the period end (six months ended 31.12.2001: n/a).

9 Debtors, deposits and prepayments

- (a) Ageing analysis of trade debtors is not presented as the amount outstanding at period/year end is insignificant.
- (b) Also included are trade deposits of approximately HK\$973 million (as at 30.6.2002: HK\$969 million) paid to an associated company for the purchase of inventories.

10 Fixed assets

	Toll roads HK\$'000	Toll bridges HK\$'000	Land and buildings HK\$'000	Port facilities and terminal equipment HK\$'000	Construction in progress HK\$'000	Others HK\$'000	Total HK\$'000
Cost							
At 1 July 2002	4,428,800	1,938,087	345,409	50,284	1,603,740	133,334	8,499,654
Additions	2,332	–	–	1,372	1,384	3,599	8,687
Disposals	(1,307)	–	–	–	–	(49)	(1,356)
Disposal of subsidiaries	–	–	–	–	(1,511,994)	(683)	(1,512,677)
At 31 December 2002	4,429,825	1,938,087	345,409	51,656	93,130	136,201	6,994,308
Accumulated depreciation and impairment losses							
At 1 July 2002	465,768	316,858	149,500	8,209	2,500	63,661	1,006,496
Charge for the period	72,630	35,045	2,786	1,513	–	6,433	118,407
Impairment losses	–	–	20,000	–	15,000	–	35,000
Disposals	(136)	–	–	–	–	(44)	(180)
Disposal of subsidiaries	–	–	–	–	–	(177)	(177)
At 31 December 2002	538,262	351,903	172,286	9,722	17,500	69,873	1,159,546
Net book value							
At 31 December 2002	3,891,563	1,586,184	173,123	41,934	75,630	66,328	5,834,762
At 30 June 2002	3,963,032	1,621,229	195,909	42,075	1,601,240	69,673	7,493,158

11 Creditors and accruals

Ageing analysis of trade creditors is not presented as the amount outstanding as at period/year end is insignificant.

12 Bank and other borrowings

	Unaudited 31.12.2002 HK\$'000	Audited 30.6.2002 HK\$'000
1% Convertible bonds (<i>note a</i>)	1,320,119	1,350,539
10% Fixed rate notes	200,000	200,000
Floating rate notes	351,000	351,000
Loan from a fellow subsidiary	1,400,000	1,400,000
Bank loans		
Unsecured (<i>note b</i>)	5,514,000	5,514,000
Secured (<i>note b</i>)	1,143,420	1,021,925
Loans from minority shareholders of subsidiaries		
Interest bearing	794,299	1,026,822
Non-interest bearing	259,733	263,057
Current portion included in current liabilities	10,982,571 (8,374,453)	11,127,343 (2,236,935)
	2,608,118	8,890,408

(a) During the period, the Company repurchased bonds with an aggregate principal amount of US\$3,900,000 (six months ended 31.12.2001: US\$4,000,000) for a total consideration of HK\$40,373,000 (six months ended 31.12.2001: HK\$39,567,000) and these bonds were then cancelled. Provision for premium on redemption of the bonds of HK\$9,953,000 (six months ended 31.12.2001: HK\$8,367,000) was applied to set off against the deficit arising from the repurchase of the bonds. The bonds were redeemed subsequently on 3 March 2003.

(b) Long term bank loans are repayable as follows:

	Unaudited 31.12.2002 HK\$'000	Audited 30.6.2002 HK\$'000
Within one year	5,616,335	535,396
Between one and two years	109,612	1,527,810
Between two and five years	756,240	4,296,856
After five years	175,233	175,863
	6,657,420	6,535,925

13 Share capital

	Unaudited 31.12.2002 HK\$'000	Audited 30.6.2002 HK\$'000
<i>Authorised:</i> 2,000,000,000 shares of HK\$1 each	2,000,000	2,000,000
<i>Issued and fully paid:</i> 952,180,007 (30.6.2002: 952,180,007) shares of HK\$1 each	952,180	952,180

No shares were issued during the period (year ended 30.6.2002: 96,854,667 shares were issued upon the conversion of US\$15,000 5% convertible bonds due 2001 and US\$150,000,000 mandatorily convertible bonds at a conversion price of HK\$19.61 and HK\$12.00 per share, respectively).

Pursuant to the share option schemes adopted on 3 October 1997 (the "1997 Share Option Scheme") and 6 December 2001 (the "2001 Share Option Scheme"), the Company may grant options to directors and employees of the Group to subscribe for shares in the Company. No option had been granted under the 2001 Share Option Scheme since its adoption. The movements in the number of share options under the 1997 Share Option Scheme during the period and the balance outstanding at 31 December 2002 were as follows:

Exercise price per share HK\$	At 1 July 2002	Lapsed during the period	At 31 December 2002
10.20 ⁽¹⁾	2,282,000	–	2,282,000
10.20 ⁽²⁾	240,000	–	240,000
12.00 ⁽³⁾	10,391,000	(51,000)	10,340,000
12.00 ⁽⁴⁾	960,000	–	960,000
	13,873,000	(51,000)	13,822,000

(1) Exercisable from 1 July 1999 to 1 June 2004.

(2) Exercisable from 1 July 2000 to 1 June 2005.

