

The Directors have pleasure in presenting their Annual Report and Statement of Accounts for the year ended 30 June 2001.

Group Activities

The principal activities of the Company remain investment holding and property investment. The principal activities of the principal subsidiary companies, principal associated companies and principal jointly controlled entities are shown in Notes 36, 37 and 38 to the Accounts on pages 156 to 169.

Accounts

The profit of the Group for the year ended 30 June 2001 and the state of the Company's and the Group's affairs at that date are set out in the Accounts on pages 106 to 169.

Operating Profit before Financing Costs and Income

	2001 HK\$m	2000 HK\$m
Rental income		
Trading results	908.7	1,097.7
Provision for diminution in value of investment in a joint development project	(40.0)	–
	868.7	1,097.7
Property sales		
Trading results	466.9	258.3
Forfeiture of deposits for sale of investments	–	186.4
Loss on dilution of interests in a subsidiary company	(22.9)	(1,642.6)
Provision for advance to an equity joint venture	–	(22.0)
Provision for investment in a co-operative joint venture	–	(18.0)
Provision for diminution in value of properties held for sale	(221.7)	–
Provision for advance to a company limited by shares	(270.0)	–
Write back of provision for diminution in value of properties held for sale	231.0	–
	183.3	(1,237.9)
Construction and engineering		
Trading results	333.1	410.6
Profit on disposal of interests in subsidiary companies	–	51.9
	333.1	462.5
Hotel and restaurant operations		
Trading results	825.9	479.1
Surplus on liquidation of an associated company	1.8	–
Surplus on liquidation of subsidiary companies	7.7	–
Provision for advance to a co-operative joint venture	(28.6)	(43.4)
Write back of provision for advance to an associated company	5.0	–
	811.8	435.7

Operating Profit before Financing Costs and Income (continued)

	2001 HK\$m	2000 HK\$m
Infrastructure operations		
Trading results	214.2	312.4
Loss on disposal of interests in associated companies	(426.1)	–
Loss on disposal of investment in unlisted shares	(1.3)	–
Loss on disposal of interests in a subsidiary company	(7.0)	–
Profit on disposal of a co-operative joint venture	99.4	–
Profit on disposal of investment in listed shares	111.8	710.9
Write back of provision for unlisted investment	12.5	–
Profit on repurchase of convertible bonds	1.8	25.5
Provision for investment in listed and unlisted shares	(244.9)	(250.6)
	(239.6)	798.2
Telecommunication services		
Trading results	(196.6)	(252.4)
Forfeiture of deposits for sale of investments	–	136.0
Profit on disposal of interests in an associated company	121.2	–
Profit on disposal of interests in a subsidiary company	–	74.8
Provision for investment in listed shares	(21.6)	–
	(97.0)	(41.6)
Others		
Trading results	297.9	310.0
Loss on disposal of investment in jointly controlled entities	–	(20.2)
Loss on disposal of investment in listed shares	(192.9)	–
Loss on disposal of interests in subsidiary companies	(1.4)	–
Loss on disposal of investment in a co-operative joint venture	(5.5)	–
Profit on disposal of interests in subsidiary companies	65.3	248.3
Profit on disposal of investment in listed and unlisted shares	70.6	585.9
Provision for advance to a jointly controlled entity	(14.0)	–
Provision for investment in unlisted shares	(47.1)	–
	172.9	1,124.0
	2,033.2	2,638.6

Dividends

The Directors have resolved to recommend total final dividend of HK\$0.10 per share (2000: HK\$0.10 per share) comprising a cash dividend of HK\$0.01 per share (which is being paid in order to ensure that the shares of the Company continue to qualify as Authorised Investments for the purpose of the Trustee Ordinance of Hong Kong) and a scrip dividend by way of an issue of new shares equivalent to HK\$0.09 per share with a cash option to shareholders registered on 6 December 2001. Together with the interim dividend of HK\$0.10 per share (2000: HK\$0.10 per share) paid in May 2001, total distributions for 2001 would thus be HK\$0.20 per share (2000: HK\$0.20 per share).

Subject to the Listing Committee of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") granting the 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 shareholder could elect to receive in cash and they be given the option to elect to receive payment in cash of HK\$0.10 per share instead of the allotment of shares.

Share Capital

Details of movements in share capital during the year are set out in Note 24 to the Accounts.

Reserves

Details of movements in reserves are set out in Note 25 to the Accounts.

Five-Year Financial Summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 174 and 175.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any of the Company's listed securities during the year.

Donations

The Group made charitable and other donations during the year amounting to HK\$18.4 million (2000: HK\$7.1 million).

Fixed Assets

Movements of fixed assets during the year are summarised in Note 12 to the Accounts.

Connected Transactions

Connected transactions of the Group are set out on pages 94 to 100.

Group Borrowings

Borrowings of the Company and the Group repayable within one year are included in current liabilities and long term borrowings as set out in Note 27 to the Accounts.

Directors

The Directors of the Company, whose names appear on page 176 of this annual report, were Directors of the Company during the year and at the date of this report.

In accordance with Article 103 of the Company's Articles of Association, Dr. Sin Wai-Kin, David, Mr. Cheng Yue-Pui, Mr. Chan Kam-Ling and Mr. Chow Kwai-Cheung retire by rotation and, being eligible, offer themselves for re-election.

The Company's non-executive directors serve for a term of three years and each is subject to re-election by the shareholders in general meetings upon expiry of appointment.

