



New World Development Company Limited

(Stock Code: 0017)



Commit to
Hong Kong

Flourish in the
Greater China

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Financial Highlights

	Unaudited		Increase/ (Decrease) %
	Six months ended		
	31 December		
	2006	2005	
	HK\$m	HK\$m	
Turnover	10,716.8	13,251.1	(19.1)
Operating profit before financing costs and income	1,491.1	2,473.8	(39.7)
Fair value changes on investment properties	607.2	911.7	(33.4)
Share of results of associated companies and jointly controlled entities	1,298.0	942.4	37.7
Profit attributable to shareholders of the Company	1,362.7	2,092.6	(34.9)
Net cash generated from operating activities	392.3	1,282.1	(69.4)

	As at	As at	Increase %
	31 December	30 June	
	2006	2006	
	HK\$m	HK\$m	
Shareholders' funds	54,781.9	53,275.5	2.8
Cash and bank balances	7,705.4	7,642.9	0.8
Gross debt	25,756.5	22,606.7	13.9
Net debt	18,051.1	14,963.8	20.6
Net gearing ratio (%)	25.2	21.6	3.6

Chairman's Statement

To Our Shareholders,

2007 marks the 10th Anniversary of the establishment of the Hong Kong Special Administrative Region. This is a memorable moment for the country and Hong Kong.

Since our return to the motherland in 1997, Hong Kong has risen above many challenges and successfully achieved significant breakthroughs on different fronts. Based on close cooperation and integration with Mainland China, we have continued to thrive and prosper, maintaining our success as an international financial centre, as well as a leading business and trading hub in Asia.

The Hong Kong economy gathered strong momentum in 2006, with GDP expanding briskly by 6.8%. This marked the third consecutive year of distinctly above-trend growth. The sustainable high growth and low inflation in the past three years gives a highly supportive macroeconomic environment. Robust economic expansion has also kept the labour market active with the latest unemployment rate at 4.4%, the lowest level in six years.

Embarking on a wider and smoother path, we all harbour a lot of hopes for the future development of Hong Kong, as well as Mainland China. The future is in its young people. The road ahead is to be led by the next generation. To uphold the perpetual prosperity of the territory, nurture of future leaders should be given a high priority.

Dedicated to the development of Hong Kong and Mainland China, New World Group always regards the youth as the most valuable asset, for today's youth will be tomorrow's leaders. We have been actively participating in and supporting different education and learning initiatives. To celebrate the historic occasion this year, the Group has determined to further support the development of future leaders through various events or projects.

In the next decade, with the perseverance and vibrancy of new generation's leaders, Hong Kong will strive to move ahead swiftly, leveraging on the success of China. Committed to Hong Kong, New World Group will continue to flourish in the Greater China and enrich the lives of people in the region.

Dr Cheng Yu-Tung

Chairman

Hong Kong, 16 March 2007

Managing Director's Report

To Our Shareholders,

For the six months ended 31 December 2006, the Group recorded a turnover of HK\$10,716.8 million and profit attributable to shareholders amounted to HK\$1,362.7 million, down 19.1% and 34.9% respectively. The decrease in turnover and profit was due to no new property development project was launched to the market in the period under review. Contributions from recurrent operations such as rental, service, department stores and hotels achieved satisfactory growth.

The Group has held the minority interest of the CSL New World Mobility Group indirectly since March 2006. In order to streamline the Group's structure, the Group acquired 23.6% of the CSL New World Mobility Group from New World Mobile Holdings Limited in December 2006. After the acquisition, the Group disposed all its interests in New World Mobile Holdings Limited.

The wait-and-see attitude of potential buyers caused the property price to move at a tepid pace in 2006. Starting from 2007, continuous healthy economic growth, more attractive mortgage offerings from the banks and the proposed stamp duty reduction from the HKSAR Government 2007–08 Budget are all encouraging factors to the property market. The 16% increase in the January 2007 secondary transactions against December 2006 marked a strong signal of the warming-up of local property market.

The Group launched Deep Bay Grove (深灣畔) located at Lau Fau Shan (流浮山) in early 2007 with satisfactory response. Later this year, the Group will launch six more projects with over 3,000 units. They are Prince Edward Road West project (太子道西項目), Belcher's Street project (卑路乍街項目), Ma Tin Road project (馬田路項目), the residential apartments of Hanoi Road Redevelopment Project (河內道重建項目), the Hunghom Peninsula (紅灣半島) and 6 – 10 Black's Link (布力徑 6 – 10 號).

As an international financial centre, Hong Kong ranked No. 1 in Asia and No. 2 in the world in terms of the total amount of funds raised through initial public offerings in our stock market in 2006. The office spaces in prime districts are continuously under strong demand. Our office portfolio in Central and Tsim Sha Tsui has continued to achieve positive rental reversion. Meanwhile, the increasing tourism expenditure and rising number of visitors to Hong Kong have benefited the Group's rental portfolio and hotel operations.

The Group's infrastructure and service arm, NWS Holdings Limited is actively looking for new investment opportunities. The project of 18 pivotal rail container terminals will be developed by two phases and is planned to be completed by 2010. On the other hand, the atrium link expansion of Hong Kong Convention and Exhibition Centre will be completed by 2009, increasing 30% exhibition space.

China achieved a 10.7% GDP growth in 2006, the fourth consecutive year of double-digit growth. The resilient economic growth and stable increase of average income per capita have supported the stable growth of real estate market in Mainland China. In 2006, the population in urban area accounted for 43.9% of the total population in Mainland China. Our Mainland China property flagship, New World China Land will tap the benefit from the urbanization in Mainland China by continuously producing quality products to the market.

The proposed spin-off of the Group's department stores operation ("NWDS") will be beneficiary to both the Group itself and the NWDS. Firstly, the proposed spin-off will increase the operational and financial transparency of the Group. Secondly, it allows NWDS to establish a higher profile as a separately listed entity with the ability to access the debt and equity capital markets to fund its future investments. Thirdly, it helps the Group achieve the valuation potential and at the same time the Group will continue to benefit from the business prospects and results of NWDS through its shareholding.

Dr Cheng Kar-Shun, Henry

Managing Director

Hong Kong, 16 March 2007

Business Review

HONG KONG PROPERTY DEVELOPMENT

During the period under review, the Group's share of property sales booked amounted to approximately HK\$693 million, down 83% year-on-year. No new project has been launched to the market by the Group. In the first half of FY2007, the contribution to the property sales mainly came from inventory sales of The Grandiose (君傲灣), South Hillcrest (倚嶺南庭), The Merton (泓都) and Parc Palais (君頤峰).

The Group now has a landbank of 4.1 million sq ft GFA for immediate development and a total of 20 million sq ft of agricultural land reserve pending conversion.

Landbank by location	Attributable GFA (sq ft)
Hong Kong Island	237,175
Kowloon	1,686,274
New Territories (excluding areas pending agricultural land conversion)	2,222,146
Total	4,145,595

Agricultural landbank by location	Total land area (sq ft)	Attributable land area (sq ft)
Yuen Long	14,472,970	13,004,970
Sha Tin/Tai Po	3,414,000	2,528,000
Fanling	2,260,000	2,260,000
Sai Kung	2,624,030	2,070,650
Tuen Mun	120,000	120,000
Total	22,891,000	19,983,620

The Group is actively discussing with the government on agricultural land conversion and is also seeking various sources to replenish its landbank, such as public auctions and tendering for development projects offered by Urban Renewal Authority and the two rail companies.

The Group acquired 50% interest of New Eastern Terrace at Tin Hau Temple Road in North Point (北角天后廟道新東方臺). In January 2007, the Group was awarded the government tender for Block A of Wylie Court (衛理苑) at Wylie Path, Kowloon. Meanwhile, the Group is now negotiating with the government on the conversion of two sites at Wu Kai Sha (烏溪沙) and Tai Po Tsai (大埔仔) to provide 1.6 million sq ft attributable GFA to the landbank for development.