(3) Divided into 3 or 5 tranches exercisable from 1 July 1999 to 1 June 2004, from 1 July 2000 to 1 June 2004, from 1 July 2001 to 1 June 2004, from 1 July 2002 to 1 June 2004 and from 1 July 2003 to 1 June 2004 respectively.

(4) Divided into 3 tranches exercisable from 1 July 2001 to 1 June 2005, from 1 July 2002 to 1 June 2005 and from 1 July 2003 to 1 June 2005 respectively.

14 Reserves

	Contributed surplus <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profit <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2002	1,377,599	5,660,047	290,049	3,867,209	(184,440)	11,010,464
Foreign exchange adjustments	–	–	–	(390)	–	(390)
Loss for the period	–	–	–	(98,165)	–	(98,165)
Transfer to capital reserve account	–	–	4,988	(4,988)	–	–
Net deficit on revaluation of non-trading investments	–	–	–	–	(37,467)	(37,467)
Impairment losses charged to profit and loss account	–	–	–	–	179,997	179,997
Realised loss transferred to profit and loss account	–	–	–	–	41,749	41,749
Written-back of impairment loss transferred to profit and loss account	–	–	–	–	(1,402)	(1,402)
At 31 December 2002	1,377,599	5,660,047	295,037	3,763,666	(1,563)	11,094,786

15 Reorganisation and discontinuing operations

On 21 October 2002, the Company entered into conditional agreements with New World Development Company Limited (“NWD”), the ultimate holding company, and PPC, a then 75% owned subsidiary which was principally engaged in cargo handling and related businesses, to implement a reorganisation (the “Reorganisation”). The Reorganisation was completed on 29 January 2003 and under the Reorganisation, the Group disposed of its investments in roads and bridges, water treatment and power plants (the “Infrastructure Assets”) to PPC, and PPC acquired the entire equity interest of New World Services Limited (renamed NWS Service Management Limited), a subsidiary of NWD. The consideration paid by PPC for the Infrastructure Assets of HK\$10,227 million comprised (i) HK\$8,545 million in cash, subject to adjustment, if any, (ii) approximately 853 million newly issued shares of PPC (the “Consideration Shares”) and (iii) the undertaking by PPC to pay certain liabilities of the Group in the aggregate amount of approximately HK\$886 million. In addition, the Group converted all preference shares of PPC into ordinary shares and thereafter distributed all the PPC ordinary shares then held by the Group including the Consideration Shares to the shareholders of the Company. Further details of the Reorganisation are set out in the shareholders’ circular of the Company dated 18 November 2002.

The gain resulted from the Reorganisation was approximately HK\$0.3 billion. Following the disposal of Infrastructure Assets, the Group has applied the cash consideration to early repay certain bank and other borrowings aggregated approximately HK\$8.3 billion. After the Reorganisation, the Group focuses on the TMT businesses.

15 Reorganisation and discontinuing operations (Continued)

The unaudited financial information of the Infrastructure Assets and cargo handling segment was as follows:

	Six months ended 31.12.2002			Six months ended 31.12.2001		
	Infrastructure Assets HK\$'000	Cargo handling HK\$'000	Total HK\$'000	Infrastructure Assets HK\$'000	Cargo handling HK\$'000	Total HK\$'000
Turnover	286,898	9,222	296,120	291,362	75,013	366,375
Other operating income	2,233	–	2,233	–	117,918	117,918
Operating costs	(176,623)	(56,047)	(232,670)	(136,645)	(164,710)	(301,355)
Operating/(loss) profit before financing	112,508	(46,825)	65,683	154,717	28,221	182,938
Finance costs	(55,096)	–	(55,096)	(55,621)	(2,722)	(58,343)
Share of results of associated companies	–	150,414	150,414	–	136,553	136,553
Share of results of jointly controlled entities	338,739	111,868	450,607	270,557	90,126	360,683
Profit before taxation	396,151	215,457	611,608	369,653	252,178	621,831
Taxation	(34,116)	(39,988)	(74,104)	(21,689)	(33,282)	(54,971)
Profit after taxation	362,035	175,469	537,504	347,964	218,896	566,860
Minority interests	(1,451)	(40,966)	(42,417)	(13,420)	18,383	4,963
Profit for the period	360,584	134,503	495,087	334,544	237,279	571,823
	Six months ended 31.12.2002			Six months ended 31.12.2001		
	Infrastructure Assets HK\$'000	Cargo handling HK\$'000	Total HK\$'000	Infrastructure Assets HK\$'000	Cargo handling HK\$'000	Total HK\$'000
Cash inflow/(outflow) in respect of:						
Operating activities	184,881	(61,739)	123,142	163,713	14,363	178,076
Investing activities	61,330	148,427	209,757	277,331	385,349	662,680
Financing activities	(60,931)	–	(60,931)	(439,938)	4,038	(435,900)
Net cash inflow	185,280	86,688	271,968	1,106	403,750	404,856
	As at 31.12.2002			As at 30.6.2002		
	Infrastructure Assets HK\$'000	Cargo handling HK\$'000	Total HK\$'000	Infrastructure Assets HK\$'000	Cargo handling HK\$'000	Total HK\$'000
Total assets	13,613,717	3,829,060	17,442,777	13,219,624	3,718,438	16,938,062
Total liabilities	(9,453,725)	(32,831)	(9,486,556)	(9,421,667)	(87,206)	(9,508,873)
Minority Interests	(1,677,323)	(139,224)	(1,816,547)	(1,675,872)	(98,259)	(1,774,131)
Net amount due to holding company	2,482,669	3,657,005	6,139,674	2,122,085	3,532,973	5,655,058
	6,722,974	–	6,722,974	6,902,077	–	6,902,077
	9,205,643	3,657,005	12,862,648	9,024,162	3,532,973	12,557,135