None of the Directors had a service contract with the Company or any of its subsidiary companies which cannot be terminated within one year without any compensation.

Audit Committee

An Audit Committee has been established and the members of the Committee are Mr. Cha Mou-Sing, Payson and Mr. Yeung Ping-Leung, Howard. The principal responsibilities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

Directors' Interests in Contracts

Pursuant to an agreement dated 5 August 1993 (the "Agreement") made between Hotel Property Investments (B.V.I.) Limited ("HPI") and Renaissance Hotel Holdings (B.V.I.) Limited ("Renaissance"), both being former subsidiary companies of the Group, and CTF Holdings Limited ("CTF"), HPI agreed to pay CTF an annual fee in accordance with the terms of the Agreement. This Agreement was assigned to NWD (Hotels Investments) Limited (formerly known as New World Hotels (Holdings) Limited) ("NWDH"), a subsidiary company of the Group, on 25 July 1997. CTF was paid a fee of US\$9.5 million (HK\$73.9 million) for the year ended 30 June 2001 (2000: US\$9.9 million (HK\$77.2 million)). Dr. Cheng Kar-Shun, Henry, Director of the Company and Mr. Doo Wai-Hoi, William, a director of certain subsidiary companies of the Group, are interested in this transaction to the extent that they have beneficial interests in CTF.

Save for contracts amongst group companies and the aforementioned transactions, no other contracts of significance to which the Company or any of its subsidiary companies was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Businesses

During the year and up to the date of this report, the following Directors have interests in the following businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the directors of the Company were appointed as directors to represent the interests of the Company and/or the Group pursuant to the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules"):

Name of director	Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
Dr. Cheng Yu-Tung	Shun Tak Holdings Limited group of companies	Property investment and development, ferry services and hotel related services	Director
	Chow Tai Fook Enterprises Limited group of companies	Property investment and development	Director
	Melbourne Enterprises Limited group of companies	Property investment	Director
Dr. Cheng Kar-Shun, Henry	Shun Tak Holdings Limited group of companies	Property investment and development, ferry services and hotel related services	Director
	Chow Tai Fook Enterprises Limited group of companies	Property investment and development	Director
	HKR International Limited group of companies	Property investment and development, construction and property management	Director
Dr. Sin Wai-Kin, David	Miramar Hotel & Investment Company Limited group of companies	Property investment and hotel operation	Director
Mr. Cheng Yue-Pui	Chow Tai Fook Enterprises Limited group of companies	Property investment and development	Director
	Melbourne Enterprises Limited group of companies	Property investment	Director
Mr. Cheng Kar-Shing, Peter	Chow Tai Fook Enterprises Limited group of companies	Property investment and development	Director
Mr. Chan Kam-Ling	Evergreen Investment Limited	Property investment	Shareholder
	Yearfull Investment Limited	Property investment	Shareholder
	Victory China Development Limited	Property investment	Shareholder
	Gold Asia Trading Limited	Property investment	Shareholder
Mr. Chow Kwai-Cheung	Hinkok Development Limited	Property development	Shareholder
	Asia Leisure Development Company Limited	Property development	Director

Directors' Interests in Competing Businesses (continued)

The above-mentioned Directors' involvement in the management of the above-mentioned entities are not significant nor are the size of the above-mentioned businesses undertaken by the entities in which they were appointed as directors considered as significant as compared to the Group.

As the Board of Directors of the Company is independent of the boards of these entities, the Group is therefore capable of carrying on such businesses independently of, and at arm's length from the businesses of these entities.

Directors' Interests in Shares

As at 30 June 2001, interests of the Directors and their associates in the equity securities of the Company and its subsidiary companies which have been recorded in the register kept by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance are set out on pages 101 to 103.

Directors' Rights to Acquire Shares or Debentures

(a) Under the respective share option schemes of New World Infrastructure Limited ("NWI"), New World China Land Limited ("NWCL") and New World CyberBase Limited ("NWCB"), options may be granted to respective directors and employees of NWI, NWCL or NWCB to subscribe for shares. The following directors of the Company who are also directors of NWI, NWCL or NWCB have personal interest in share options to subscribe for their respective shares in NWI, NWCL or NWCB as follows:

Name of Director	Date of Grant	Number of Share Options Outstanding at 30 June 2001 with Exercise Price per Share			
		HK\$10.20 ⁽¹⁾	HK\$12.00 ⁽²⁾	HK\$1.955	HK\$0.5664
New World Infrastructure Limited					
Dr. Cheng Kar-Shun, Henry	2 December 1998	600,000	2,400,000	–	–
Mr. Cheng Kar-Shing, Peter	1 December 1998	120,000	480,000	–	–
Mr. Leung Chi-Kin, Stewart	8 December 1998	120,000	480,000	–	–
Mr. Chan Kam-Ling	9 December 1998	200,000	800,000	–	–
New World China Land Limited					
Dr. Cheng Kar-Shun, Henry	7 February 2001	–	–	5,000,000 ⁽³⁾	–
Mr. Cheng Kar-Shing, Peter	9 February 2001	–	–	2,500,000 ⁽⁴⁾	–
Mr. Leung Chi-Kin, Stewart	7 February 2001	–	–	500,000 ⁽³⁾	–
Mr. Chan Kam-Ling	9 February 2001	–	–	500,000 ⁽⁴⁾	–
Mr. Chow Kwai-Cheung	9 February 2001	–	–	500,000 ⁽⁴⁾	–
New World CyberBase Limited					
Dr. Cheng Kar-Shun, Henry	17 August 1999	–	–	–	25,000,000 ⁽⁵⁾

Notes:

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

⁽²⁾ Divided into 3 tranches exercisable from 1 July 2000, 2001 and 2002 respectively to 1 June 2004.