In early 2007, Deep Bay Grove (深灣畔) located at Lau Fau Shan (流浮山) was launched to the market with satisfactory response. Later this year, the Group will launch six more projects to the market. They are 440-450 Prince Edward Road West in Kowloon City (九龍城太子道西 440-450 號), 42-44 Belcher's Street project in Western District (西環卑路乍街 42-44 號), Ma Tin Road project in Yuen Long (元朗馬田路項目), the Hanoi Road Redevelopment Project in Tsim Sha Tsui (尖沙咀河內道重建項目), the Hunghom Peninsula in Hung Hom (紅磡紅灣半島) and 6-10 Black's Link in Mid-Levels (半山布力徑 6-10 號).

Business Review

HONG KONG PROPERTY INVESTMENT

During the period under review, the Group's gross rental income in Hong Kong amounted to HK\$520 million. The Group's commercial portfolio was benefited from the growing local economy and the rising tourist number.

During the period under review, the shopping mall The Edge (君薈坊) at The Grandiose in Tseung Kwan O was opened with 100% occupancy.

Driven by the strong pedestrian flow from KCR East Tsim Sha Tsui Station and the Avenue of Stars, together with the stable income from an anchor tenant, SOGO TST, New World Centre maintained a steady contribution to the Group's rental portfolio.

Hong Kong's buoyant economy has continually created higher demand for office space. Both the occupancies and the rental rates of our office portfolio are expected to be further benefited.

The increasing tourism expenditure and rising number of visitors to Hong Kong has enhanced the rental rates in prime tourist areas like Tsim Sha Tsui. The 1.1-million sq ft GFA Tsim Sha Tsui Hanoi Road Redevelopment Project, which is scheduled to complete in 2008 and has a 340,000-sq ft shopping mall with direct access to MTR Tsim Sha Tsui Station and KCR East Tsim Sha Tsui Station.

HOTELS

Overall visitor arrivals to Hong Kong in 2006 increased to 25.25 million, up 8.1% year-on-year. Our hotel operations were benefited from the rising number of travellers to Hong Kong. The Group's hotels in Hong Kong, namely Grand Hyatt Hong Kong, Renaissance Harbour View Hotel and Renaissance Kowloon Hotel, recorded an average occupancy of 85% and a 16% growth in the room rate during the period under review.

The Group's hotels in Mainland China have a steady growth in contribution. Meanwhile, our four hotels in Southeast Asia achieved a double-digit growth in the room rate during the period under review.

To further capture the booming tourist demand, the Group will build three more hotels in Hong Kong, located at Hanoi Road, the KCR University Station and New World Centre Extension respectively.

Business Review

NWS HOLDINGS LIMITED (“NWSH”)

Infrastructure

Infrastructure operation recorded a stable segment contribution to the Group. Apart from the energy business, roads, water and ports businesses achieved a strong growth in contribution.

Performance of roads and expressways projects within the Pearl River Delta Region continues to shine. During the period under review, average daily traffic flow of Guangzhou City Northern Ring Road reported a 15% growth. Toll income of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) soared by 34% in the period under review as benefited by the strong economic development of the Pearl River Delta Region and the opening of a connecting expressway in November 2005.

The performance of Zhujiang Power Plant was adversely impacted by more electricity imported from the Western Provinces and also new generation units coming into the market. Moreover the drop in profit was also partly due to a one-off gain in the previous period as a result of a change in depreciation policy as required by the tax authority. Despite the decrease in electricity sales, the average utilization of Zhujiang Power Plant would stay in the high level of about 80%. The Group is optimistic towards the outlook of the energy business and will continue to explore new investment opportunities. Performance of Macau Power was satisfactory with 14% increase in electricity sales.

Macau Water Plant reported a 10% increase in average daily water sales volume while the Chongqing Water Plant and Shanghai SCIP Water Treatment Plants had an impressive growth of 20% and 54% respectively in water sales volume. Performance of other water projects in Mainland China was satisfactory.

Tianjin Five Continents International Container Terminal Co., Ltd. handled 1,036,000 TEUs during the period under review and produced positive contributions. In August 2006, NWSH acquired 55% interest of Wenzhou Zhuangyuan Ao New World International Terminals Company Limited, which operates two multi-purpose berths in Zhuangyuanao, Zhejiang Province. The project is expected to be operational by early 2008.

Service

Hong Kong Convention and Exhibition Centre (“HKCEC”) reported a slight increase in profit during the period under review. HKCEC has achieved a record high attendance for the first half of any fiscal year of over 3.5 million persons attending more than 600 events held during the period under review. Construction works of the atrium link expansion was commenced in August 2006 and is due for completion in 2009. The expansion will contribute an additional exhibition space of 19,400 sq m to HKCEC, making a total of 83,400 sq m.

Benefiting from the positive logistics industry in Hong Kong, ATL Logistics Centre recorded a steady profit with average occupancy rate reaching 98% during the period under review.

Although the recovery of construction industry in Hong Kong is still lagging behind, it has shown clear signs of bottom-out. Business performance in Macau continues to be encouraging. All projects we have tendered for, or been awarded, are predominantly sizable ones. It is expected that Macau will continue to be the major profit contributor to our construction arm in the upcoming years.

Citybus Limited and New World First Bus Limited reported an increase in profit as compared with the same period last year due to increase in patronage and lower interest cost.

Following the ongoing robust tourism sector and patronage, Free Duty achieved excellent result during the period. The profitability of Tricor Holdings Limited and Taifook Securities Group Limited benefited from the increase in IPO activities and the increased demand from Hong Kong and Mainland China enterprises for financial management services.

Business Review

NEW WORLD CHINA LAND LIMITED (“NWCL”)

During the period under review, 205,000 sq m were sold to generate HK\$1.6 billion cash proceeds. 187,000 sq m of properties were completed in the first half of FY2007. The total inventory as at 31 December 2006 amounted to 309,000 sq m, down from 384,000 sq m as at 30 June 2006.

To complete the purchase of new projects acquired in FY2006 in Mainland China during the period under review, the net gearing of NWCL was increased to 20% as at 31 December 2006.

NEW WORLD DEPARTMENT STORES LIMITED

Segment contributions in the first half of FY2007 amounted to HK\$103 million, up 60% year-on-year.

Six stores were opened in Chongqing (重慶), Changsha (長沙), Wuhan (武漢), Xiamen (廈門), Shanghai (上海) and Chengdu (成都) respectively during the period under review, adding 212,500 sq m GFA to the total store area. As at December 2006, the department store operations expanded to 27 stores across 15 cities in Mainland China and Hong Kong with a total GFA of 773,680 sq m.

The Group plans to open two stores in Beijing and Wuhan by the end of 2007. Meanwhile, the Group has proposed to spin off its department store operation and management business in Mainland China.

NEW WORLD MOBILE HOLDINGS LIMITED (“NWMHL”)

In order to streamline the structure of the Group, the Group acquired 23.6% of the CSL New World Mobility Group from NWMHL in December 2006. After the acquisition, the Group disposed all its interests in NWMHL.

NEW WORLD TELECOMMUNICATIONS LIMITED (“NWT”)

During the period under review, NWT reported a loss due to intense competition in the fixed-line telecommunications market. Riding on its Next Generation Network, NWT will continue its focus on offering customer-focused, innovative and quality integrated communications, digital media and managed services to the customers. With the establishment of two dedicated business units and extensive partnerships with renowned companies, NWT will maximize its momentum on “NWT Hosted Exchange” and “Search’n Click” services.