16 Contingent liabilities

The Group has contingent liabilities relating to guarantees (the "Guarantees") given to banks of approximately HK\$1,325 million (as at 30.6.2002: HK\$1,059 million) in respect of the bank loan facilities (the "Facilities") extended to two (as at 30.6.2002: two) jointly controlled entities of the Group. On 11 October 2001, a subscription agreement was entered into between the Group and an associated company in respect of the disposal of an effective interest of 9.75% in Asia Container Terminals Limited, one of the two aforementioned jointly controlled entities ("Subscription Agreement"). Pursuant to the Subscription Agreement, the associated company agreed to counter-indemnify the Group in respect of such guarantee amounted to approximately HK\$507 million (as at 30.6.2002: HK\$527 million). As at 31 December 2002, the outstanding amount under the Facilities were approximately HK\$695 million (as at 30.6.2002: HK\$361 million).

Upon completion of the Reorganisation, that part of Guarantees given to banks in respect of the loan facility granted to Asia Container Terminals Limited has been released and the outstanding amount under the loan was approximately HK\$228 million as at 31 December 2002.

17 Commitments

- (a) At 31 December 2002, the capital commitments, principally for construction of toll roads, bridges and port facilities and acquisition of other investments were as follows:

	Unaudited 31.12.2002 HK\$'000	Audited 30.6.2002 HK\$'000
Contracted but not provided for	99,271	6,621
Authorised but not contracted for	181,211	181,211
	280,482	187,832

Had the Reorganisation been completed on 31 December 2002, these capital commitments would be approximately HK\$96 million.

- (b) The Group has committed to provide sufficient funds in the forms of capital and loan contributions to certain joint ventures under various joint venture contracts to finance relevant projects. The directors estimate that the Group's share of projected funds requirements of these projects would be approximately HK\$73 million (as at 30.6.2002: HK\$79 million) which represents the attributable portion of the capital and loan contributions to be made to the joint ventures. These commitments fell to approximately HK\$57 million immediately after the completion of the Reorganisation.

17 Commitments (Continued)

- (c) At 31 December 2002, the Group's share of capital commitments of the jointly controlled entities themselves not included in note 17 (b) above were as follows:

	Unaudited 31.12.2002 HK\$'000	Audited 30.6.2002 HK\$'000
Contracted but not provided for	171,000	206,000
Authorised but not contracted for	66,000	129,000
	237,000	335,000

A subsidiary and jointly controlled entities were parties to agreements with third parties pursuant to the joint development of Container Terminal 9 ("CT9") in Hong Kong, the related berth swap arrangement and the funding therefor. The Group's attributable share of capital commitments as at 31 December 2002 was HK\$197 million (as at 30.6.2002: HK\$261 million) which has been included above.

One of the jointly controlled entities had obtained banking facilities to finance 60% of its share of development costs at CT9 and reduced the funds to be injected by the Group accordingly. The Group had given guarantee in respect of the banking facilities and is included in note 16 above.

In the event of default of any of the third parties, the subsidiary and jointly controlled entities will be required to provide additional funds for the project. The Company had given guarantees in respect of these obligations of the subsidiaries and jointly controlled entities to provide additional funds. Were the Company required to perform its obligations under the guarantees, the maximum amount of the additional liabilities assumed, in addition to the Group's share of the capital commitments of CT9 as included above, was HK\$1,572 million (as at 30.6.2002: HK\$1,482 million). Pursuant to the Subscription Agreement, the associated company agreed to counter-indemnify the Company in respect of such guarantees amounted to approximately HK\$929 million (as at 30.6.2002: HK\$876 million).

The Group's commitments and obligations mentioned above have been released upon completion of the Reorganisation.

- (d) Certain PRC subsidiaries had entered into various contracts with the PRC partners or their supervisory authorities for the provision of toll collection, maintenance and management services and these subsidiaries had agreed to pay a management fee at fixed rates ranging from 14% to 16% (year ended 30.6.2002: 14% to 16%) per annum of toll revenues after business tax. These PRC subsidiaries have been sold to PPC on 29 January 2003 as part of the Reorganisation.
- (e) At 31 December 2002, the Group had future aggregate minimum lease payments under operating leases as follows:

	Unaudited 31.12.2002 HK\$'000	Audited 30.6.2002 HK\$'000
Land and buildings		
In the first year	3,937	9,516
In the second to fifth years inclusive	957	6,934
	4,894	16,450

- (f) At 31 December 2002, the Group has outstanding foreign currency forward contracts amounting to US\$50 million (as at 30.6.2002: US\$50 million) for the purpose of hedging of long-term borrowings.