⁽³⁾ Exercisable from 8 March 2001 to 7 March 2006.

⁽⁴⁾ Exercisable from 10 March 2001 to 9 March 2006.

⁽⁵⁾ Exercisable from 17 August 2000 to 16 August 2002.

No share option has been exercised by the directors under the respective share option schemes of the subsidiary companies during the year ended 30 June 2001.

Directors' Rights to Acquire Shares or Debentures (continued)

Except for the foregoing, at no time during the year was the Company or any of its subsidiary companies a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholder

As at 30 June 2001, Chow Tai Fook Enterprises Limited ("CTFEL"), together with its subsidiary companies had interests in 808,177,539 shares in the Company.

Save for the above, no other shareholder is recorded in the register kept pursuant to Section 16 (1) of the Securities (Disclosure of Interests) Ordinance as having an interest in 10% or more of the issued share capital of the Company as at 30 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.

Corporate Governance

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year covered by this annual report.

Practice Note 19 of the Listing Rules

The disclosure pursuant to Practice Note 19 of the Listing Rules is set out on page 104.

Auditors

The Accounts have been audited by Messrs PricewaterhouseCoopers and H.C. Watt & Company Limited, who retire and, being eligible, offer themselves for re-appointment as joint auditors of the Company.

On behalf of the Board

Dr. Cheng Yu-Tung

Chairman

Hong Kong, 10 October 2001

Connected Transactions

- (a) The Company and CTFEL, severally in the proportions of 64.0% and 36.0%, have on 29 August 1995 issued an indemnity ("Indemnity") to Renaissance Hotel Group N.V. ("RHG"), a former subsidiary company of NWDH, which is now an independent third party, in respect of any obligations of RHG or its subsidiary companies may have in respect of certain lease payment obligations under 25 leases or guarantees of leases of Hotel Property Investment, Inc., a Delaware corporation held by HPI.

On 25 July 1997, NWDH sold its entire interests in HPI to CTF, a company controlled by Dr. Cheng Kar-Shun, Henry, a director of the Company and Mr. Doo Wai-Hoi, William, a director of certain subsidiary companies of the Company. Under the sale, the indemnity will continue. Arrangements have therefore been entered into whereby CTFEL will counter-indemnify the Company fully against any liability arising under the Indemnity in respect of the said lease obligations and guarantees of leases. It is presently estimated that the maximum liability of the Company under the Indemnity will be approximately US\$54.0 million per annum. Up to now, no payment has ever been made by the Company or CTFEL under the Indemnity.

- (b) On 3 December 1998, NWI and CSX World Terminals Hong Kong Limited ("CSX") (formerly Sea-Land Orient Terminals Limited) entered into a deed of guarantee (the "CSX8 Guarantee") in respect of the obligations of CSXWT Terminal 8 Limited ("CSX8") (formerly Sea-Land Orient Terminal 8 Limited) and NWI also entered into another deed of guarantee (the "Sunmall Guarantee") in respect of the obligations of Sunmall Limited ("Sunmall") on the same date. Both the CSX8 Guarantee and the Sunmall Guarantee are in favour of Asia Container Terminals Limited ("ACT"), which is one of the joint developers of the Container Terminal No. 9 ("CT9") at Tsing Yi, and its shareholders. The shareholders of ACT included two independent third parties, Sunmall and CSX8 holding 57.0%, 13.5% and 29.5% interest respectively. Sunmall was at that time a wholly owned subsidiary company of NWI and CSX8 was a non-wholly owned subsidiary company owned as to 66.1% by NWI and 33.9% by CSX. CSX is a connected person of NWI only by virtue of CSX's substantial shareholding in CSX8.

Pursuant to a restructuring agreement dated 3 December 1999, the shareholders of ACT transferred all their ACT shares to Asia Container Terminals Holdings Limited ("ACTH") in exchange for shares in ACTH. ACT then became a wholly owned subsidiary company of ACTH which shareholders and their respective shareholdings are the same as that of ACT before the restructuring. All rights and obligations of ACT under the shareholders' agreement, the shareholders' funding agreement and the shareholders' loan agreement of ACT (the "ACT Agreements") are assumed by ACTH.

Following the completion in March 2000 of the disposal of all port and port-related investments to Pacific Ports Company Limited ("PPC") ("the PPC Reorganisation"), Sunmall and CSX8 became indirect non-wholly owned subsidiary companies held through PPC.

Under the CSX8 Guarantee, NWI and CSX unconditionally, irrevocably and severally guarantee, in the proportion of each of their respective shareholdings in CSX8, to ACTH and each of its shareholders (other than CSX8) that, if for any reason CSX8 does not (i) pay any sum payable by or expressed to be payable by it, or (ii) perform any of its obligations, under the ACT Agreements, NWI and CSX will pay that sum or (as the case may be) perform that obligation on demand by ACTH or any one or more of its shareholders. The financial obligation of CSX8 under the ACT Agreements is substantially to fund CSX8's share of CT9 project cost currently estimated to be HK\$720.0 million (2000: HK\$917.0 million) of which 66.1% amounting to HK\$476.0 million (2000: HK\$606.0 million) is guaranteed by NWI pursuant to the CSX8 Guarantee.

