

The directors have pleasure in presenting their annual report and statement of accounts for the year ended 30th June 2001.

### **Group activities**

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries, associated companies, jointly controlled entities and fixed return joint ventures are shown in note 35 to the accounts on pages 137 to 148.

### **Accounts**

The results of the Group for the year ended 30th June 2001 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 96 to 148.

### **Dividends**

The directors have resolved that no dividend be proposed for the year ended 30th June 2001 (2000: Nil).

### **Share capital**

Details of the movements in share capital during the year are set out in note 26 to the accounts.

### **Reserves**

Details of the movements in reserves are set out in note 27 to the accounts.

### **Purchase, sale or redemption of listed securities**

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

### **Fixed assets**

Details of the movements in fixed assets are set out in note 12 to the accounts.

### **Donations**

Charitable and other donations made by the Group during the year amounted to HK\$109,000 (2000: HK\$353,000).

## Directors

The directors of the Company during the year and up to the date of this report were:

Dr. Cheng Kar-shun, Henry  
 Mr. Doo Wai-hoi, William  
 Mr. Cheng Kar-shing, Peter  
 Mr. Leung Chi-kin, Stewart  
 Mr. Chan Kam-ling  
 Mr. Chow Kwai-cheung  
 Mr. Chow Yu-chun, Alexander  
 Mr. Chan Wing-tak, Douglas  
 Mr. So Ngok  
 Dr. Lo Hong-sui\*  
 Mr. Fu Sze-shing  
 Mr. Cheng Wai-chee, Christopher\*  
 Mr. Tien Pei-chun, James\*

\* Independent non-executive directors

Messrs. Cheng Kar-shing, Peter, Chow Kwai-cheung, Lo Hong-sui and Tien Pei-chun, James retire in accordance with Article 116 of the Company's Articles of Association and, being eligible, offer themselves for re-election. All remaining current directors continue in office.

No director has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

## Pre-emptive rights

No pre-emptive rights exist in the Cayman Islands in respect of the Company's share capital.

## Directors' interest in contracts

Save for contracts amongst group companies, no other contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its holding company or fellow subsidiaries is a party, and in which any director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Connected transactions

- (1) New World Finance Company Limited, Sexon Enterprises Limited and Hip Hing Construction Company Limited, fellow subsidiaries, have advanced HK\$2,741,175,000 (2000: HK\$1,764,400,000) in aggregate to the Group as at 30th June 2001. These loans are unsecured and carry interest ranging from three months HIBOR to 0.5% over LIBOR per annum and are repayable from March 2002 to December 2006. The interest charged by the fellow subsidiaries to the Group for the year ended 30th June 2001 in respect of these loans amounted to HK\$106,407,000 (2000: HK\$114,241,000).

