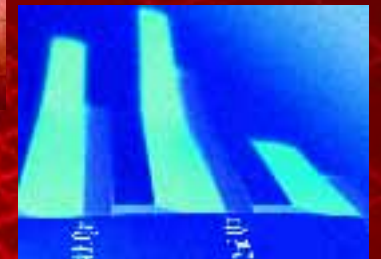


Report of the Directors and Financial Statements



The directors submit their report together with the audited accounts of the Company and its subsidiaries (collectively the "Group") for the year ended 30th June 2001.

Principal activities

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries are the investment in, and the development, operation and management of terminals in seaports and riverports and related business.

An analysis of the Group's turnover and contribution to operating profit/(loss) for the year by principal activities and markets is set out in note 2 to the accounts.

Results and appropriations

The results of the Group for the year ended 30th June 2001 and the state of affairs of the Group and the Company at 30th June 2001 are set out in the accounts on pages 40 to 42.

A dividend in respect of the Company's 4% cumulative convertible redeemable preference shares for the year has been incorporated in the accounts. The directors do not recommend the payment of any dividend to the ordinary shareholders for the year.

Five-year financial summary

A financial summary of the Group for the last five financial periods is set out on pages 88 to 90.

Fixed assets

Details of movements in the fixed assets of the Group during the year are set out in note 11 to the accounts.

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in note 12 to the accounts.

Associated companies and jointly controlled entities

Particulars of the Group's investments in its principal associated companies and jointly controlled entities are set out in notes 13 and 14 to the accounts respectively.

Borrowings

Details of the other loan of the Group are set out in note 20 to the accounts.

Share capital and share options

Details of movements in the share capital and share options of the Company during the year, together with reasons thereof, are set out in note 21 to the accounts.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase, sale or redemption of the Company's listed securities

The Company has not redeemed any of its shares during the year. Neither the Company, nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 22 to the accounts.

Distributable reserves

At 30th June 2001, the Company's reserves available for distribution amounted to HK\$268,883,000. In addition, the Company's share premium account, in the amount of HK\$4,770,803,000, may be distributed in the form of fully paid bonus shares.

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

	Year ended 30.6.2001	Period from 1.1.1999 to 30.6.2000
Percentage of turnover attributable to the Group's largest customer	10%	11%
Percentage of turnover attributable to the Group's five largest customers	33%	35%

As far as the directors are aware, none of the directors of the Company or any of their associates or any shareholders (which to the best knowledge of the directors own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers as disclosed above.

In the year under review, purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

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Directors

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

Executive directors:

- Dr. Cheng Kar-Shun, Henry
- Mr. Chan Wing-Tak, Douglas
- Mr. Doo Wai-Hoi, William
- Mr. Lo Lin-Shing, Simon
- Mr. So Ngok
- Mr. Cheung Chin-Cheung, Tommy
- Mr. Bruce Carroll Allen
- Mr. Tse Po-Shing, Andy

Independent non-executive directors:

- Mr. To Hin-Tsun, Gerald
- Mr. Peter Francis Amour

In accordance with clause 87(1) of the Company's Bye-laws, Mr. Chan Wing-Tak, Douglas, Mr. Tse Po-Shing, Andy and Mr. To Hin-Tsun, Gerald will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' service contracts

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

Directors' interests in contracts

Save as disclosed in note 25 to the accounts, no contracts of significance in relation to the Group's business to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries 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' rights to acquire shares and debentures

(A) Pursuant to the Company's share option scheme approved on 11th April 1997, the Company has granted options on the Company's ordinary shares to certain directors, the details of which are as follows:

Name of directors	Date of grant	Number of share options outstanding at 30th June 2001 with exercise price per share of HK\$0.693	Notes
Mr. Chan Wing-Tak, Douglas	11th May 1999	10,000,000	(1)
Mr. Lo Lin-Shing, Simon	11th May 1999	6,000,000	(1)
Mr. Cheung Chin-Cheung, Tommy	11th May 1999	3,000,000	(1)
Mr. Tse Po-Shing, Andy	11th May 1999	2,000,000	(1)
Mr. Bruce Carroll Allen	16th February 2000	2,000,000	(2)

Notes:

- (1) The exercise period is divided into four tranches starting from 5th November 1999, 5th May 2001, 5th May 2002 and 5th May 2003 respectively to 4th November 2004, both dates inclusive.
- (2) The exercise period is divided into four tranches starting from 16th August 2000, 16th February 2002, 16th February 2003 and 16th February 2004 respectively to 15th August 2005, both dates inclusive.
- (3) No share option of the Company was exercised during the year.