Connected Transactions (continued)

Under the Sunmall Guarantee, NWI unconditionally and irrevocably guarantee ACTH and each of its shareholders (other than Sunmall) that, if for any reason Sunmall does not (i) pay any sum payable by or expressed to be payable by it, or (ii) perform any of its obligations, under the ACT Agreements, NWI will pay that sum or (as the case may be) perform that obligation on demand by ACTH or any one or more of its shareholders. The financial obligation of Sunmall under the ACT Agreements is substantially to fund Sunmall's share of CT9 project cost currently estimated to be HK\$330.0 million pursuant to the Sunmall Guarantee.

- (c) In July 1999, a deed of tax indemnity was entered into between the Company and NWCL whereby the Company undertakes to indemnify NWCL in respect of, inter alia, certain income tax ("IT") and land appreciation tax ("LAT") in The People's Republic of China ("PRC") payable upon the disposal of certain properties held by NWCL as at 31 March 1999 and in respect of which the aggregate amount of LAT and IT is estimated at approximately HK\$7,783.0 million. The tax indemnity is also given in respect of LAT and IT payable upon 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).
- (d) ACT entered into a facility agreement in respect of project financing of CT9 for HK\$3,400.0 million (the "ACT Loan") on 31 January 2000 which was subsequently reduced to HK\$3,000.0 million. The ACT Loan is severally guaranteed by NWI and the other shareholders ACTH in proportion of their respective effective equity interest in ACTH which wholly owns ACT. Accordingly, NWI guarantees 32.9995% of the ACT Loan. After the PPC Reorganisation, PPC holds NWI's former interest in ACTH but NWI remains the guarantor for purpose of the ACT Loan. PPC is a non-wholly owned subsidiary company of NWI in which no connected person of NWI is a substantial shareholder.
- (e) Pursuant to a sale and purchase agreement dated 19 August 2000, Quality First Services Limited ("QFSL"), a wholly owned subsidiary company of New World Services Limited ("NWS"), conditionally agreed to acquire 120,000 common shares of US\$1.00 each of New World Risk Management (L) Limited ("NWRM"), a subsidiary company 85.0% owned by Tai Fook Securities Group Limited ("Tai Fook") and 15.0% owned by Primeluck Enterprises Limited ("Primeluck"), at a consideration of HK\$30.0 million.

On 19 August 2000, QFSL had subscribed for 97,624,340 new shares of HK\$0.10 each of Tai Fook at the issue price of HK\$1.83 per share for cash.

As Chow Tai Fook Nominees Limited owns approximately 29.3% of Tai Fook and is wholly beneficially owned by Dr. Cheng Yu-Tung, who is a director of the Company, the acquisition of the entire equity interests in NWRM by QFSL from Tai Fook and Primeluck and the subscription of the Tai Fook new shares at the issued price of HK\$1.83 per share constitute connected transactions of the Group.

- (f) On 15 September 2000, Bonny-View Corporation ("Bonny-View"), an indirectly owned subsidiary company of the Group, entered into a conditional agreement with Anderson International Investment Limited ("Anderson International") relating to the acquisition of 49.0% interest in New World Anderson Development Company Limited ("NW Anderson") held by Anderson International together with a shareholder's loan of HK\$494.1 million ("Acquisition") for a total consideration of HK\$406.6 million. The Acquisition was completed on 30 November 2000. After the completion, NW Anderson became a wholly owned subsidiary company of Bonny-View.

By virtue of the fact that Anderson International was a substantial shareholder of NW Anderson and was wholly owned by Mr. Chan Ki, an executive director of both NW Anderson and New World Anderson (Tianjin) Development Co Ltd, a wholly owned subsidiary company of NW Anderson, the Acquisition constituted a connected transaction of the Group.

Connected Transactions (continued)

(g) On 9 November 2000, two unconditional agreements were entered into, respectively between, inter alia, INFA Nominees Limited ("INFA Nominees") as vendor and the Company as purchaser and New World CyberBase Nominee Limited ("NWC Nominee"), a wholly owned subsidiary company of New World Telephone Holdings Limited ("NWTH") as vendor and Mr. Tsang Cheung, Peter ("Mr. Tsang") as purchaser. In the first agreement, INFA Nominees agreed to sell 14 ordinary shares of HK\$1.00 each in the share capital of NWTH, a subsidiary company of the Group and assigned approximately HK\$203.0 million, being the outstanding shareholder's loan advanced by NWTH to INFA Nominees on a pro rata basis to NWTH, to the Company at the date of agreement at a total consideration of about HK\$424.1 million upon the terms and conditions therein contained. After the completion of the further acquisition of NWTH, the interests of the Group in NWTH increased from 88.0% to 95.0%. In the second agreement, NWC Nominee, an indirectly owned subsidiary of the Group, as vendor and Mr. Tsang as purchaser whereby NWC Nominee agreed to sell 180.0 million ordinary shares of HK\$0.02 each in the share capital of NWCB representing 4.7% of the entire issued capital of NWCB to Mr. Tsang at a consideration of HK\$53.1 million upon the terms and conditions therein contained.

Mr. Tsang is the director of NWTH and Mr. Tsang and persons connected with him are the beneficial owner of 100% shareholdings in INFA Nominees which held 7.0% of the entire issued share capital of NWTH before the above acquisition. Hence, Mr. Tsang is a connected person to the Company. Accordingly, the acquisition and disposal constituted connected transactions of the Company.