## Connected transactions *(continued)*

- (2) The Company has paid New World Tower Company Limited, a fellow subsidiary, HK\$4,685,000 (2000: HK\$5,046,000) in rental for office premises occupied by the Group.
- (3) Polytown Projects Limited, a fellow subsidiary, has been appointed by Dalian New World Plaza International Co., Ltd. ("DNWP"), an 88% owned subsidiary, to provide project management services for construction of a property investment project located in Dalian ("the Property"). The accumulated project management fee in respect of its services rendered at 30th June 2001 and included as part of the development costs of the Property was HK\$9,805,000 (2000: HK\$9,805,000) and no amount was paid by DNWP for the year ended 30th June 2001.
- (4) Hip Hing Construction (China) Company Limited, a fellow subsidiary, has been appointed by DNWP as main contractor for the construction of the Property including foundation and superstructure works. The accumulated contract fee paid at 30th June 2001 and included as part of the development costs of the Property was HK\$259,494,000 (2000: HK\$143,844,000) of which HK\$115,650,000 (2000: HK\$13,044,000) was paid during the year.
- (5) Meprom Limited, a fellow subsidiary, has been appointed by DNWP as electrical engineer to provide engineering consultancy for the construction of the Property. The accumulated engineering consultancy fee at 30th June 2001 and included as part of the development costs of the Property was HK\$3,372,000 (2000: HK\$3,372,000) and no amount was paid by DNWP for the year ended 30th June 2001 (2000: HK\$948,000).
- (6) 上海裕隆實業公司(「上海裕隆」), a substantial shareholder of Shanghai Heyu Properties Co., Ltd ("SHPCL"), a 64% owned subsidiary, undertook to provide land development services to SHPCL pursuant to an agreement dated 9th December 1992. The aggregate service fees paid to 上海裕隆 at 30th June 2001 and included as part of the development costs of the related property developed by SHPCL was HK\$24,381,000 (2000: HK\$24,381,000) and no amount was paid by SHPCL for the year ended 30th June 2001.
- (7) New World Development Company Limited ("NWD"), the ultimate holding company, had provided a guarantee in respect of a US\$300 million syndicated loan facility granted to NW China Homeowner Development Limited ("NWCHD"), a wholly owned subsidiary, a guarantee fee was payable by NWCHD to NWD and was calculated at 2% per annum. This loan was wholly repaid during the year and the guarantee fees paid to NWD for the year ended 30th June 2001 amounted to HK\$5,290,000 (2000: HK\$12,904,000).
- (8) In July 1999, a deed of tax indemnity was entered into between NWD and the Group whereby NWD undertakes to indemnify the Group in respect of, inter alia, certain PRC income tax ("IT") and land appreciation tax ("LAT") payable in consequence of the disposal of certain properties held by the Group as at 31st March 1999 and in respect of which the aggregate amount of LAT and IT is estimated at approximately HK\$7,783 million (2000: HK\$7,858 million). The tax indemnity is also given in respect of LAT and IT payable in consequence of the disposal of any low-cost community housing in the event the relevant company in the Group is unable to pay such taxes. During the year, no such tax indemnity is effected (2000: Nil).
- (9) New World Department Store Tianjin Limited ("NWDST"), a fellow subsidiary, paid HK\$2,019,000 (2000: HK\$1,744,000) estate management services fee to New World Anderson (Tianjin) Development Co., Ltd. ("NWATD"), a wholly-owned subsidiary, in respect of estate management services provided to a property occupied by NWDST. The estate management fee is charged to NWDST at RMB18 per sq.m. up to 31st December 2000 and at RMB180,000 per month from 1st January 2001 thereafter.

## Connected transactions *(continued)*

- (10) On 15th September 2000, Bonny-View Corporation (“BVC”), a wholly-owned subsidiary of New World Development (China) Limited (“NWDC”), entered into a conditional agreement with Anderson International Investment Limited (“All”) relating to the acquisition of 49% interest in New World Anderson Development Company Limited (“NWA”) held by All together with a shareholder’s loan of HK\$494,075,865. The total consideration paid was HK\$406,624,310, which was satisfied by HK\$90,000,000 in cash and the remaining balance was set-off against an outstanding amount of HK\$316,624,310 due and payable by All to the Group. The acquisition was completed on 30th November 2000. NWA has then become a wholly-owned subsidiary of BVC.

At the date of the agreement, All was a substantial shareholder of NWA and was wholly owned by Mr. Chan Ki, an executive director of both NWA and NWATD, the acquisition constituted a connected transaction for the Group. An announcement relating to the acquisition was published on 18th September 2000.

- (11) On 11th May 2001, NWDC entered into an agreement with Nanjing Xuanwu Town Construction Development Company (“NXT”) and American Professional Sound Systems Co., Ltd. (“APS”) relating to the acquisition of 17% and 15% interests held by NXT and APS in Nanjing Huawei Real Estate Development Company Limited (“NHRED”) respectively. The consideration paid by NWDC to NXT and APS was approximately HK\$28,941,038 and HK\$16,843,738 respectively. After the acquisition, the interest in NHRED held by the Group increased from 48% to 80%.

At the date of the agreement, NXT and APS were substantial shareholders of NHRED, which was a 48% owned subsidiary of the Group before the acquisition, the acquisition therefore constituted a connected transaction for the Group. An announcement relating to the acquisition was published on 14th May 2001.