(B) Under a share option scheme of the Company's intermediate holding company, 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 (note 1)	HK\$12.00 (note 2)
Dr. Cheng Kar-Shun, Henry	2nd December 1998	600,000	2,400,000
Mr. Chan Wing-Tak, Douglas	26th November 1998	320,000	1,280,000
Mr. Doo Wai-Hoi, William	16th December 1998	200,000	800,000
Mr. So Ngok	26th November 1998	200,000	800,000
Mr. Cheung Chin-Cheung, Tommy	12th December 1998	78,800	315,200

Notes:

- (1) The exercise period is from 1st July 1999 to 1st June 2004, unless otherwise stated.
- (2) The exercise period is divided into three tranches exercisable from 1st July 2000, 1st July 2001 and 1st July 2002 respectively to 1st June 2004, unless otherwise stated.
- (3) No share option of NWI was exercised during the year.

(C) Under another share option scheme of a fellow subsidiary of the Company, New World China Land Limited ("NWCL"), the following directors of the Company, who are also directors of NWCL, have personal interests in share options to subscribe for shares in NWCL which have been granted to them as follows:

Name of directors	Date of grant	Period during which share options may be exercisable	Number of share options outstanding at 30th June 2001 with exercise price per share of
			HK\$1.955 and divided into five tranches
Dr. Cheng Kar-Shun, Henry	7th February 2001	8th March 2001 to 7th March 2006	5,000,000
Mr. Chan Wing-Tak, Douglas	12th February 2001	13th March 2001 to 12th March 2006	500,000
Mr. Doo Wai-Hoi, William	8th February 2001	9th March 2001 to 8th March 2006	3,500,000
Mr. So Ngok	9th February 2001	10th March 2001 to 9th March 2006	500,000

No share option of NWCL was exercised during the year.

Further details of the Company's share option schemes are set out in note 21 to the accounts.

Details of the directors' interests in share options to acquire shares of the Company's associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") are set out in the section "Directors' interests in securities" below.

Save as disclosed above, at no time during the year was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company or their respective spouses or children under 18 years of age or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in securities

As at 30th June 2001, the interests of the directors in the share capital of the Company or share capital/share options of any of its associated corporations within the meaning of the SDI Ordinance as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

	Number of shares/ share options held and nature of interests	
	Personal	Family
Pacific Ports Company Limited (ordinary shares of HK\$0.10 each) Mr. Bruce Carroll Allen	–	180,000
New World Development Company Limited (ordinary shares of HK\$1.00 each) Mr. Cheung Chin-Cheung, Tommy Mr. Tse Po-Shing, Andy	42,674 10,000	– –
New World Infrastructure Limited (ordinary shares of HK\$1.00 each) Dr. Cheng Kar-Shun, Henry Mr. Chan Wing-Tak, Douglas Mr. Cheung Chin-Cheung, Tommy Mr. Tse Po-Shing, Andy	– 700,000 100,000 40,000	1,000,000 – – –
New World CyberBase Limited (share options at an exercise price of HK\$0.5664 per share divided into five tranches exercisable from 17th August 1999, 17th August 2000, 17th February 2001, 17th August 2001 and 17th February 2002 respectively to 16th August 2002) Dr. Cheng Kar-Shun, Henry Mr. Chan Wing-Tak, Douglas Mr. Doo Wai-Hoi, William Mr. Lo Lin-Shing, Simon	25,000,000 5,000,000 8,000,000 25,000,000	– – – –

The interests of the directors in the share options of the Company, NWI and NWCL are separately disclosed in the section "Directors' rights to acquire shares or debentures" above.