(h) On 10 April 2001, New World First Ferry Services Limited, a 51.3% indirectly owned subsidiary company of the Company, entered into a shipbuilding contract with Marinteknik Shipbuilders (S) Pte Ltd ("Marinteknik"), which is owned more than 35.0% by Mr. Liang Chong-Hou David ("Mr. Liang"), for the construction of a 36 metres double deck, 397 passengers catamaran vessel by Marinteknik at a price of HK\$21.1 million, subject to adjustments for delays to the delivery of the vessel and any modifications or changes to the agreed specifications for the vessel.

As Mr. Liang, an executive director of the Company, owns more than 35.0% of the issued share capital in Marinteknik, Marinteknik is an associate of Mr. Liang and accordingly a connected person of the Company. The shipbuilding contract constituted a connected transaction of the Company.

(i) On 19 April 2001, Front Drive Limited ("Front Drive"), an indirect subsidiary company of the Group entered into a shareholders' agreement with Kingsfund Limited ("Kingsfund") which is an indirect wholly owned subsidiary company of CSX World Terminals, LLC. ("CSXWT"), a substantial shareholder of CSX8, a subsidiary company of the Group, and ATL Logistics Centre Hong Kong Limited ("ATL") which is an associated company of CSXWT and a jointly controlled entity of the Group for the purpose of setting up a company incorporated in Hong Kong and known as ATL Logistics Centre Yantian Limited ("ATLY") to invest in the business in Yantian District, the PRC. According to the terms of the aforesaid shareholders' agreement, the shareholding structure of ATLY is Front Drive as to 18.2%, Kingsfund as to 31.8% and ATL as to 50.0% and shareholders' loans will be called by ATLY on a pro-rata basis when required.

(j) On 27 April 2001, New World LifeTech Limited ("NWLT"), a 80.0% indirectly owned subsidiary company of the Company, entered into a conditional agreement with LifeTech Enterprises, Inc. ("LifeTech"), a company holding an indirect interest of 20.0% in NWLT, whereby LifeTech agreed to allot and issue to NWLT or Profit Tractor Limited, an indirect wholly owned subsidiary company of the Company, 9,825,810 new common shares (valued at a total sum of approximately US\$3.9 million (equivalent to approximately HK\$30.7 million)) determined at the value of US\$0.40 per share, representing approximately 18.0% of the enlarged issued share capital of LifeTech in consideration for the transfer of the entire issued share capital of the two of the wholly owned subsidiary companies of NWLT, namely LifeTech (Asia) Limited and New World LifeTech Pharmacy Limited to LifeTech.

Connected Transactions (continued)

LifeTech, through its wholly owned subsidiary company, is beneficially interested in 20.0% of the issued share capital of NWLT. Being a substantial shareholder of NWLT, LifeTech is regarded as a connected person of the Company and the above-mentioned transaction constituted a connected transaction of the Company.

- (k) On 11 May 2001, New World Development (China) Limited ("NWDC"), a 70.0% indirect subsidiary company of the Company, 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 17.0% and 15.0% 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\$28.9 million and HK\$16.8 million respectively. After the acquisition, the interests of NWDC in NHRED increased from 48.0% to 80.0%.

By virtue of the fact that NXT and APS are substantial shareholders of NHRED, which is treated as an indirect subsidiary company of the Company, the acquisition constitutes a connected transaction of the Group.

- (l) On 17 May 2001, an agreement was entered into between Mega Easy Investments Limited ("Mega Easy") as vendor, Firmshare Investments Limited, a wholly owned subsidiary company of the Group as purchaser and the Company as the purchaser's guarantor whereby Mega Easy sold the entire issued share capital of Biowin Investments Limited, a wholly owned subsidiary company of Mega Easy as at the date of the agreement and is the beneficial holder of 75.0% of the entire share capital of Eurasia Hotel Limited which carries on the business of operating The Regent Hong Kong held under a sub lease expiring on 28 December 2010 to the purchaser at a consideration not exceeding 3.0% of the consolidated net asset value of the Company as disclosed in the latest published consolidated audited accounts. The consideration for the acquisition had been arrived at after arm's length negotiation between the parties and was on normal commercial terms. The directors, including the independent non-executive directors of the Company believed that the acquisition is fair and reasonable and was in the interest of the Company and its shareholders as a whole.

Mega Easy is a direct wholly owned subsidiary company of NWDH which is beneficially owned as to 64.0% by the Company and 36.0% by CTFEL and the purchaser is a direct wholly owned subsidiary company of the Company which is owned as to approximately 37.0% by CTFEL. Accordingly, the acquisition constituted a connected transaction of the Company.

- (m) On 25 May 2001, Steady Profits Limited, a wholly owned subsidiary company 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 equalled to HK\$28.3 million which was satisfied by the issue and allotment by NWCL of 8,790,616 new shares, credited as fully paid up, in the issued share capital of NWCL at an issue price of HK\$3.225 each. After the acquisition, KPL became a wholly owned subsidiary company of Steady Profits.

Concurrently, on 25 May 2001, NWDC entered into a conditional sale and purchase agreement with HK3 Limited ("HK3") relating to the acquisition of a participating interest representing 12.0% equity interest in the registered capital of NHRED for a consideration equalled to HK\$6.8 million which was satisfied by the issue and allotment by NWCL of 2,121,140 new shares, credited as fully paid up, in the issued share capital of NWCL at an issue price of HK\$3.225 each. After the acquisition, the interests of NWDC in NHRED increased from 80.0% to 92.0%.