- (12) On 25th May 2001, Steady Profits Limited (“Steady Profits”), a wholly-owned subsidiary of NWDC, entered into a conditional share purchase agreement with HK2 Limited (“HK2”) relating to the acquisition of 3 shares held by HK2 in Kiwi Profits Limited (“KPL”) for a consideration of HK\$28,349,737 which was satisfied by the issue and allotment of 8,790,616 new shares of the Company at an issue price of HK\$3.225 each. After the acquisition, KPL became a wholly-owned subsidiary of Steady Profits.

Concurrently, on 25th May 2001, NWDC entered into a conditional sale and purchase agreement with HK3 Limited (“HK3”) relating to the acquisition of a participating interest representing 12% equity interest in the registered capital of NHRED for a consideration of HK\$6,840,677 which was satisfied by the issue and allotment of 2,121,140 new shares of the Company at an issue price of HK\$3.225 each. After the acquisition, the interest in NHRED held by the Group increased from 80% to 92%.

The agreements with HK2 and HK3, being substantial shareholders of KPL and NHRED respectively at the date of the agreements, constituted share and connected transactions for the Group. The agreements have been approved by a written consent of NWD. An announcement relating to the agreements was published on 28th May 2001. Both acquisitions were subsequently completed on 30th June 2001.

## Connected transactions (continued)

- (13) On 19th June 2001, NWDC entered into an agreement with Uphill Group Limited (“Uphill”), a fellow subsidiary, for the disposal of 95% equity interest held by NWDC in the registered capital of Wuhan New Eagle Development Company Limited (“WNEDC”) together with all additional funds provided by NWDC to WNEDC in excess of WNEDC’s registered capital for the development and investment of (a) five-storey podium of the Wuhan International Trade and Commerce Centre and (b) six-storey podium and one-level basement of the Wuhan International Trade Centre for a cash consideration of HK\$408,411,215.

By virtue of the fact that Uphill is a wholly-owned subsidiary of NWD, the transaction constituted a connected transaction for the Group. An announcement relating to the disposal was published on 20th June 2001.

- (14) On 3rd September 2001, the Company provided a corporate guarantee (“Guarantee”) in favour of a financial institution in respect of the obligation and liabilities of Shanghai Ramada Plaza Ltd. (“SRP”) under two separate term loan facilities as granted by an independent financial institution up to an aggregate principal amount of US\$10 million and RMB50 million respectively. The Company also guaranteed for the completion of Shanghai Ramada Plaza by 31st March 2002 or such later date as the lender might agree and undertook that the funding requirement relating to the completion of its construction would be fulfilled. SRP is owned as to 95% by Ramada Property Ltd. which in turn is owned by the Group as to 60% and Stanley Enterprises Limited (“Stanley”) as to 20%. Stanley has agreed to pay to the Company a guarantee fee of 0.25% per annum on the amount of the banking facility being utilised by SRP.

By virtue of the fact that Stanley is a substantial shareholder of certain subsidiaries of the Group, the granting of the Guarantee and the payment of guarantee fee by Stanley constitute connected transactions for the Group and an announcement was published on 4th September 2001.

The Company had been granted a waiver by The Stock Exchange of Hong Kong Limited (“Stock Exchange”) from strict compliance of the requirements of Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“the Listing Rules”) in respect of transactions (1) to (8) above which constituted connected transactions as defined in the Listing Rules. The transactions have been reviewed by independent non-executive directors of the Company who have confirmed that the transactions were:

- (a) in the ordinary course of business of the Company;
- (b) on normal commercial terms and on an arm’s length basis;
- (c) where there are agreements governing such transactions, such transactions have been carried out in accordance with the terms of the agreements governing such transactions, or where there are no such agreements, on terms no less favourable than terms available to or from independent third parties;
- (d) entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (e) within the maximum amounts as agreed with the Stock Exchange.

Save as disclosed above, a summary of significant related party transactions that did not constitute connected transactions made during the year was disclosed in note 32 to the accounts.

## Directors' interests in securities of the Company

As at 30th June 2001, except for Mr. Chow Kwai-cheung who is interested in 126 shares of the Company, none of the directors and their associates has any beneficial or non-beneficial interests in the issued share capital of the Company.