18 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 31.12.2002 HK\$'000	Six months ended 31.12.2001 HK\$'000
Interest income from jointly controlled entities (gross of withholding tax) (note a)	(22,329)	(47,398)
Management fee received from a jointly controlled entity (note b)	(4,462)	(4,462)
Purchases from an associated company	–	598,361
Rental for leased premises to a fellow subsidiary (note c)	4,082	3,947
Interest expense paid to a fellow subsidiary (note d)	23,162	–

Notes:

- (a) This represents interest income in respect of loan financing provided to jointly controlled entities. These loans are unsecured, carry interest at Hong Kong prime rate (six months ended 31.12.2001: Hong Kong prime rate) or at fixed rates ranging from 6% to 15% per annum (six months ended 31.12.2001: 6% to 15% per annum) and have repayment terms as specified in the respective joint venture agreements.
- (b) This represents management fee income in respect of management and administrative services rendered by the Group to a jointly controlled entity. The management fee is charged at a fixed annual amount as specified in the management and administrative services agreement.
- (c) The rental is charged at fixed monthly fees as specified in the tenancy agreements.
- (d) The interest is charged at prevailing market rate.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the six month interim period ended 31 December 2002, the New World Group undertook a reorganisation (the "Reorganisation") to streamline its organisational structure and to create a greater business focus among its affiliated businesses. The full details of the Reorganisation were set out in the circular dated 18 November 2002 to shareholders. The Reorganisation was approved in an extraordinary general meeting of the shareholders held on 12 December 2002. As part of the Reorganisation, NWI divested its traditional infrastructure assets to Pacific Ports Company Limited ("PPC", renamed NWS Holdings Limited). Upon completion of the Reorganisation the business focus of NWI shifted to the high-growth sector of telecommunications, media and technology ("TMT") and significantly deleveraged with the proceeds of assets sale.

The Reorganisation was completed after the end of this interim period on 29 January 2003. For this reporting period the NWI business operation was not affected by the Reorganisation. NWI recorded a loss of HK\$98.2 million, compared to a profit of HK\$100.1 million in the corresponding FY2002 period. The primary reason for the result was the non-recurring loss of HK\$131.2 million, compared to a gain of HK\$26.8 million in the previous corresponding period. This was due mainly to losses of HK\$191.4 million in respect of the chinadotcom corporation shareholding, which was completely disposed of in January 2003, and the impairment losses on other investments. These losses were partly offset by gains of HK\$134.1 million on the disposal of certain PRC investments. As for the operational results, attributable operating profit ("AOP") decreased to HK\$422.7 million from HK\$463.1 million for the FY2002 interim due to the results of the TMT segment. Finance costs and head office overheads remained stable.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Cargo Handling

The AOP of the Cargo Handling Segment increased slightly by 1% to HK\$160.8 million for this interim period.

In Hong Kong, the AOP of Container Terminal No.3 increased from HK\$66.2 million to HK\$71.6 million. The growth was mainly attributable to a 6% rise in throughput volume and stringent cost controls. The AOP of ATL Logistic Centre increased 4% to HK\$75.8 million for the period, driven by a rise in cargo volume for existing customers and the addition of new customers.

The PRC operations performed satisfactorily. Throughput volume of Xiamen Xiangyu Container Terminal ("Xiangyu") and CSX Orient (Tianjin) Container Terminals Co. Ltd. grew by 43% and 10% respectively. The effect on AOP of the increase at Xiangyu, however, were offset by a reduction in the Group's share of its results from 92% to 56%. This decrease was due to a merger undertaken by Xiamen port projects in 2002.

Roads and Bridges

The AOP of the Roads and Bridges Segment was HK\$156 million, an increase of 15% compared to HK\$135.8 million at the FY2002 interim.

In Southern Guangdong, the average daily traffic flow of Guangzhou City Northern Ring Road remained stable at around 121,000 vehicles. Phase I and Phase II of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) experienced a 17% and 24% growth in average daily traffic flow respectively compared to the FY2002 interim. Performance of the projects in Western Guangdong was also stable. However, contribution to AOP decreased as a result of less interest income derived from these projects as shareholder loans were gradually repaid. Steady growth in the traffic flow of road projects in Northern Guangdong was maintained. In Eastern Guangdong average daily traffic flow of the Shenzhen-Huizhou Expressway increased significantly due to a temporary traffic diversion. AOP contribution from Shenzhen-Huizhou Expressway and Roadway together rose by 9%. Hui-Ao Roadway recorded a satisfactory increase in average daily traffic flow and an improvement in operating results was noted, thus reducing the attributable operating loss by 18%.

There was no significant fluctuation in the average daily traffic flow within the Guangxi road network. AOP contribution from the Shanxi road network increased significantly due to a rise in toll rates for Roadway No. 309 (Changzhi Section) and the Taiyuan-to-Changzhi Roadway (Changzhi Section) in August 2002. The results of Tangjin Expressway in Tianjin remained strong as the average daily traffic flow increased by 38% compared to the FY2002 interim. The contribution from Wuhan Airport Expressway remained stable while Tate's Cairn Tunnel in Hong Kong recorded an increase in AOP of 21% due to a reduction in interest costs. The performance of projects in other regions was satisfactory.