Connected Transactions (continued)

The agreements with HK2 and HK3 constituted share and connected transactions of the Group since HK2 and HK3 are substantial shareholders of KPL and NHRED respectively. The agreements were approved by a written consent of the Company as its ultimate holding company.

- (n) Suzhou Huisu International Container Freight Wharfs Co., Ltd. ("Huisu") is a subsidiary company of the Group's indirect subsidiary company, PPC owned as to 45.0% by Suzhou Tonggang Group Company ("Tonggang"), 40.0% by New World (Suzhou) Port Investments Limited ("NW Suzhou") and 15.0% by Wealth & Health Limited ("Wealth & Health"), both NW Suzhou and Wealth & Health are indirect wholly owned subsidiary companies of PPC. Tonggang is a connected person of the Group only by virtue of its being a substantial shareholder of Huisu and is not otherwise connected with the Group.

On 8 February 2001, an agreement was entered into between Grand Linkage Limited ("Grand Linkage"), an indirect wholly owned subsidiary company of the Group, and Tonggang pursuant to which Grand Linkage would acquire 20.0% interest in Huisu from Tonggang at a consideration of RMB5.2 million (approximately HK\$4.9 million) based on unaudited net asset value of Huisu as at 30 June 2000. The acquisition permit PPC to strengthen the management of Huisu and enhance its contribution in the long run.

- (o) On 17 August 2001, an agreement was entered into between Regent Hotel (Hong Kong) Limited ("Regent") as vendor and Fullbase Co., Ltd. ("Fullbase"), an indirect wholly owned subsidiary company of the Company, as purchaser whereby Regent had agreed to sell 20,000,000 shares of HK\$1.00 each in Eurasia Hotel Limited ("Eurasia") to Fullbase at a consideration of HK\$185.0 million upon the terms and conditions therein contained.

Eurasia was a 75.0% indirect subsidiary of the Company, and Regent owned 25.0% of Eurasia. Hence, Regent was a connected person of the Company. Accordingly, the transaction constituted connected transaction of the Company.

- (p) On 30 August 2001, 南京惠寧碼頭有限公司 (Nanjing Huining Wharfs Co., Ltd.) ("Nanjing Huining"), the operator of the nine berths located in Nanjing Port, the PRC, entered into an operating and management agreement (the "Operating and Management Agreement") with 南京港務管理局 (Nanjing Port Authority) ("NPA") whereby NPA agreed to act as the new operator for Nanjing Huining for its unexpired joint venture period up to 2 June 2019 at a consideration of RMB18.0 million (approximately HK\$16.8 million) to be paid to New World (Nanjing) Port Investments Limited ("NW Nanjing") by Nanjing Huining.

By an agreement (the "Huining Agreement") entered into between NW Nanjing and Nanjing Huining on 30 August 2001, NW Nanjing consented that NPA has the sole operation and management right of Nanjing Huining.

In addition, NW Nanjing entered into a share pledge agreement (the "Share Pledge Agreement") with NPA on 30 August 2001 whereby NW Nanjing pledged its entire shareholding of 55.0% in Nanjing Huining in favour of NPA as assurance for NW Nanjing's obligations under the Operating and Management Agreement, the Huining Agreement, the Share Pledge Agreement and the undertaking to maintain its share interest in Nanjing Huining until the expiry of the joint venture period of Nanjing Huining up to 2 June 2019.

The above-mentioned agreements provided PPC with an assured return for the remaining joint venture period of Nanjing Huining and relieved PPC of any further risks in relation to Nanjing Huining.

Nanjing Huining was a non-wholly owned subsidiary of the Group owned as to 55.0% by NW Nanjing and 45.0% by NPA. NW Nanjing is wholly owned by PPC and NPA is a connected person of the Group only by virtue of being a substantial shareholder of Nanjing Huining and is not otherwise connected with the Group.

Connected Transactions (continued)

- (q) On 3 September 2001, NWCL 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\$10.0 million and RMB50.0 million respectively. NWCL also guaranteed for the completion of Shanghai Ramada Plaza by 31 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 95.0% by Ramada Property Ltd. which in turn is owned by NWCL as to 60.0% and Stanley Enterprises Limited ("Stanley") as to 20.0%. Stanley had agreed to pay to NWCL 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 subsidiary companies of the Group, the granting of the Guarantee and the payment of guarantee fee by Stanley constitute connected transactions for the Group.

- (r) On 19 September 2001, Touchful Limited ("Touchful"), a wholly owned subsidiary of NWI, entered into a loan agreement ("Loan Agreement") with Apex-Pro Systems Limited ("Apex-Pro"), an indirect 62.8% subsidiary of NWI in which no connected person of NWI is a substantial shareholder, whereby Touchful provides advances up to HK\$2.0 million to Apex-Pro at an interest rate of 8% per annum. These advances shall be repayable on demand provided that if the advances together with accrued interest is not repaid in full by the first anniversary of the date of the Loan Agreement, Touchful shall, upon the request of Apex-Pro, capitalise the outstanding amount of the advances (based on a pre-money valuation of HK\$10.0 million for the entire issued share capital of Apex-Pro as at the date of the Loan Agreement) into new shares of Apex-Pro. These advances were made not in proportion to the shareholdings of Apex-Pro. Therefore this transaction constituted connected transaction under the Listing Rules.