## Directors' interests in securities of the associated corporations of the Company

As at 30th June 2001, the interests of the directors and their associates in the securities of the associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

	<b>Personal interests</b>	<b>Family interests</b>	<b>Corporate interests</b> (Note 2)
<b>New World Infrastructure Limited</b>			
(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	–	–
<b>New World Development Company Limited</b>			
(Ordinary shares of HK\$1.00 each)			
Mr. Leung Chi-kin, Stewart	23,253	–	–
Mr. Chan Kam-ling	90,470	–	–
Mr. Chow Kwai-cheung	20,818	–	–
<b>Extensive Trading Company Limited</b>			
(Non-voting deferred shares of HK\$1.00 each)			
Mr. Cheng Kar-shing, Peter	–	–	380,000
Mr. Leung Chi-kin, Stewart	160,000	–	–
Mr. Chan Kam-ling	–	–	80,000
Mr. Chow Kwai-cheung	80,000	–	–
Mr. Chow Yu-chun, Alexander	80,000	–	–
<b>Hip Hing Construction Company Limited</b>			
(Non-voting deferred shares of HK\$100.00 each)			
Mr. Chan Kam-ling	15,000	–	–
<b>HH Holdings Corporation</b>			
(Ordinary shares of HK\$1.00 each)			
Mr. Chan Kam-ling	15,000	–	–
<b>International Property Management Limited</b>			
(Non-voting deferred shares of HK\$10.00 each)			
Mr. Chan Kam-ling	1,350	–	–

## Directors' interests in securities of the associated corporations of the Company (continued)

	Personal interests	Family interests	Corporate interests (Note 2)
<b>Master Services Limited</b>			
(Ordinary shares of US\$0.01 each)			
Mr. Leung Chi-kin, Stewart	16,335	–	–
Mr. Chan Kam-ling	16,335	–	–
Mr. Chow Kwai-cheung	16,335	–	–
Mr. Chow Yu-chun, Alexander	16,335	–	–
<b>Matsuden Company Limited</b>			
(Non-voting deferred shares of HK\$1.00 each)			
Mr. Leung Chi-kin, Stewart	44,000	–	–
Mr. Chan Kam-ling	–	–	44,000
Mr. Chow Kwai-cheung	44,000	–	–
Mr. Chow Yu-chun, Alexander	44,000	–	–
<b>New World CyberBase Limited</b>			
(Share options at an exercise price of HK\$0.5664 per share divided into 5 tranches exercisable from 17th August 1999, 17th August 2000, 17th February 2001, 17th August 2001, 17th February 2002 to 16th August 2002 respectively)			
Dr. Cheng Kar-shun, Henry	25,000,000	–	–
Mr. Doo Wai-hoi, William	8,000,000	–	–
Mr. Chan Wing-tak, Douglas	5,000,000	–	–
<b>New World Services Limited</b>			
(Ordinary shares of HK\$0.10 each)			
Mr. Cheng Kar-shing, Peter	–	–	3,382,788
Mr. Leung Chi-kin, Stewart	4,214,347	–	250,745
Mr. Chan Kam-ling	–	–	10,602,565
Mr. Chow Kwai-cheung	2,562,410	–	–
Mr. Chow Yu-chun, Alexander	2,562,410	–	–
<b>Progreso Investment Limited</b>			
(Non-voting deferred shares of HK\$1.00 each)			
Mr. Leung Chi-kin, Stewart	–	–	119,000

## Directors' interests in securities of the associated corporations of the Company (continued)

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

### Notes:

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

Save as disclosed above, as at 30th June 2001, none of the directors, chief executive or any of their associates had any beneficial or non-beneficial interests in the securities of any of the associated corporations of the Company as defined in the SDI Ordinance.