NEW WORLD CHINA ENTERPRISES PROJECTS LIMITED (“NWCEP”)

NWCEP focuses on making strategic investments in high growth companies with listing potential. NWCEP invests in companies in Greater China, involving in sectors such as industrial manufacturing, consumer goods production, production management and retail distribution chain stores, etc.

NEW WORLD TMT LIMITED

The Group won the PrediWave litigation in December 2006 and expects a partial cash recovery in 2007.

Outlook

The wait-and-see attitude of potential buyers caused the property price to move at a tepid pace in 2006. Starting from 2007, continuous healthy economic growth, more attractive mortgage offerings from the banks and the proposed stamp duty reduction from the HKSAR Government 2007-08 Budget are all encouraging factors to the property market. The 16% increase in the January 2007 secondary transactions against December 2006 marked a strong signal of the warming-up of local property market.

As an international financial centre, Hong Kong ranked No. 1 in Asia and No. 2 in the world in terms of the total amount of funds raised through initial public offerings in our stock market in 2006. The office spaces in prime districts are continuously under strong demand. Our office portfolio in Central and Tsim Sha Tsui has continued to achieve positive rental reversion. Meanwhile, the increasing tourism expenditure and rising number of visitors to Hong Kong have benefited the Group's rental portfolio and hotel operations.

The Group's infrastructure and service arm, NWS Holdings Limited is actively looking for new investment opportunities. NWSH acquired 35% interest in Chengdu Jintang Power Plant, a 2 x 600MW coal-fired power plant, which supplies electricity in Chengdu, Sichuan Province. The project will commence operation in 2007. In addition, NWSH acquired a 9.45% shareholding in Guangdong Baolihua New Energy Stock Co., Limited, which operates two 135MW power plants in Guangdong and is listed on the Shenzhen Stock Exchange. NWSH also has secured water projects in Chongqing and Changshu in Jiangsu Province. The project of 18 pivotal rail container terminals will be developed by two phases and is planned to be completed by 2010. On the other hand, the atrium link expansion of Hong Kong Convention and Exhibition Centre will be completed by 2009, increasing 30% exhibition space to 83,400 sq m.

China achieved a 10.7% GDP growth in 2006, the fourth consecutive year of double-digit growth. The resilient economic growth and stable increase of average income per capita have supported the stable growth of real estate market in Mainland China. In 2006, the population in urban area accounted for 43.9% of the total population in Mainland China. Our Mainland China property arm New World China Land will tap the benefit from the urbanization in Mainland China by continuously producing quality products to the market.

The proposed spin-off of NWDS will be beneficiary to both the Group itself and NWDS. Firstly, the proposed spin-off will increase the operational and financial transparency of the Group. Secondly, it allows NWDS to establish a higher profile as a separately listed entity with the ability to access the debt and equity capital markets to fund its future investments. Thirdly, it helps the Group achieve the valuation potential and at the same time the Group will continue to benefit from the business prospects and results of NWDS through its shareholding.

Condensed Consolidated Income Statement – Unaudited

	Note	Six months ended 31 December	
		2006 HK\$m	2005 HK\$m
Turnover	2	10,716.8	13,251.1
Cost of sales		(7,964.5)	(9,824.6)
Gross profit		2,752.3	3,426.5
Other income		9.4	18.5
Other gains/(charge)		196.6	12.6
Selling and marketing expenses		(204.4)	(234.6)
Administrative expenses		(644.6)	(629.1)
Other operating expenses		(1,225.4)	(1,031.8)
Fair value changes on investment properties		607.2	911.7
Operating profit before financing costs and income	3	1,491.1	2,473.8
Financing costs		(552.1)	(558.0)
Financing income		180.1	250.9
Operating profit		1,119.1	2,166.7
Share of results of			
Associated companies		404.9	351.6
Jointly controlled entities		893.1	590.8
Profit before taxation		2,417.1	3,109.1
Taxation	4	(414.2)	(472.9)
Profit for the period		2,002.9	2,636.2
Attributable to			
Shareholders of the Company		1,362.7	2,092.6
Minority interests		640.2	543.6
		2,002.9	2,636.2
Dividend		553.8	473.1
Earnings per share attributable to the shareholders of the Company	5		
Basic and diluted		HK\$0.37	HK\$0.60
Interim dividend per share		HK\$0.15	HK\$0.13

Condensed Consolidated Balance Sheet – Unaudited

	<i>Note</i>	As at 31 December 2006 HK\$m	As at 30 June 2006 HK\$m
ASSETS			
Non-current assets			
Investment properties		24,543.7	23,145.2
Property, plant and equipment		5,864.1	5,708.2
Leasehold land and land use rights		2,499.4	2,480.2
Intangible assets	7	640.7	258.1
Interests in associated companies		9,622.1	9,384.7
Interests in jointly controlled entities		23,878.6	23,341.7
Available-for-sale financial assets		3,922.4	3,061.7
Held-to-maturity investments		31.7	31.1
Properties held for development		8,247.8	7,292.7
Deferred tax assets		106.2	106.6
Other non-current assets		1,461.2	1,681.3
		80,817.9	76,491.5
Current assets			
Properties under development		14,472.5	13,884.9
Properties held for sale		5,458.0	4,867.5
Stocks		266.9	239.3
Current portion of other non-current assets		243.3	349.2
Other loans receivable		569.5	554.5
Financial assets at fair value through profit or loss		–	29.5
Debtors and prepayments	8	10,151.7	10,511.8
Restricted bank balances		562.1	627.5
Cash and cash equivalents		6,458.6	6,308.5
Amount due from customers for contract works		280.8	296.4
		38,463.4	37,669.1
Total assets		119,281.3	114,160.6

Condensed Consolidated Balance Sheet – Unaudited

	<i>Note</i>	As at 31 December 2006 HK\$m	As at 30 June 2006 HK\$m
EQUITY			
Share capital	9	3,663.9	3,639.1
Reserves		50,564.2	48,903.6
Proposed final dividend		–	732.8
Interim dividend		553.8	–
Shareholders' funds		54,781.9	53,275.5
Minority interests		16,870.3	16,089.0
Total equity		71,652.2	69,364.5
LIABILITIES			
Non-current liabilities			
Long term borrowings	10	19,035.3	15,372.8
Deferred tax liabilities		3,878.4	3,745.6
Other non-current liabilities		380.9	347.2
		23,294.6	19,465.6
Current liabilities			
Creditors and accrued charges	8	13,601.6	14,201.2
Deposits received on sale of properties		591.8	700.0
Current portion of long term borrowings		6,333.1	6,794.5
Other borrowings	10	2,298.6	2,322.0
Current income tax liabilities		911.3	857.1
Amounts due to customers for contract works		598.1	450.1
Derivative financial instruments		–	5.6
		24,334.5	25,330.5
Total liabilities		47,629.1	44,796.1
Total equity and liabilities		119,281.3	114,160.6
Net current assets		14,128.9	12,338.6
Total assets less current liabilities		94,946.8	88,830.1

Condensed Consolidated Cash Flow Statement – Unaudited

	Six months ended	
	31 December	
	2006	2005
	HK\$m	HK\$m
Net cash generated from operating activities	392.3	1,282.1
Net cash used in investing activities	(3,652.3)	(3,511.7)
Net cash from/(used) in financing activities	3,143.0	(1,016.3)
Decrease in cash and cash equivalents	(117.0)	(3,245.9)
Cash and cash equivalents at beginning of the period	6,308.5	10,286.3
Effect of foreign exchange rate changes	173.7	27.0
Cash and cash equivalents at end of the period	6,365.2	7,067.4
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	6,458.6	7,767.7
Bank overdrafts	(93.4)	(700.3)
	6,365.2	7,067.4