Energy and Water Treatment

The AOP of the Energy and Water Treatment Segment increased slightly by 3% to HK\$204.6 million, up from HK\$198.8 million for the FY2002 interim. The combined AOP of Zhujiang I and II rose by 9% to HK\$137.1 million, mainly as a result of an increase in the guaranteed profit margin of Zhujiang I. This gain was partly off-set by the reduction in contribution from Zhujiang II due to a decrease in tariff of some 22% since July 2002.

AOP contribution from Shunde DeSheng Power Plant decreased by HK\$4.1 million as a result of the reduction in interest income on a shareholder's loan that was fully repaid in June 2002.

AOP contribution from Sino French Holdings (Hong Kong) Ltd. dropped 9% compared to the FY2002 interim. The decrease was mainly due to a fall in profit contribution from Shenyang Public Utility Holdings Company Ltd., which disposed of water plants after its restructuring in August 2002, and a provision for under-performing PRC water plants.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Telecommunications, Media and Technology

The TMT Segment recorded an attributable operating loss of HK\$98.7 million, compared to a loss of HK\$31.4 million for the FY2002 interim. This loss was mainly represented by pre-operating expenses as most TMT projects are still in the development stage.

Telecommunications

In mid-2002, General Wireless Technologies Inc. ("GWTec") launched its second generation PDA (mobile Broker Online or mBOL). The new product launch received a satisfactory response from consumers in the cities of Shenzhen, Shanghai, Chengdu and Wuhan. GWTec commenced development on industrial applications for other products and a mass-market two-way communications device. On the operational front, GWTec instituted a cost reduction program to further improve its business model. This initiative calls for the localisation of product development and manufacturing. Byair Corporation (formerly known as GWcom Inc) is a service provider delivering mobile information services in 13 provinces in China. Its number of paying subscribers reached 1.9 million at the end of 2002.

Shenzhen New World Xianglong Network Technology Company Limited ("Xianglong"), a telecom network operator and a provider of value-added services, progressed in the development of its business. Xianglong's Guangdong-based call center operation, one of the largest call centres in Shenzhen with over 400 agents, succeeded in attracting new clients, including China Mobile. Xianglong completed the set-up of and commenced marketing for the VPN (Virtual Phone Network). A second call centre of larger scale in Guangzhou was expected to complete by mid-2003.

Linkair, a developer of LAS-CDMA (Large Area Synchronized Code Division Multiple Access) technology, continued to focus on 3G and 4G wireless communications standards, licensed proprietary technology and the manufacture of ASICs. On the product front, Linkair progressed in the development of a handset and a new network system. In this period, Linkair established a joint venture with Founders, one of the first six nation level pioneer enterprises in innovative technologies, and China Putian, one of the largest IT companies in the PRC. This partnership supports and accelerates the development of Linkair's LAS-CDMA technology.

Media

NWI embarked on an initiative to consolidate media properties. The primary focus is to house investments in Internet, advertising and content under one banner. Meanwhile, Prediwave, a developer of an end-to-end solution for interactive television, successfully completed a demonstration with the Fujian cable TV and is now negotiating for mass orders. The Prediwave system was also rolled out in Guangzhou.

Technology

New Qu Energy successfully tested its technology in both Qinghai-Tibet Railway and Qinghai-Tibet Expressway projects with a length of over 1,900 km each. New Qu Energy received an initial order for a 5 km section of the Qinghai-Tibet Expressway.

Other activities in the technology sector revolve around biotechnology. NWI invested in botanical drug products, human therapeutic antibodies, stem cell therapies and genetic engineering. Overall, biotech investments have 17 patents pending in the US. Presently, the biotech portfolio operates R&D laboratories in America and China. Investors from the US pharmaceutical industry, venture capitalists and Mainland universities are all part of the product development plan.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Outlook

NWI is primed for a period of rapid growth after the completion of its asset restructuring and a change of business focus. From wireless applications and broadband services to interactive television, biotechnology advances and the introduction of new technology, the China market is filled with promise. User numbers and revenues streams are expanding at an exponential rate across all TMT sectors, and no other market in the world presents the growth opportunity of Greater China. In the coming years, this opportunity can only increase with the opening of the market in the wake of the WTO accession and the government's clear indication that TMT development is a primary concern.

Many existing telecommunications and media enterprises are now in a position to launch products into the market. While technology firms are still in the development phase the commercialisation process is progressing at full speed. Meanwhile, research and development across all sectors will deliver new products and services to a market with an enormous appetite for technology. Given these factors, NWI's TMT business stands ready to contribute to AOP.

Liquidity and Financial Resources

The Reorganisation had significant impact on the liquidity position of the Group. Liquid financial resources including cash sale proceeds of asset disposal were used to repay the Group's external debts as far as possible.

As of 31 December 2002, total cash and bank balances of the Group amounted to HK\$2.13 billion, compared to HK\$1.8 billion at year-end FY2002. The increase in the cash balance was mainly attributable to proceeds from the disposal of Jincheng-Jiaozuo Expressway. This increase was offset by investment in new projects and repayment of bank loans. Total Debt (total borrowings less loans from minority shareholders of subsidiaries) decreased from HK\$10.44 billion at year-end FY2002 to HK\$10.18 billion at the end of the FY2003 interim. Except for the Rmb loan facilities, all other debts are unsecured. Bank loans of about Rmb1.49 billion were secured by the Group's interest in certain joint ventures, three subsidiaries in the PRC and pledge of deposits. Total Debt to Equity of the Group dropped slightly from 87% as at end of FY2002 to 84% as at 31 December 2002 and fell below 15% after the Reorganisation.