## Directors' rights to acquire shares or debentures

- (A) Under the Company's share option scheme, details of which are set out in note 26(ii) to the accounts, the following directors of the Company have personal interests in share options to subscribe for shares in the Company which had been granted to them as follows:

<b>Name of directors</b>	<b>Date of grant</b>	<b>Period during which share options may be exercisable</b>	<b>Number of share options outstanding at 30th June 2001 with exercise price per share of HK\$1.955 and divided into 5 tranches</b>
Dr. Cheng Kar-shun, Henry	7th February 2001	8th March 2001 to 7th March 2006	5,000,000
Mr. Doo Wai-hoi, William	8th February 2001	9th March 2001 to 8th March 2006	3,500,000
Mr. Cheng Kar-shing, Peter	9th February 2001	10th March 2001 to 9th March 2006	2,500,000
Mr. Chow Yu-chun, Alexander	8th February 2001	9th March 2001 to 8th March 2006	2,500,000
Mr. Leung Chi-kin, Stewart	7th February 2001	8th March 2001 to 7th March 2006	500,000
Mr. Chan Kam-ling	9th February 2001	10th March 2001 to 9th March 2006	500,000
Mr. Chow Kwai-cheung	9th February 2001	10th March 2001 to 9th March 2006	500,000
Mr. Chan Wing-tak, Douglas	12th February 2001	13th March 2001 to 12th March 2006	500,000
Mr. So Ngok	9th February 2001	10th March 2001 to 9th March 2006	500,000

The cash consideration paid by each director for each grant of the share options is HK\$10. No share option has been exercised by the directors under the share option scheme of the Company during the year ended 30th June 2001.

## Directors' rights to acquire shares or debentures *(continued)*

(B) Under a share option scheme of a fellow subsidiary, New World Infrastructure Limited ("NWI"), options may be granted to directors and employees of NWI or its subsidiaries to subscribe for shares in NWI. The following directors of the Company are also directors of NWI and have personal interests in share options to subscribe for shares in NWI which have been granted to them as follows:

Name of directors	Date of grant	Number of share options outstanding at 30th June 2001 with exercise price per share of	
		HK\$10.20 <small>(note 1)</small>	HK\$12.00 <small>(note 2)</small>
Dr. Cheng Kar-shun, Henry	2nd December 1998	600,000	2,400,000
Mr. Cheng Kar-shing, Peter	1st December 1998	120,000	480,000
Mr. Doo Wai-hoi, William	16th December 1998	200,000	800,000
Mr. Leung Chi-kin, Stewart	8th December 1998	120,000	480,000
Mr. Chan Kam-ling	9th December 1998	200,000	800,000
Mr. Chan Wing-tak, Douglas	26th November 1998	320,000	1,280,000
Mr. So Ngok	26th November 1998	200,000	800,000
Mr. Cheng Wai-chee, Christopher	11th December 1998	120,000	480,000
Mr. Fu Sze-shing	23rd September 1999	240,000 <small>(note 3)</small>	960,000 <small>(note 4)</small>

Notes:

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

The cash consideration paid by each director for each grant of the share options is HK\$10. No share option has been exercised by the directors under the share option scheme of NWI for the year ended 30th June 2001.

## Directors' rights to acquire shares or debentures *(continued)*

- (C) Under another share option scheme of a fellow subsidiary, Pacific Ports Company Limited ("PPCL"), the following director of the Company, who is also a director of PPCL, has personal interests in share options to subscribe for shares in PPCL which have been granted to him as follows:

<b>Name of director</b>	<b>Date of grant</b>	<b>Number of share options outstanding at 30th June 2001 with exercise price per share of HK\$0.693</b>
Mr. Chan Wing-tak, Douglas	11th May 1999	10,000,000 <sup>(note)</sup>

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

No share option has been exercised by the director under the share option scheme of PPCL for the year ended 30th June 2001.

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

## Directors' interests in competing business

During the year and up to the date of this report, the following directors are considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

<b>Name of directors</b>	<b>Name of entities with competing businesses</b>	<b>Business activities of the entities</b>	<b>Nature of interest of directors in the entities</b>
Dr. Cheng Kar-shun, Henry	Tianjin Tianzheng Property & Merchants Co., Ltd.	Land improvement in Tianjin	Director
	Wuxi Ramada Hotel Company Limited	Hotel operation in Wuxi	Director
	Beijing Jiang Guang Development Limited	Hotel operation in Beijing	Director
Mr. Doo Wai-hoi, William	Tianjin Tianzheng Property & Merchants Co., Ltd.	Land improvement in Tianjin	Director
	北方同福酒店有限公司	Hotel operation in Harbin	Director
	天津新世界房地產有限公司	Property development in Tianjin	Director
	上海新華美大酒店有限公司	Hotel operation in Shanghai	Director
Mr. Chow Yu-chun, Alexander	Guangzhou Metropolitan Properties Co., Ltd.	Property development in Guangzhou	Director
	Guangzhou New World Properties Development Co., Ltd.	Property development in Guangzhou	Director
	Grand New World Hotel Company Limited	Hotel operation in Xian	Director