Condensed Consolidated Statement of Changes in Equity

	Share capital HK\$m	Reserves HK\$m	Shareholders' funds HK\$m	Minority interests HK\$m	Total equity HK\$m
Balance at 1 July 2006	3,639.1	49,636.4	53,275.5	16,089.0	69,364.5
Change in fair value of available-for-sale financial assets	-	161.7	161.7	93.8	255.5
Translation difference	-	449.5	449.5	227.8	677.3
Net income recognised directly in equity	-	611.2	611.2	321.6	932.8
Profit for the period	-	1,362.7	1,362.7	640.2	2,002.9
Total recognised income for the period	-	1,973.9	1,973.9	961.8	2,935.7
2006 Final dividend	-	(732.8)	(732.8)	-	(732.8)
Dividend paid to minority shareholders	-	-	-	(219.4)	(219.4)
Acquisition of additional interests in subsidiaries	-	-	-	(335.7)	(335.7)
Effect on deemed disposal of interests in subsidiaries	-	-	-	364.3	364.3
Contributions from minority shareholders	-	-	-	20.4	20.4
Conversion of convertible bonds, net of taxation	-	(13.3)	(13.3)	(10.6)	(23.9)
Issue of shares as scrip dividend	24.8	252.7	277.5	-	277.5
Recognition of employees' share-based payments	-	1.1	1.1	0.5	1.6
Balance at 31 December 2006	3,663.9	51,118.0	54,781.9	16,870.3	71,652.2
Balance at 1 July 2005	3,491.6	47,713.4	51,205.0	14,671.3	65,876.3
Decrease in fair value of available-for-sale financial assets	-	(18.4)	(18.4)	(26.3)	(44.7)
Translation difference	-	252.8	252.8	105.4	358.2
Net income recognised directly in equity	-	234.4	234.4	79.1	313.5
Profit for the period	-	2,092.6	2,092.6	543.6	2,636.2
Total recognised income for the period	-	2,327.0	2,327.0	622.7	2,949.7
Recognition of employee's share-based payment	-	3.1	3.1	-	3.1
Dividend paid to minority shareholders	-	-	-	(392.1)	(392.1)
2005 Final dividend	-	(698.3)	(698.3)	-	(698.3)
Acquisition of a subsidiary	-	-	-	21.3	21.3
Derecognition of minority interests upon disposal of a subsidiary	-	-	-	(4.8)	(4.8)
Effect on deemed disposal of interests in subsidiaries	-	-	-	237.6	237.6
Balance at 31 December 2005	3,491.6	49,345.2	52,836.8	15,156.0	67,992.8

Notes to Condensed Accounts

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Interim Financial Statements should be read in conjunction with the 2006 annual financial statements.

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the 2006 annual financial statements.

In the year ended 30 June 2006, the Group early adopted the amendment to Hong Kong Accounting Standard 21 "The effects of changes in foreign exchange rates – Net investment in a foreign operation". For the six months ended 31 December 2006, the Group has adopted all the remaining new standards, amendments to standards and interpretations that are currently in issue and effective for the accounting periods beginning on or after 1 January 2006. However, the adoption of these new standards does not have any significant effect on the accounting policies or results and financial position of the Group.

Certain new standards, amendments and interpretations that have been issued and are mandatory for accounting periods beginning on or after 1 July 2007 have not yet been early adopted by the Group.

2. Turnover and segment information

The Group is principally engaged in property investment and development, service, infrastructure operations, telecommunications services, department store operations and hotel operations. The Group's turnover and contribution from operations are analysed as follows:

(a) Business segments

Six months ended 31 December 2006

	Property investment	Property development	Service	Infra-structure	Tele-communications	Depart-ment stores	Hotel operations	Others	Elimina-tions	Con-solidated
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
External sales	583.6	1,088.2	6,224.7	152.1	461.5	833.1	1,193.7	179.9	-	10,716.8
Inter-segment sales	77.3	-	584.1	-	30.2	-	-	-	(691.6)	-
Total turnover	660.9	1,088.2	6,808.8	152.1	491.7	833.1	1,193.7	179.9	(691.6)	10,716.8
Segment results	363.7	18.7	230.1	52.6	(58.0)	103.0	302.3	(56.2)		956.2
Other gains/(charge)	8.0	11.2	149.6	-	(16.3)	31.9	(16.6)	28.8		196.6
Unallocated corporate expenses										(268.9)
Fair value changes on investment properties										607.2
Operating profit before financing costs and income										1,491.1
Financing costs										(552.1)
Financing income										180.1
Operating profit										1,119.1
Share of results of										
Associated companies	77.3	17.1	77.9	170.8	62.5	-	(0.7)	-		404.9
Jointly controlled entities	153.9	167.4	187.8	358.3	-	-	31.0	(5.3)		893.1
Profit before taxation										2,417.1
Taxation										(414.2)
Profit for the period										2,002.9

Notes to Condensed Accounts

2. Turnover and segment information (Continued)

(a) Business segments (Continued)

Six months ended 31 December 2005

	Property investment HK\$m	Property develop- ment HK\$m	Service HK\$m	Infra- structure HK\$m	Tele- communi- cations HK\$m	Depart- ment stores HK\$m	Hotel operations HK\$m	Others HK\$m	Elimina- tions HK\$m	Con- solidated HK\$m
External sales	568.1	4,105.7	5,062.5	132.7	1,452.5	671.4	1,002.9	255.3	–	13,251.1
Inter-segment sales	53.6	–	570.9	–	35.8	–	–	–	(660.3)	–
Total turnover	621.7	4,105.7	5,633.4	132.7	1,488.3	671.4	1,002.9	255.3	(660.3)	13,251.1
Segment results	342.0	868.8	215.5	37.3	(12.1)	64.3	208.8	52.2		1,776.8
Other gains/(charge)	(13.6)	(9.3)	(16.0)	88.4	(15.6)	–	(17.5)	(3.8)		12.6
Unallocated corporate expenses										(227.3)
Fair value changes on investment properties										911.7
Operating profit before financing costs and income										2,473.8
Financing costs										(558.0)
Financing income										250.9
Operating profit										2,166.7
Share of results of										
Associated companies	80.8	(19.6)	55.5	241.7	–	–	(4.4)	(2.4)		351.6
Jointly controlled entities	118.5	13.6	137.3	295.9	–	–	23.2	2.3		590.8
Profit before taxation										3,109.1
Taxation										(472.9)
Profit for the period										2,636.2

Notes to Condensed Accounts

2. Turnover and segment information (Continued)

(a) Business segments (Continued)

Other segment items

	Property investment HK\$m	Property development HK\$m	Service HK\$m	Infra-structure HK\$m	Tele-communications HK\$m	Depart-ment stores HK\$m	Hotel operations HK\$m	Others HK\$m	Con-solidated HK\$m
Depreciation and amortisation									
Six months ended									
31 December 2006	20.5	74.7	100.0	43.7	43.7	71.6	79.9	16.6	450.7
Six months ended 31 December 2005	28.0	29.3	56.3	37.2	203.7	37.8	44.9	21.8	459.0
Capital expenditure									
Six months ended									
31 December 2006	172.5	45.7	65.9	–	38.2	135.5	34.2	12.8	504.8
Six months ended 31 December 2005	3.9	129.0	43.8	0.4	147.7	251.9	42.2	24.0	642.9
The segment assets and liabilities are as follows:									
At 31 December 2006									
Segment assets	25,469.7	32,617.3	7,258.9	2,424.0	1,565.4	2,443.4	2,850.1	3,340.2	77,969.0
Associated companies	2,465.2	1,209.3	1,386.4	1,846.6	2,142.9	–	344.4	227.3	9,622.1
Jointly controlled entities	4,150.8	8,548.8	3,868.8	5,897.0	–	–	865.2	548.0	23,878.6
Deferred tax assets									106.2
Cash and bank balances									7,705.4
Total assets									119,281.3
Segment liabilities	350.2	5,416.0	5,136.7	378.0	535.0	1,613.6	838.9	904.0	15,172.4
Gross borrowings									27,667.0
Current and deferred tax liabilities									4,789.7
Total liabilities									47,629.1
At 30 June 2006									
Segment assets	23,989.4	30,229.0	7,041.2	2,291.4	1,631.6	2,477.5	2,276.1	3,748.5	73,684.7
Associated companies	2,232.8	1,132.2	1,386.7	1,802.4	2,267.6	–	353.6	209.4	9,384.7
Jointly controlled entities	4,054.2	8,971.2	3,800.9	5,185.1	–	–	896.3	434.0	23,341.7
Deferred tax assets									106.6
Cash and bank balances									7,642.9
Total assets									114,160.6
Segment liabilities	416.5	5,875.1	4,737.3	367.2	622.0	1,320.5	932.5	1,433.0	15,704.1
Gross borrowings									24,489.3
Current and deferred tax liabilities									4,602.7
Total liabilities									44,796.1