- (s) The following transactions had taken place between subsidiary companies of the Company and Infa Telecom Asia Limited ("Infa Telecom") during the year ended 30 June 2001:

- (i) purchase of equipment by New World Telephone Limited and New World PCS Limited ("Telephone Group") from Infa Telecom;
- (ii) engagement of Infa Telecom by the Telephone Group in the site installation related services of such purchase; and
- (iii) repairs services provided by Infa Telecom to the Telephone Group.

Infa Telecom is a company the entire share capital of which is beneficially owned by Mr. Tsang, a former director of a subsidiary company of the Company, and/or his associates. Infa Telecom is therefore a connected person of the Company. The above transactions therefore constituted connected transactions of the Company.

- (t) 上海裕隆實業公司 ("上海裕隆"), a substantial shareholder of Shanghai Heyu Properties Co Ltd ("SHPCL"), a 64.0% owned subsidiary company of NWCL, undertook to provide land development services to SHPCL pursuant to an agreement dated 9 December 1992. No service fees has been paid to 上海裕隆 for the year ended 30 June 2001 and the aggregate amount paid to 上海裕隆 at 30 June 2001 and which has been included as part of the development costs of the related property developed by SHPCL was HK\$24.4 million (2000: HK\$24.4 million). This advance was made not in proportion to the shareholdings of SHPCL. Therefore this transaction constituted connected transaction under the Listing Rules.

Connected Transactions (continued)

- (u) The Company has provided guarantees (the "Guarantees") in respect of the syndicated bank loans (the "Bank Loans") of a subsidiary company and a PRC joint venture of NWI. NWI in return has given counter-guarantee in favour of the Company whereby NWI indemnifies the Company in respect of any liabilities incurred under the terms of the Guarantees. The outstanding balance at 30 June 2001 of the Bank Loans amounted to HK\$241.5 million (2000: HK\$241.5 million). The Guarantees and NWI's counter-guarantee will remain in force for the duration of the Bank Loans.
- (v) The Company has provided guarantee for US\$300.0 million syndicated loan facility granted to New World China Homeowner Development Limited ("NW Homeowner"), a wholly owned subsidiary company of NWCL. A guarantee fee calculated at 2.0% per annum is payable by NW Homeowner to the Company. The loan was repaid during the year and the guarantee fees paid to the Company for the year ended 30 June 2001 amounted to HK\$5.3 million (2000: HK\$12.9 million).
- (w) The Company has provided guarantees in respect of banking or loan facilities granted to NWCL. NWCL has given the following indemnities in favour of the Company:
- (i) an indemnity in respect of a guarantee given by the Company in relation to the repayment by NW Homeowner, of a loan facility of up to US\$300.0 million (2000: US\$300.0 million) granted by a syndicate of banks pursuant to a loan facility agreement dated 12 June 1996 of which the loan had been repaid as at the year end and
 - (ii) an indemnity in respect of a guarantee given by the Company in relation to the repayment by Tianjin New World Housing Development Company Limited of a loan facility for an aggregate amount of RMB46.0 million (2000: RMB51.0 million) from the Bank of Communications.
- (x) New World Finance Company Limited and Sexon Enterprises Limited, wholly owned subsidiary companies of the Group and Hip Hing Construction Company Limited, 51.3% owned subsidiary company of the Group, had advanced HK\$2,741.2 million (2000: HK\$1,764.4 million) in aggregate to NWCL as at 30 June 2001. These loans are unsecured and carry interest at 0.5% above London Interbank Offer Rate per annum (2000: ranging from 8.5% to 15.0% per annum), and are repayable from March 2002 to December 2006. The interest charged by these subsidiary companies of the Group to NWCL for the year ended 30 June 2001 in respect of these loans amounted to HK\$106.4 million (2000: HK\$114.2 million).
- (y) The Company had been granted a waiver by The Stock Exchange from compliance with the requirements of Chapter 14 of the Listing Rules in respect of the transactions set out in (s) above which constituted connected transaction as defined in the Listing Rules. The transactions have been reviewed by five independent non-executive directors of the Company who have confirmed that the transactions were:
- (i) in the ordinary course of business of the Company;
 - (ii) on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
 - (iii) in accordance with the terms of the agreements governing such transactions; and
 - (iv) within the maximum amount 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 33 to the Accounts.

Directors' Interests in Shares

	Personal Interests	Family Interests	Corporate Interests ⁽¹⁾	Other Interests
New World Development Company Limited				
(Ordinary shares of HK\$1.00 each)				
Dr. Cheng Yu-Tung	–	–	–	–
Dr. Cheng Kar-Shun, Henry	–	–	–	–
The Honourable Lee Quo-Wei	–	–	3,484,183	253,321 ⁽²⁾
Ld. Sandberg, Michael	–	–	–	–
Dr. Ho Tim	1,782,519	–	–	–
Dr. Sin Wai-Kin, David	3,343,363	33,326	–	–
Mr. Cheng Yue-Pui	–	–	–	–
Mr. Liang Chong-Hou, David	230,022	–	–	–
Mr. Yeung Ping-Leung, Howard	–	–	–	–
Mr. Cha Mou-Sing, Payson	–	–	–	–
Mr. Cheng Kar-Shing, Peter	–	–	–	–
Mr. Leung Chi-Kin, Stewart	23,253	–	–	–
Mr. Chan Kam-Ling	90,470	–	–	–
Mr. Chow Kwai-Cheung	20,818	–	–	–
HH Holdings Corporation				
(Ordinary share of HK\$1.00 each)				
Dr. Sin Wai-Kin, David	42,000	–	–	–
Mr. Chan Kam-Ling	15,000	–	–	–
Master Services Limited				
(Ordinary shares of US\$0.01 each)				
Mr. Leung Chi-Kin, Stewart	16,335	–	–	–
Mr. Chan Kam-Ling	16,335	–	–	–
Mr. Chow Kwai-Cheung	16,335	–	–	–
New World Infrastructure Limited				
(Ordinary shares of HK\$1.00 each)				
Dr. Cheng Kar-Shun, Henry	–	1,000,000	–	–
Dr. Ho Tim	148	–	–	–
Dr. Sin Wai-Kin, David	5,594	53	–	–
Mr. Liang Chong-Hou, David	262	–	–	–
Mr. Chan Kam-Ling	6,800	–	–	–