EMPLOYEES

The Group has 130 employees at 31 December 2002, compared to 139 at 30 June 2002. On 29 January 2003, NWI and PPC entered into an agreement pursuant to which the Company agreed to second 71 employees to PPC, or companies within the PPC Group post-Reorganisation until 30 June 2003 (or such other date as agreed by the parties). These employees continue to manage and operate the Infrastructure Assets, in order to ensure a smooth transfer of the Infrastructure Assets from the Group to PPC following completion of the Reorganisation. The remaining employees of NWI now focus on the operations of TMT projects. Remuneration policies of the Company are consistent with prior years.

PRACTICE NOTE 19 TO LISTING RULES

In accordance with the general disclosure obligation under Paragraph 2(1) of the Listing Agreement and supplemented by Practice Note No.19 to the Listing Rules, the Company is required to disclose the following information to its shareholders and the general public:

Specific Performance of the Controlling Shareholder

Reference was made to the US\$280 million syndicated loan agreement dated 25 April 2000 with a final maturity in 2005, a HK\$600 million term loan facility agreement dated 16 June 2000 with a final maturity in 2005 provided that the lender does not exercise its option to demand repayment in 2003 and the US\$350 million syndicated loan agreement dated 30 May 2001 with a final maturity in 2006. In accordance with the terms of the aforementioned agreements, NWD is required to control more than 50% of the voting share capital or the composition of more than 50% of the board of directors of the Company. As at 31 December 2002, the total outstanding amount of the aforementioned loans was approximately HK\$5.51 billion (as at 30.6.2002: HK\$5.51 billion). These loans have been early repaid on 29 January 2003.

PRACTICE NOTE 19 TO LISTING RULES (Continued)**Financial Assistance and Guarantees**

As at 31 December 2002, the Group has given shareholder loans/advances to its affiliated companies with an aggregate of some HK\$3.34 billion. Except for an amount of some HK\$8.4 million, which carries interest at the Hong Kong prime rate, and a total amount of about HK\$1.53 billion, which bears interest ranging from 6% to 15% per annum, all other loans are interest free. Except for the amounts of some HK\$428.5 million, HK\$271.7 million, HK\$23.4 million and HK\$288.6 million, which are repayable in 5, 7, 8 & 10 years respectively, these loans have no definite repayment terms. All loans are unsecured and repayable in cash out of the net cash surplus from the operations of affiliated companies.

As at 31 December 2002, the Group has committed to provide a total of HK\$163.9 million in shareholder loans/advances to its affiliated companies.

The shareholder loans/advances were funded by equity raised at the initial public offering of the Company or by borrowings or from the internal resources of the Group.

Had the Reorganisation been completed on 31 December 2002, the shareholders loans/advances given to its affiliated companies would be about HK\$438.2 million and its commitment to provide these loans/advances would be approximately HK\$33.6 million.

The Company has given guarantees to banks of approximately HK\$1.33 billion in respect of the bank loan facilities extended to two jointly controlled entities of the Group. As at 31 December 2002, the outstanding amount under the bank loan facilities in respect of the guarantee was some HK\$695 million. The total shareholder loans/advances and guarantees represented about 33% of the consolidated net asset value of the Group as at 31 December 2002. Upon the completion of the Reorganisation, the Group's obligations under the guarantee given to banks in respect of loan facility granted to one of the two jointly controlled entities has been released and the outstanding amount in respect of such guarantee was approximately HK\$227.7 million as at 31 December 2002.

In additions to the above, a subsidiary and jointly controlled entities of the Group are parties to agreements with third parties pursuant to the joint development of Container Terminal 9 in Hong Kong, the related berth swap arrangement and the funding therefore. The Company has given guarantees in respect of these obligations of the subsidiaries and jointly controlled entities to provide additional funds. Were the Company required to perform its obligations under the guarantees, the maximum amount of the Company's share of the liability under the guarantees would be HK\$5.12 billion. Pursuant to the terms of a subscription agreement dated 11 October 2001, which was entered into between the Group and an associated company in respect of the disposal of an effective interest of 9.75% in one of the jointly controlled entities, the associated company has agreed to counter-indemnify the Group in respect of such guarantees for a maximum amount of approximately HK\$3.02 billion. These guarantees have been released following the completion of the Reorganisation.

Indebtedness, Capital Commitments and Contingent Liabilities of Affiliated Companies

As of 31 December 2002, the affiliated companies of the Group had outstanding borrowings of some HK\$13.94 billion comprised of secured bank loans of HK\$3.25 billion, unsecured bank loans of HK\$4.93 billion and other loans of some HK\$5.76 billion. The total capital commitments of affiliated companies amounted to some HK\$1.62 billion and total contingent liabilities amounted to HK\$222.6 million as at 31 December 2002.