Notes to Condensed Accounts

2. Turnover and segment information (Continued)

(b) Geographical segments

	Turnover	Capital expenditure	Segment assets
	Six months ended		As at
	31 December 2006		31 December 2006
	HK\$m	HK\$m	HK\$m
Hong Kong and Southeast Asia	7,754.2	166.3	51,468.8
Mainland China	2,962.6	338.5	26,500.2
	10,716.8	504.8	77,969.0
	Six months ended		As at
	31 December 2005		30 June 2006
	HK\$m	HK\$m	HK\$m
Hong Kong and Southeast Asia	10,706.1	220.7	50,556.3
Mainland China	2,545.0	422.2	23,085.7
North America	–	–	42.7
	13,251.1	642.9	73,684.7

3. Operating profit before financing costs and income

Operating profit of the Group is arrived at after crediting and (charging) the following:

	Six months ended 31 December	
	2006	2005
	HK\$m	HK\$m
Cost of inventories sold	(1,189.5)	(1,475.4)
Amortisation and depreciation	(450.7)	(459.0)
Impairment loss on		
Available-for-sale financial assets	–	(17.3)
Goodwill of subsidiaries	–	(13.4)
Amount due from jointly controlled entities	(21.7)	(19.6)
Loss on deemed disposal of interests in subsidiaries	(16.0)	(119.6)
Gain on deemed disposal of interests in subsidiaries	144.1	–
Net profit on disposal of a subsidiary	31.9	65.7
Write back provision for		
Advance to an investee company	–	60.5
Advance to jointly controlled entities	1.4	15.9
Exchange gains	46.2	–

Notes to Condensed Accounts

4. Taxation

	Six months ended 31 December	
	2006 HK\$m	2005 HK\$m
Hong Kong profits tax	145.1	290.9
Overseas taxation	111.6	12.7
(Over)/under provision in respect of prior years	(24.2)	2.7
Deferred taxation relating to changes in fair value of investment properties	134.7	162.0
Deferred taxation relating to temporary differences	47.0	4.6
	414.2	472.9

Hong Kong profits tax is provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the period. Tax on overseas profits has been calculated on the estimated taxable profits for the period at the rate of taxation prevailing in the countries in which the Group operates.

Share of taxation of associated companies and jointly controlled entities for the six months ended 31 December 2006 of HK\$90.7 million and HK\$157.0 million (2005: HK\$97.6 million and HK\$90.2 million) are included in the income statement as share of results of associated companies and jointly controlled entities respectively.

5. Earnings per share

The calculation of basic and diluted earnings per share is based on profit attributable to shareholders of HK\$1,362.7 million (2005: HK\$2,092.6 million) and the weighted average number of 3,663.6 million shares (2005: 3,491.6 million shares) in issue during the period.

6. Capital expenditure

For the six months ended 31 December 2006, the Group has acquired property, plant and equipment, investment properties and leasehold land and land use rights of HK\$504.8 million (2005: HK\$642.9 million). The Group has disposed of property, plant and equipment of net book value of HK\$15.6 million (2005: HK\$199.8 million).

7. Intangible assets

	Goodwill HK\$m	Licences and software HK\$m	Development costs HK\$m	Total HK\$m
Net book value at 1 July 2006	249.6	–	8.5	258.1
Addition	–		4.7	4.7
Acquisition of interests in subsidiaries	383.4	–	–	383.4
Impairment charge	–	–	(5.5)	(5.5)
Net book value at 31 December 2006	633.0	–	7.7	640.7

8. Debtors and prepayments, and creditors and accruals

A defined credit policy is maintained within the Group. The ageing analysis of trade debtors and trade creditors were as follows:

	Trade debtors as at		Trade creditors as at	
	31 December 2006 HK\$m	30 June 2006 HK\$m	31 December 2006 HK\$m	30 June 2006 HK\$m
Current to 30 days	4,470.0	5,094.7	4,868.9	4,231.4
31 to 60 days	421.4	219.1	609.7	476.2
Over 60 days	802.7	469.4	1,681.9	1,363.5
	5,694.1	5,783.2	7,160.5	6,071.1

Notes to Condensed Accounts

9. Share capital

	As at 31 December 2006		As at 30 June 2006	
	No. of shares (million)	HK\$m	No. of shares (million)	HK\$m
Authorised:				
Shares of HK\$1.00 each	10,000.0	10,000.0	10,000.0	10,000.0
Issued and fully paid:				
Shares of HK\$1.00 each				
Balance at beginning of the period	3,639.1	3,639.1	3,491.6	3,491.6
Issued as scrip dividends (<i>Note a</i>)	24.8	24.8	40.5	40.5
Placement of shares (<i>Note b</i>)	–	–	107.0	107.0
Balance at end of the period	3,663.9	3,663.9	3,639.1	3,639.1

Notes:

- (a) During the six months ended 31 December 2006, 24,772,106 new shares were issued at HK\$11.2035 per share for the settlement of 2006 interim dividend. During the year ended 30 June 2006, 40,546,918 new shares were issued at HK\$10.573 per share for the settlement of 2005 final scrip dividend.
- (b) For the year ended 30 June 2006, 107,000,000 shares of HK\$1.00 each were issued at HK\$11.50 per share for cash to reduce bank borrowings of the Group.

10. Borrowings

	As at 31 December 2006 HK\$m	As at 30 June 2006 HK\$m
Non-current		
Secured bank loans	14,553.9	11,074.5
Unsecured bank loans	10,156.8	10,078.4
Obligations under finance leases	0.4	5.1
	24,711.1	21,158.0
Less: Current portion of long term borrowings	(6,333.1)	(6,794.5)
	18,378.0	14,363.5
Convertible bonds	133.5	520.0
Loans from minority shareholders	523.8	489.3
	19,035.3	15,372.8
Current		
Short term secured bank loans	428.0	388.1
Short term unsecured bank loan	431.8	490.1
Other unsecured loans	52.2	50.2
Loans from minority shareholders	1,386.6	1,393.6
	2,298.6	2,322.0
Current portion of long term borrowings	6,333.1	6,794.5
	8,631.7	9,116.5
Total borrowings	27,667.0	24,489.3

Notes to Condensed Accounts

10. Borrowings (Continued)

	Secured bank loans HK\$m	Unsecured bank loans HK\$m	Obligations under finance leases HK\$m	Total HK\$m
The maturity of borrowings at 31 December 2006 is as follows:				
Within one year	2,641.6	4,551.0	0.3	7,192.9
In the second year	717.6	1,623.0	–	2,340.6
In the third to fifth year	7,571.0	4,414.6	0.1	11,985.7
After the fifth year	4,051.7	–	–	4,051.7
	14,981.9	10,588.6	0.4	25,570.9
The maturity of borrowings at 30 June 2006 is as follows:				
Within one year	3,048.5	4,619.1	5.1	7,672.7
In the second year	1,924.9	4,470.5	–	6,395.4
In the third to fifth year	6,343.2	1,478.9	–	7,822.1
After the fifth year	146.0	–	–	146.0
	11,462.6	10,568.5	5.1	22,036.2