## Directors' interests in competing business (continued)

Name of directors	Name of entities with competing businesses	Business activities of the entities	Nature of interest of directors in the entities
Mr. Chan Kam-ling	Grand New World Hotel Company Limited	Hotel operation in Xian	Director
Mr. Chow Kwai-cheung	Tianjin Tianzheng Property & Merchants Co., Ltd.	Land improvement in Tianjin	Director
	廣州金湖住宅發展有限公司	Property development in Guangzhou	Director
	廣州紅丰房地產有限公司	Property development in Guangzhou	Director
	增城永裕房地產有限公司	Property development in Guangzhou	Director

As the board of directors of the Company is independent from the boards of the aforesaid companies and none of the directors can control the board of the Company, the Group is capable of carrying its businesses independently of, and at arm's length from the businesses of such companies.

## Substantial shareholders' interests in shares

As at 30th June 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following parties had interests of 10% or more of the issued share capital of the Company:

Name	Number of shares held
Chow Tai Fook Enterprises Limited	1,050,768,800 <small>(note (1))</small>
New World Development Company Limited ("NWD")	1,050,768,800 <small>(note (2))</small>

## Substantial shareholders' interests in shares (continued)

Notes:

- (1) Chow Tai Fook Enterprises Limited and its subsidiaries have interests in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares deemed to be interested by NWD.
- (2) This represents the 1,011,714,290 shares directly held by NWD, 3 shares held by New World China Finance Limited ("NWCF"), 22,508,064 shares held by Great Worth Holdings Limited ("GWH") and 16,546,443 shares held by High Earnings Holdings Limited ("HEH"). NWCF is a wholly owned subsidiary of NWD, and GWH and HEH are 59% and 51.3% indirectly owned subsidiaries of NWD respectively. NWD is deemed to have interests in the shares held by NWCF, GWH and HEH.

Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 16(1) of the SDI Ordinance as at 30th June 2001.

## Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## Major customers and suppliers

During the year, less than 30% of the Group's turnover and less than 30% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

## Code of best practice

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the year, 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.

## Practice Note 19 of the Listing Rules – Supplementary Information

In accordance with the requirements under part 3.3 of Practice Note 19 ("PN 19") of the Listing Rules, the directors of the Company reported below the details of advances to, and guarantees given for the benefit of, their affiliated companies (as defined by PN 19) as at 30th June 2001.

The Company and its subsidiaries had advanced an aggregate amount of HK\$7,108,520,000 (2000: HK\$8,024,891,000) to affiliated companies (included in amounts disclosed in notes 15 and 16 to the accounts), guaranteed bank loans and other borrowing facilities for the benefit of the affiliated companies in the amount of HK\$796,307,000 (2000: HK\$1,062,241,000) (included in the amounts disclosed in note 29 to the accounts) and contracted to further provide an aggregate amount of HK\$2,422,672,000 (2000: HK\$3,000,442,000) in capital and loans to affiliated companies. The advances are unsecured, have no fixed repayment terms and are interest free except for an aggregate amount of HK\$5,755,929,000 (2000: HK\$6,435,145,000) which carry interest ranging from 4% to 12% per annum (2000: 4% to 12% per annum). Contracted capital and loan contributions to affiliated companies would be funded by proceeds from internal resources and bank and other borrowings of the Group.

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

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

As at 30th June 2001, the Group's total exposure on the combined indebtedness reported by such affiliated companies (including amounts owing to the Group) amounted to approximately HK\$15,195,395,000 (2000: HK\$15,128,460,000). Such affiliated companies reported no capital commitments and contingent liabilities as at 30th June 2001 (2000: Nil).

### Auditors

The accounts have been audited by Messrs PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Dr. Cheng Kar-shun, Henry**

*Chairman*

Hong Kong, 10th October 2001