Had the Reorganisation been completed on 31 December 2002, the outstanding borrowings of the affiliated companies would be some HK\$1.07 billion comprised of secured bank loans of HK\$126.9 million, unsecured bank loans of HK\$472 million and other loans of HK\$467.2 million. No capital commitments and contingent liabilities of affiliated companies would be required or existed.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 31 December 2002, the following directors of the Company had personal interests in share options to subscribe for shares in the Company granted to them under the share option scheme (the "1997 Share Option Scheme") adopted by the Company on 3 October 1997 as follows:

	Grant date	Options held at 1.7.2002	Options held at 31.12.2002	Exercise price per share HK\$	Note
Dr. Cheng Kar-Shun, Henry	2 December 1998	600,000	600,000	10.20	(1)
	2 December 1998	2,400,000	2,400,000	12.00	(2)
Mr. Doo Wai-Hoi, William*	16 December 1998	200,000	200,000	10.20	(1)
	16 December 1998	800,000	800,000	12.00	(2)
Mr. Chan Wing-Tak, Douglas	26 November 1998	320,000	320,000	10.20	(1)
	26 November 1998	1,280,000	1,280,000	12.00	(2)
Mr. Cheng Kar-Shing, Peter#	1 December 1998	120,000	120,000	10.20	(1)
	1 December 1998	480,000	480,000	12.00	(2)
Mr. Leung Chi-Kin, Stewart#	8 December 1998	120,000	120,000	10.20	(1)
	8 December 1998	480,000	480,000	12.00	(2)
Mr. Chan Kam-Ling#	9 December 1998	200,000	200,000	10.20	(1)
	9 December 1998	800,000	800,000	12.00	(2)
Mr. So Ngok#	26 November 1998	200,000	200,000	10.20	(1)
	26 November 1998	800,000	800,000	12.00	(2)
Dr. Li Kwok-Po, David#	28 November 1998	120,000	120,000	10.20	(1)
	28 November 1998	480,000	480,000	12.00	(2)
Mr. Cheng Wai-Chee, Christopher#	11 December 1998	120,000	120,000	10.20	(1)
	11 December 1998	480,000	480,000	12.00	(2)
Mr. Coull, Gary William John#	26 November 1998	120,000	120,000	10.20	(1)
	26 November 1998	480,000	480,000	12.00	(2)
Mr. Fu Sze-Shing	23 September 1999	240,000	240,000	10.20	(3)
	23 September 1999	960,000	960,000	12.00	(4)

* resigned as director of the Company with effect from 11 January 2003.

resigned as director of the Company with effect from 17 January 2003.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (Continued)*Notes:*

- (1) Exercisable from 1 July 1999 to 1 June 2004.
- (2) Divided into 3 tranches exercisable from 1 July 2000 to 1 June 2004, from 1 July 2001 to 1 June 2004 and from 1 July 2002 to 1 June 2004 respectively.
- (3) Exercisable from 1 July 2000 to 1 June 2005.
- (4) Divided into 3 tranches exercisable from 1 July 2001 to 1 June 2005, from 1 July 2002 to 1 June 2005 and from 1 July 2003 to 1 June 2005 respectively.
- (5) The cash consideration paid by each director for each grant of the share options was HK\$10.
- (6) No share option of the Company was exercised by the above directors during the period ended 31 December 2002.

Pursuant to a share option scheme of Pacific Ports Company Limited ("PPC", renamed NWS Holdings Limited and a subsidiary of the Company during the period ended 31 December 2002), options to subscribe for 10,000,000 shares of PPC at an exercise price of HK\$0.693 per share were granted to Mr. Chan Wing-Tak, Douglas on 11 May 1999. The options are divided into 4 tranches exercisable from 5 November 1999, 5 May 2001, 5 May 2002 and 5 May 2003 respectively to 4 November 2004. As at 31 December 2002, all the options granted to Mr. Chan Wing-Tak, Douglas have not yet been exercised.

Also, under a share option scheme of a fellow subsidiary, New World China Land Limited ("NWCL"), the following directors of the Company who were also directors of NWCL as at 31 December 2002 had personal interests in share options to subscribe for shares in NWCL granted to them as follows:–

	Grant date	Exercisable Period (Note 1)	Number of share options with exercise price per share of HK\$1.955	
			Held at 1.7.2002	Held at 31.12.2002
Dr. Cheng Kar-Shun, Henry	7 February 2001	8 March 2001 to 7 March 2006	5,000,000	5,000,000
Mr. Doo Wai-Hoi, William*	8 February 2001	9 March 2002 to 8 March 2006 (Note 2)	2,800,000	2,800,000
Mr. Chan Wing-Tak, Douglas	12 February 2001	13 March 2001 to 12 March 2006	500,000	500,000
Mr. Cheng Kar-Shing, Peter#	9 February 2001	10 March 2001 to 9 March 2006	2,500,000	2,500,000
Mr. Leung Chi-Kin, Stewart#	7 February 2001	8 March 2001 to 7 March 2006	500,000	500,000
Mr. Chan Kam-Ling#	9 February 2001	10 March 2002 to 9 March 2006 (Note 2)	400,000	400,000
Mr. So Ngok#	9 February 2001	10 March 2001 to 9 March 2006	500,000	500,000

* resigned as director of the Company with effect from 11 January 2003.

resigned as director of the Company with effect from 17 January 2003.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (Continued)*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 the 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 year(s), 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 dates of the exercisable periods.
- (3) The cash consideration paid by each director for each grant of the share options was HK\$10.
- (4) No share option of NWCL was exercised by the above directors during the period ended 31 December 2002.