11. Commitments

	As at 31 December 2006 HK\$m	As at 30 June 2006 HK\$m
Capital commitments contracted but not provided for		
Property, plant and equipment	567.8	371.7
Associated company	83.6	–
Jointly controlled entities	931.7	1,096.7
Available-for-sale financial assets	2,694.6	14.3
Capital contribution for proposed development projects	635.0	665.6
	4,912.7	2,148.3
Capital commitments authorised but not contracted for		
Property, plant and equipment	15.5	14.2
Associated companies	304.0	–
Jointly controlled entities	2,770.0	2,824.0
Capital contribution for proposed development projects	518.8	108.0
	3,608.3	2,946.2
The Group's share of capital commitments of the jointly controlled entities not included above are as follows:		
Contracted but not provided for	904.0	501.4
Authorised but not contracted for	81.0	101.0
	985.0	602.4

Notes to Condensed Accounts

12. Contingent liabilities

	As at 31 December 2006 HK\$m	As at 30 June 2006 HK\$m
Guarantees for		
Performance bonds in respect of construction contracts undertaken by the Group	1,941.9	1,603.4
Other performance bonds	224.9	204.0
Mortgage facilities for certain purchasers of properties	300.4	428.7
Guarantees for credit facilities granted to		
Associated companies	254.0	239.7
Jointly controlled entities	3,013.3	2,183.1
Investee companies included under available-for-sale financial assets	59.2	59.2
Share of contingent liabilities of jointly controlled entities	160.7	65.0
Indemnity to non-wholly owned subsidiaries for PRC tax liabilities	2,079.7	2,019.2
	8,034.1	6,802.3

The Group is in dispute with a joint venture partner in respect of certain property development projects in the PRC and the parties have taken legal actions against each other in Hong Kong. No statement of claims setting out details of the claims against the Group have been filed.

13. Related party transactions

In addition to those disclosed in this interim report, the following is a summary of significant related party transactions during the period carried out in the normal course of the Group's business:

	Six months ended 31 December 2006 HK\$m	2005 HK\$m
Transactions with affiliated companies		
Interest income	16.5	5.9
Management fee income	5.6	6.9
Provision of contracting work service	171.8	741.4
Transactions with other related parties		
Rental income	15.5	12.0

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

No significant transactions have been entered with the Directors of the Company (being the key management personnel) during the period other than the emoluments paid to them (being the key management personnel compensation).

Notes to Condensed Accounts

14. PrediWave litigation

In May 2004, New World TMT Limited ("NWTMT"), a wholly owned subsidiary of the Group, filed complaints to the Superior Court of the States of California for the County of Santa Clara ("the Court") in the United States of America (the "NWTMT Complaint") against the PrediWave Companies and Mr Tony Qu, the president and founder of the PrediWave Companies. Under the NWTMT Complaint, NWTMT alleged that, in reliance of the representations given by Mr Tony Qu and PrediWave, NWTMT entered into various agreements with the PrediWave Companies under which the Group invested in the PrediWave Companies and placed various purchase orders for goods and services relating to the technology (the "Technology") of video-on-demand and other digital broadcasting and related technology and added value services. The Group had paid approximately HK\$5.0 billion to the PrediWave Companies for investments in and loans to the PrediWave Companies, and purchases of goods and services from PrediWave Companies. NWTMT complained of various breaches in relation to goods and services relating to the Technology, by Mr Tony Qu and the PrediWave Companies relating to the agreements among the parties. Accordingly, NWTMT claimed damages for an amount to be determined at trial together with interest, rescission of all agreements, restitution of all monies obtained from the Group, punitive and exemplary damages, costs of legal proceedings and other declaratory relief and equitable relief. The total monetary amount sought by NWTMT in the lawsuit exceeds US\$700.0 million (approximately HK\$5,460.0 million).

The Court has on 27 December 2006 set the amount that NWTMT has won against Mr Tony Qu and the PrediWave Companies at over US\$2.8 billion (approximately HK\$21,840.0 million). This sum includes US\$2.0 billion (approximately HK\$15,600.0 million) in punitive damage. NWTMT will base on the Court's award seek recovery for the amount awarded from Mr Tony Qu and the PrediWave Companies including their assets. The amount that can eventually be recovered is uncertain.

15. Post balance sheet date events

- (a) On 22 November 2006, the Company agreed to acquire from its 56.6% owned listed subsidiary company, New World Mobile Holdings Limited ("NWMHL"), the entire issued share capital of Upper Start Holdings Limited ("Upper Start"), a wholly-owned subsidiary company of NWMHL, for HK\$2,500.0 million. The sole asset of Upper Start is its 23.6% interest in CSL New World Mobility Limited which is a major mobile telecommunications network operator providing mobile wireless services.

On the same date, the Company agreed to sell to Moral Glory International Limited ("Moral Glory"), a company wholly-owned by a director of NWMHL, the 55,336,666 shares (the "Sell Shares") in NWMHL owned by the Group, represents approximately 56.6% interest in NWMHL at HK\$0.65 per share. The consideration for the Sell Shares is approximately HK\$36.0 million.

The completion of the sale and purchase of Upper Start and the Sell Shares took place on 4 January 2007. The Group ceases to have any interest in NWMHL from that date.

- (b) The Company proposed to spin-off its department store operations and management business in the People's Republic of China and on 5 March 2007, New World Department Stores China Ltd. ("NWDS") submitted to The Stock Exchange of Hong Kong Limited ("Stock Exchange") an advance booking form for an application for the listing of NWDS shares on the Main Board of the Stock Exchange. The listing of NWDS shares is subject to, among other things, the listing approval being granted by the Stock Exchange.

16. Comparative figures

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

Liquidity and Capital Resources

	As at 31 December 2006 HK\$m	As at 30 June 2006 HK\$m
Net Debt		
Consolidated net debt	18,051.1	14,963.8
NWSH (stock code: 0659)	1,328.4	1,980.6
NWCL (stock code: 0917)	5,241.2	3,098.4
NWMHL (stock code: 0862)	(19.7)	(27.7)
Consolidated net debt (excluding listed subsidiaries)	11,501.2	9,912.5

As at 31 December 2006, the Group's cash and bank balances amounted to HK\$7,705.4 million (30 June 2006: HK\$7,642.9 million). Its consolidated net borrowing amounted to HK\$18,051.1 million, an increase of HK\$3,087.3 million as compared with 30 June 2006. The increase in net borrowing was mainly due to investments in property development projects in Mainland China. Net gearing ratio as at 31 December 2006 was 25.19%. The Group's borrowings are principally arranged on a floating rate basis.

The Group's non-current borrowings and current borrowings as at 31 December 2006 were HK\$18,511.5 million and HK\$7,245.1 million respectively. The maturity of non-current borrowings as at 31 December 2006 is as follows:

	HK\$m
In the second year	2,340.6
In the third to fifth year	12,119.2
After the fifth year	4,051.7
	18,511.5

Shareholders' funds for the Group as at 31 December 2006 increased to HK\$54,781.9 million against HK\$53,275.5 million as at 30 June 2006.

As at 31 December 2006, the Group's property, plant and equipment, investment properties, leasehold land and land use rights, properties held for development, properties under development, construction in progress, stocks and bank deposits of HK\$20,182.5 million (30 June 2006: HK\$19,248.8 million) have been pledged as securities for short term and long term loans.