Directors' Interests in Shares (continued)

	Personal Interests	Family Interests	Corporate Interests ⁽¹⁾	Other Interests
New World Services Limited				
(Ordinary shares of HK\$0.10 each)				
Dr. Sin Wai-Kin, David	–	–	29,350,490	–
Mr. Cheng Kar-Shing, Peter	–	–	3,382,788	–
Mr. Leung Chi-Kin, Stewart	4,214,347	–	250,745	–
Mr. Chan Kam-Ling	–	–	10,602,565	–
Mr. Chow Kwai-Cheung	2,562,410	–	–	–
New World China Land Limited				
(Ordinary shares of HK\$0.10 each)				
Mr. Chow Kwai-Cheung	126	–	–	–
YE Holdings Corporation				
(Ordinary shares of HK\$1.00 each)				
Mr. Leung Chi-Kin, Stewart	37,500	–	–	–
Extensive Trading Company Limited				
(Non-voting deferred shares of HK\$1.00 each)				
Mr. Cheng Kar-Shing, Peter	–	–	380,000	–
Mr. Leung Chi-Kin, Stewart	160,000	–	–	–
Mr. Chan Kam-Ling	–	–	80,000	–
Mr. Chow Kwai-Cheung	80,000	–	–	–
Hip Hing Construction Company Limited				
(Non-voting deferred shares of HK\$100.00 each)				
Dr. Sin Wai-Kin, David	42,000	–	–	–
Mr. Chan Kam-Ling	15,000	–	–	–
International Property Management Limited				
(Non-voting deferred shares of HK\$10.00 each)				
Dr. Sin Wai-Kin, David	5,400	–	–	–
Mr. Chan Kam-Ling	1,350	–	–	–

Directors' Interests in Shares (continued)

	Personal Interests	Family Interests	Corporate Interests⁽¹⁾	Other Interests
Matsuden Company Limited				
(Non-voting deferred shares of HK\$1.00 each)				
Mr. Leung Chi-Kin, Stewart	44,000	–	–	–
Mr. Chan Kam-Ling	–	–	44,000	–
Mr. Chow Kwai-Cheung	44,000	–	–	–
Progreso Investment Limited				
(Non-voting deferred shares of HK\$1.00 each)				
Mr. Leung Chi-Kin, Stewart	–	–	119,000	–
Tai Yieh Construction & Engineering Company Limited				
(Non-voting deferred shares of HK\$1,000.00 each)				
Dr. Sin Wai-Kin, David	700	–	–	–
Mr. Chan Kam-Ling	250	–	–	–
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	–	–	–

Notes:

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

Practice Note 19 of the Listing Rules

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

	2001	2000
	HK\$m	HK\$m
Amounts due by affiliated companies	19,760.2	21,387.3
Guarantees given for affiliated companies in respect of banking and other credit facilities	4,889.0	5,960.0
Commitments to capital injections	3,299.6	4,106.1
	27,948.8	31,453.4

- (a) The above financial assistance given to the affiliated companies, in aggregate, represented 48.7% of the consolidated net assets of the Group (2000: 54.0%) as at the balance sheet date. No single entity received financial assistance from the Group which exceeds 25.0% of the consolidated net assets of the Group.
- (b) In additions to the above, certain subsidiary companies and jointly controlled entities of the Group are parties to agreements with third parties pursuant to the joint development of CT9 in Hong Kong, the related berth swap arrangement and the funding therefor. NWI has given guarantees in respect of these obligations of the subsidiary companies and jointly controlled entities to provide additional funds. If NWI is required to perform its obligations under the guarantees, the maximum amount of NWI's share of the liability under the guarantees will be HK\$5,120.0 million.
- (c) In accordance with the requirements under paragraph 3.10 of Practice Note 19 of the Listing Rules, the Company is required to include in its annual report a proforma combined balance sheet of its affiliated companies which would include significant balance sheet classifications and state the attributable interest of the Company in the affiliated companies. The Company has numerous affiliated companies and the Directors are of the opinion that it is not practical nor meaningful to prepare a proforma combined balance sheet and such information may be misleading. The Company made an application to, and received a waiver from, the Stock Exchange to provide the following statement as an alternative.
- (d) At 30 June 2001, the combined indebtedness, capital commitments and contingent liabilities as reported by the affiliated companies amounted to HK\$59,061.6 million, HK\$2,282.2 million and HK\$2,814.5 million (2000: HK\$59,154.6 million, HK\$5,290.9 million and HK\$42.0 million) respectively.