Save as disclosed above, at no time during the period was the Company or its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangements to enable the directors 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.

SHARE OPTIONS TO EMPLOYEES

In addition to options granted to directors of the Company as disclosed in the section headed "Directors' Rights to Acquire Shares or Debentures" above, the Company had granted options under the 1997 Share Option Scheme to employees of the Group (the "Employees"). The movements in the aggregate number of the share options granted to the Employees during the period and balance outstanding at 31 December 2002 were as follows:

Grant date	Options held at 1.7.2002	Options lapsed during period	Options held at 31.12.2002	Exercise price per share HK\$	Note
18 November 1998 to 16 December 1998	162,000	–	162,000	10.20	(1)
18 November 1998 to 16 December 1998	1,911,000	51,000	1,860,000	12.00	(2)

Notes:

- (1) Exercisable from 1 July 1999 to 1 June 2004.
- (2) Divided into 3 or 5 tranches exercisable from 1 July 1999 to 1 June 2004, from 1 July 2000 to 1 June 2004, from 1 July 2001 to 1 June 2004, from 1 July 2002 to 1 June 2004 and from 1 July 2003 to 1 June 2004 respectively.

Also, pursuant to the share option scheme of PPC, options to subscribe for 3,000,000 shares of PPC at an exercise price of HK\$0.693 per share were granted to an employee of the Company on 11 May 1999. The options are divided into 4 tranches exercisable from 5 November 1999, 5 May 2001, 5 May 2002 and 5 May 2003 respectively to 4 November 2004. As at 31 December 2002, all the options granted to the said employee have not yet been exercised.

DIRECTORS' INTERESTS IN SECURITIES

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

	Personal Interests	Family Interests	Corporate Interests (Note)
New World Infrastructure Limited (Ordinary shares of HK\$1.00 each)			
Dr. Cheng Kar-Shun, Henry	–	1,000,000	–
Mr. Chan Wing-Tak, Douglas	700,000	–	–
Mr. Chan Kam-Ling [#]	6,800	–	–
New World Development Company Limited (Ordinary shares of HK\$1.00 each)			
Mr. Leung Chi-Kin, Stewart [#]	23,253	–	–
Mr. Chan Kam-Ling [#]	96,669	–	–
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
Hip Hing Construction Company Limited (Non-voting deferred shares of HK\$100.00 each)			
Mr. Chan Kam-Ling [#]	15,000	–	–
HH Holdings Corporation (Ordinary shares of HK\$1.00 each)			
Mr. Chan Kam-Ling [#]	15,000	–	–
International Property Management Limited (Non-voting deferred shares of HK\$10.00 each)			
Mr. Chan Kam-Ling [#]	1,350	–	–
Master Services Limited (Ordinary shares of US\$0.01 each)			
Mr. Leung Chi-Kin, Stewart [#]	16,335	–	–
Mr. Chan Kam-Ling [#]	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
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	–	–
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

DIRECTORS' INTERESTS IN SECURITIES (Continued)

	Personal Interests	Family Interests	Corporate Interests (Note)
Progreso Investment Limited (Non-voting deferred shares of HK\$1.00 each) Mr. Leung Chi-Kin, Stewart [#]	–	–	119,000
Tai Yieh Construction & Engineering Company Limited (Non-voting deferred shares of HK\$1,000.00 each) Mr. Chan Kam-Ling [#]	250	–	–
Urban Property Management Limited (Non-voting deferred shares of HK\$1.00 each) Mr. Cheng Kar-Shing, Peter [#] Mr. Leung Chi-Kin, Stewart [#]	– 750	– –	750 –
YE Holdings Corporation (Ordinary shares of HK\$1.00 each) Mr. Leung Chi-Kin, Stewart [#]	37,500	–	–

* resigned as director of the Company with effect from 11 January 2003.

resigned as director of the Company with effect from 17 January 2003.

Note: These shares were 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 31 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 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	519,919,085 (Note 1)
New World Development Company Limited ("NWD")	519,919,085 (Note 2)
Sea Walker Limited ("SWL")	516,561,485 (Note 3)
Mombasa Limited	516,561,485
AIG Asian Infrastructure Management II Ltd. as general partner of AIG Asian Infrastructure Management II LP as general partner of AIG Asian Infrastructure Fund II LP	96,848,750

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 interest represents 516,561,485 shares deemed to be held by SWL and 3,357,600 shares directly held by Financial Concepts Investment Limited ("FCIL"). SWL is a wholly-owned subsidiary of NWD and NWD has a 52.35% indirect interest in FCIL. NWD is deemed to have interests in the shares held by SWL and FCIL.
- (3) Mombasa Limited is a wholly-owned subsidiary of SWL and its interests in the Company is deemed to be held by SWL.

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 31 December 2002.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, the Company repurchased total nominal amount of US\$3,900,000 of the 1% Convertible Bonds due 2003 listed on the Luxembourg Stock Exchange at prices ranging from 132 to 134.

Save for the foregoing, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2002.

CODE OF BEST PRACTICE

The Company has complied throughout the six months ended 31 December 2002 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.

AUDIT COMMITTEE

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

Chan Wing-Tak, Douglas

Managing Director

Hong Kong, 20 March 2003