Other Information

Disclosure Pursuant to Rules 13.20 and 13.22 of the Listing Rules

At 31 December 2006, the Group had given financial assistance and guarantees to its associated companies and jointly controlled entities (collectively "affiliated companies") as set out below:

	As at 31 December 2006 HK\$m	As at 30 June 2006 HK\$m
Amounts due by affiliated companies	16,141.9	16,744.5
Guarantees given for affiliated companies in respect of banking and other credit facilities	3,413.7	2,422.8
Commitments to capital injections and loan contributions	2,449.9	4,340.3
	22,005.5	23,507.6

- (a) The financial assistance, in aggregate exceeded 8.0% of the Company's total assets as at 31 December 2006.
- (b) The advances were unsecured and are interest free except for an aggregate amount of HK\$6,531.2 million (30 June 2006: HK\$6,382.7 million) which carried interest ranging from 2.0% to 12.0% per annum (30 June 2006: 2.0% to 12.0% per annum). Other than an amount of HK\$266.7 million (30 June 2006: HK\$269.2 million) which is repayable by instalments up to December 2016, the advances had no fixed repayment terms.
- (c) Pursuant to Rule 13.22 of the Listing Rules, a proforma combined balance sheet of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 31 December 2006 were presented as follows:

	Proforma combined balance sheet HK\$m	Group's attributable interest HK\$m
Non-current assets	58,515.5	25,546.1
Current assets	32,640.7	20,641.2
Current liabilities	(23,216.7)	(10,840.0)
Total assets less current liabilities	67,939.5	35,347.3
Non-current liabilities	(32,350.5)	(17,804.3)
Net assets	35,589.0	17,543.0

The proforma combined balance sheet of the affiliated companies is prepared by combining their balance sheets, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant balance sheet classification, as at 31 December 2006.

Other Information

Interim Dividend

The board has declared an interim dividend for the financial year ending 30 June 2007 in scrip form equivalent to HK\$0.15 per share with a cash option to shareholders registered on 13 April 2007.

Subject to the Listing Committee of the Stock Exchange granting listing of and permission to deal in the new shares, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholders could elect to receive in cash and that they be given the option to elect to receive payment in cash of HK\$0.15 per share instead of the allotment of shares. Full details of the interim scrip dividend will be set out in a letter to be sent to shareholders together with a form of election for cash on or about 11 May 2007.

Book Close Date

Book close dates (both days inclusive)	:	4 April 2007 to 13 April 2007
Latest time to lodge transfer with Share Registrars	:	4:00 pm on 3 April 2007
Address of Share Registrars	:	Tengis Limited 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

Purchase, Sale or Redemption of Listed Securities

The Company has not redeemed any of its listed securities during the six months ended 31 December 2006. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 31 December 2006.

Review of Interim Results

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited interim financial statements for the six months ended 31 December 2006.

Code on Corporate Governance Practices

The Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2006 except for the following deviations:

As required under code provision A.5.4 of the CG Code, the Board should establish written guidelines on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for relevant employees in respect of their dealings in the securities of the Company. The Board has established guidelines for employees in respect of their dealings in the securities of the Company but they are not on no less exacting terms than the Model Code. The deviation is mainly due to the fact that the Company currently has over 52,000 employees and operates diversified businesses, it will cause immense administrative burden for processing written notifications from the relevant employees by the Company.

Model Code for Securities Transactions by Directors

The Group has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of the Model Code. Having made specific enquiry of all directors, the directors of the Company confirmed that they have complied with the required standard set out in the Model Code during the six months ended 31 December 2006.

Investor Communication

The Group highly values investor communication and maintains dialogue with the investment community through site visits, investment forums and overseas roadshows. Our wide embracing activities have allowed the investing public to develop a better understanding of the Group's strategies and development plans. Realising the growing investor interests in our various listed divisions, the Group will continue to enhance corporate transparency.

Other Information

Corporate Citizenship

The Group is strongly committed to enhance corporate citizenship by encouraging employees to offer volunteer services, employing underprivileged individuals, sharing business expertise and partnering with social service groups.

New World Development Company Limited and its 25 group companies have been awarded the 2006/07 Caring Company Logo by the Hong Kong Council of Social Service. This is to recognise their contribution and outstanding performance in corporate social responsibility.

Employees

The Group has over 52,000 employees at 31 December 2006. Remuneration policies are reviewed annually. Remuneration and bonuses are awarded to employees based on individual performances and market practices. Education subsidies will be granted to employees who are taking job-related courses. Periodic in-house training programs are also offered.

Directors' Interests in Securities

As at 31 December 2006, the interests of the directors and their associates in shares and underlying shares of the Company or any of its associated corporations which were recorded in the register required to be kept by the Company under section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

(A) Long position in shares

	Number of shares			Total	Approximate % of shareholding
	Personal interests	Spouse interests	Corporate interests		
New World Development Company Limited					
(Ordinary shares of HK\$1.00 each)					
Dr Cheng Kar-Shun, Henry	–	300,000	–	300,000	0.01
Dr Sin Wai-Kin, David	4,708,708	47,098	–	4,755,806	0.13
Mr Leung Chi-Kin, Stewart	32,553	–	–	32,553	0.00
Mr Chow Kwai-Cheung	44,527	–	–	44,527	0.00
Mr Ho Hau-Hay, Hamilton	–	–	439,177 ⁽¹⁾	439,177	0.01
Mr Liang Cheung-Biu, Thomas	5,215	–	–	5,215	0.00
Dragon Fortune Limited					
(Ordinary shares of US\$1.00 each)					
Mr Cheng Kar-Shing, Peter	–	–	15,869 ⁽²⁾	15,869	27.41
HH Holdings Corporation					
(Ordinary shares of HK\$1.00 each)					
Dr Sin Wai-Kin, David	42,000	–	–	42,000	7.00
Master Services Limited					
(Ordinary shares of US\$0.01 each)					
Mr Leung Chi-Kin, Stewart	16,335	–	–	16,335	1.63
Mr Chow Kwai-Cheung	16,335	–	–	16,335	1.63
New World China Land Limited					
(Ordinary shares of HK\$0.10 each)					
Dr Cheng Kar-Shun, Henry	12,500,000	–	52,271,200 ⁽³⁾	64,771,200	1.69
Mr Leung Chi-Kin, Stewart	500,000	–	–	500,000	0.01
Mr Chow Kwai-Cheung	650,126	–	–	650,126	0.02

Other Information

Directors' Interests in Securities (Continued)

(A) Long position in shares (Continued)

	Number of shares			Total	Approximate % of shareholding
	Personal interests	Spouse interests	Corporate interests		
New World Mobile Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Dr Cheng Kar-Shun, Henry	780,000	–	–	780,000	0.80
NWS Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Dr Cheng Kar-Shun, Henry	9,179,199	587,000	8,000,000 ⁽³⁾	17,766,199	0.89
Dr Sin Wai-Kin, David	3,281	31	16,995,745 ⁽⁴⁾	16,999,057	0.85
Mr Cheng Kar-Shing, Peter	182,206	–	2,689,699 ⁽⁵⁾	2,871,905	0.14
Mr Liang Chong-Hou, David	163	–	–	163	0.00
Mr Leung Chi-Kin, Stewart	3,358,851	–	–	3,358,851	0.17
Mr Chow Kwai-Cheung	207,000	–	–	207,000	0.01
Sun City Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Mr Cheng Kar-Shing, Peter	–	80,000	3,570,000 ⁽⁶⁾	3,650,000	45.63
Sun Legend Investments Limited					
(Ordinary shares of HK\$1.00 each)					
Mr Cheng Kar-Shing, Peter	–	–	500 ⁽⁷⁾	500	50.00
YE Holdings Corporation					
(Ordinary shares of HK\$1.00 each)					
Mr Leung Chi-Kin, Stewart	37,500	–	–	37,500	1.50

Notes:

- (1) These shares are beneficially owned by a company in which Mr Ho Hau-Hay, Hamilton owns 40.0% of its issued share capital.
- (2) 4,102 shares are held by a company wholly owned by Mr Cheng Kar-Shing, Peter and 11,767 shares are held by Sun City Holdings Limited ("Sun City"), of which Mr Cheng Kar-Shing, Peter is deemed to be interested in 45.63% of its issued share capital.
- (3) These shares are beneficially owned by a company which is wholly owned by Dr Cheng Kar-Shun, Henry.
- (4) These shares are beneficially owned by a company which is jointly owned by Dr Sin Wai-Kin, David and his spouse.
- (5) These shares are beneficially owned by a company which is wholly owned by Mr Cheng Kar-Shing, Peter.
- (6) These shares are held by a company of which Mr Cheng Kar-Shing, Peter has an indirect interest of 49.58%.
- (7) Mr Cheng Kar-Shing, Peter is deemed to be interested in the shares of Sun Legend Investments Limited by virtue of his interests in Sun City.

Other Information

Directors' Interests in Securities (Continued)

(B) Long position in underlying shares – share options

(1) *New World Mobile Holdings Limited*

Name of director	Date of grant	Exercisable period	Number of share options			Exercise price per share HK\$
			Balance as at 1 July 2006	Exercised during the period	Balance as at 31 December 2006	
Dr Cheng Kar-Shun, Henry	28 January 2005	28 January 2005 to 31 December 2010	780,000	(780,000) ⁽¹⁾	–	1.26

Notes:

(1) *The exercise date was 4 December 2006. On the trading day immediately before the share options were exercised, the closing price per share was HK\$2.14.*

(2) *The cash consideration paid by Dr Cheng Kar-Shun, Henry for the grant of the share options is HK\$1.00.*

(2) *NWS Holdings Limited*

Name of director	Date of grant	Exercisable period	Number of share options			Exercise price per share HK\$
			Balance as at 1 July 2006	Exercised during the period	Balance as at 31 December 2006	
Mr Leung Chi-Kin, Stewart	21 July 2003	21 July 2004 to 20 July 2008 ⁽¹⁾	68,820	–	68,820	3.711

Notes:

(1) *Divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 respectively to 20 July 2008.*

(2) *The cash consideration paid by Mr Leung Chi-Kin, Stewart for the grant of the share options is HK\$10.*

Save as disclosed above, as at 31 December 2006, none of the directors, chief executive or any of their associates had or deemed to have any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

Substantial Shareholders' Interests in Securities

As at 31 December 2006, the interests or short positions of substantial shareholders (as defined in the Listing Rules) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in shares

Name	Number of shares held			Approximate % of shareholding
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited ("CYTFH") ⁽¹⁾	–	1,320,410,701	1,320,410,701	36.04
Centennial Success Limited ("Centennial") ⁽²⁾	–	1,320,410,701	1,320,410,701	36.04
Chow Tai Fook Enterprises Limited ("CTF") ⁽³⁾	1,188,383,025	132,027,676	1,320,410,701	36.04

Notes:

- (1) CYTFH holds 51% direct interest in Centennial and is accordingly deemed to have an interest in the shares deemed to be interested by Centennial.
- (2) Centennial holds 100% direct interest in CTF and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF.
- (3) CTF together with its subsidiaries.

Save as disclosed above, no other person was recorded in the register kept pursuant to Section 336 of the SFO as having an interest in 10% or more of the issued share capital of the Company as at 31 December 2006.

Other Persons' Interests in Securities

As at 31 December 2006, the interests or short positions of persons (other than directors or chief executive or substantial shareholders (as defined in the Listing Rules)) in the shares and underlying shares of the Company as recorded in the register as required to be kept under Section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company

Name	Capacity	Number of shares held	Number of underlying shares held	Total	Approximate % of shareholding
Marathon Asset Management Ltd	Investment manager	208,191,948	–	208,191,948	5.68
Timothy R. Barakett ⁽¹⁾	Interest of controlled corporations	166,629,068	63,701,740	230,330,808	6.29
Atticus Management LLC ⁽²⁾	Investment manager	166,629,068	63,701,740	230,330,808	6.29
Atticus Capital LP	Investment manager	166,629,068	63,701,740	230,330,808	6.29
Morgan Stanley	Interest of controlled corporations	213,167,718	–	213,167,718	5.82
Credit Suisse Group	Interest of controlled corporations	49,914,030	46,600,000	96,514,030	2.63

Other Information

Substantial Shareholders' Interests in Securities (Continued)

Short positions in the shares and underlying shares of the Company

Name	Capacity	Number of shares held	Number of underlying shares held	Total	Approximate % of shareholding
Timothy R. Barakett ⁽¹⁾	Interest of controlled corporations	–	127,403,000	127,403,000	3.48
Atticus Management LLC ⁽²⁾	Investment manager	–	127,403,000	127,403,000	3.48
Atticus Capital LP	Investment manager	–	127,403,000	127,403,000	3.48
Morgan Stanley	Interest of controlled corporations	43,523,484	–	43,523,484	1.19
Credit Suisse Group	Interest of controlled corporations	33,665,489	27,800,000	61,465,489	1.68

Notes:

(1) Atticus Management LLC is wholly owned by Mr Timothy R. Barakett who is deemed to have interests in the shares and underlying shares deemed to be interested by Atticus Management LLC.

(2) Atticus Capital LP is a wholly owned subsidiary of Atticus Management LLC. Atticus Management LLC is deemed to be interested in the shares and underlying shares interested by Atticus Capital LP.

Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 336 of the SFO as at 31 December 2006.

Corporate Information

Board of Directors

Executive Directors

Dato' Dr Cheng Yu-Tung (Chairman)
Dr Cheng Kar-Shun, Henry (Managing Director)
Dr Sin Wai-Kin, David
Mr Liang Chong-Hou, David
Mr Leung Chi-Kin, Stewart
Mr Cheng Chi-Kong, Adrian

Non-executive Directors

Mr Cheng Yue-Pui
Mr Cheng Kar-Shing, Peter
Mr Chow Kwai-Cheung
Mr Ho Hau-Hay, Hamilton
Mr Liang Cheung-Biu, Thomas

Independent Non-executive Directors

Lord Sandberg, Michael
Mr Yeung Ping-Leung, Howard
Dr Cha Mou-Sing, Payson JP
Mr Cha Mou-Zing, Victor (alternate director to
Dr Cha Mou-Sing, Payson)
Mr Lee Luen-Wai, John JP

Company Secretary

Mr Leung Chi-Kin, Stewart

Qualified Accountant

Mr Chow Yu-Chun, Alexander

Joint Auditors

PricewaterhouseCoopers
H.C. Watt & Company Limited

Solicitors

Woo, Kwan, Lee & Lo
Iu, Lai & Li
Kao, Lee & Yip

Share Registrars and Transfer Office

Tengis Limited
26/F., Tesbury Centre,
28 Queen's Road East,
Hong Kong

Registered Office

30th Floor, New World Tower,
18 Queen's Road Central, Hong Kong
Tel: (852) 2523 1056
Fax: (852) 2810 4673

Principal Bankers

Bank of China
Bank of Communications
Bank of East Asia
BNP Paribas
Calyon
China Merchants Bank
Citibank N.A.
DBS Bank
Hang Seng Bank
Industrial and Commercial Bank of China (Asia) Ltd.
Nanyang Commercial Bank
Sumitomo Mitsui Banking Corporation
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation
The Bank of Tokyo-Mitsubishi UFJ

Stock Code

Hong Kong Stock Exchange 0017
Reuters 0017HK
Bloomberg 17HK

Investor Information

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