Save as disclosed above, none of the directors, chief executive or any of their associates had any beneficial or non-beneficial interest in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Substantial shareholders' interests in securities

At 30th June 2001, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	Notes	Number of ordinary shares held	Number of 4% cumulative convertible redeemable preference shares held
Chow Tai Fook Enterprises Limited	(1)	1,544,976,000	3,193,654,306
New World Development Company Limited ("NWD")		1,544,976,000	3,193,654,306
Sea Walker Limited ("SWL")	(2)	1,544,976,000	3,193,654,306
Mombasa Limited	(3)	1,544,976,000	3,193,654,306
New World Infrastructure Limited ("NWI")	(4)	1,544,976,000	3,193,654,306
Lotsgain Limited	(5)	1,544,976,000	3,193,654,306
Seashore Development Limited	(6)	1,544,976,000	3,193,654,306

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) SWL is a wholly owned subsidiary of NWD and its interests in the Company is deemed to be held by NWD.
- (3) Mombasa Limited is a wholly owned subsidiary of SWL and its interests in the Company is deemed to be held by SWL.
- (4) NWI is a subsidiary of Mombasa Limited and its interests in the Company is deemed to be held by Mombasa Limited.
- (5) Lotsgain Limited is a wholly owned subsidiary of NWI and its interests in the Company is deemed to be held by NWI.

- (6) Seashore Development Limited is a wholly owned subsidiary of Lotsgain Limited and its interests in the Company is deemed to be held by Lotsgain Limited.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

Connected transactions

The Company has entered into the following connected transactions during the current year and the prior period and up to the date of this report:

- (1) Suzhou Huisu International Container Freight Wharfs Co., Ltd. (“Huisu”) was 45% owned by Suzhou Tonggang Group Company (“Tonggang”), 40% owned by New World (Suzhou) Port Investments Limited (“NW (Suzhou)”) and 15% owned by Wealth & Health Limited (“Wealth & Health”), both NW (Suzhou) and Wealth & Health are indirect wholly owned subsidiaries of the Company. On 8th February 2001, an agreement was entered into between Grand Linkage Limited (“Grand Linkage”), an indirect wholly owned subsidiary of the Company, and Tonggang pursuant to which Grand Linkage would acquire 20% interest in Huisu from Tonggang at a consideration of RMB5,246,622 (approximately HK\$4,903,385) based on an unaudited net asset value of Huisu as at 30th June 2000.

Upon submission of the relevant documents to the government authorities of the People’s Republic of China (the “PRC”) for processing, they required that the consideration be reduced by RMB311,509 (approximately HK\$291,130) according to the net asset value of Huisu as at 28th February 2001. A supplemental agreement was signed on 18th September 2001 between Grand Linkage and Tonggang to confirm that the adjusted consideration for this transaction was RMB4,935,113 (approximately HK\$4,612,255). As at the date of this report, the transaction is still being processed by the PRC authorities. Upon completion of the transaction, the Company’s equity interest in Huisu will be increased to 75%.

- (2) On 19th April 2001, a shareholders’ agreement was entered into between Front Drive Limited (“Front Drive”), a wholly owned subsidiary of the Company, Kingsfund Limited (“Kingsfund”) which is an indirect wholly owned subsidiary of CSX World Terminals, LLC. (“CSX”), a substantial shareholder of CSXWT Terminal 8 Limited which is in turn a jointly controlled entity of the Company, and ATL Logistics Centre Hong Kong Limited (“ATL”) which is an associated company of CSX and a

jointly controlled entity of the Company for the purpose of setting up a company incorporated in Hong Kong known as ATL Logistics Centre Yantian Limited (“ATLY”) to invest in the business of Yantian District, the PRC. Amongst the terms of the aforesaid shareholders’ agreement, the shareholding structure of ATLY is Front Drive as to 18.17%, Kingsfund as to 31.83% and ATL as to 50%, totalling 100%, and shareholders’ loans will be called by ATLY on a pro-rata basis when required.

- (3) On 12th June 2001, Seaview Gold Limited, a wholly owned subsidiary of the Company, entered into a tenancy agreement with New World Tower Company Limited (“NWT”) to renew the lease of the Company’s office premises at 21/F, New World Tower 2, 18 Queen’s Road Central, Hong Kong, for a period of three years commencing from 19th June 2001 to 18th June 2004 at a monthly rental of HK\$147,600 (exclusive of rates, management fees and air conditioning charges). NWT is a wholly owned subsidiary of New World Development Company Limited (“NWD”), the Company’s ultimate holding company.
- (4) On 30th August 2001, Nanjing Huining Wharfs Co., Ltd. (“Huining”), a 55% indirect owned subsidiary of the Company entered into an operating and management agreement with Nanjing Port Authority, a 45% owner of Huining whereby Nanjing Port Authority agreed to act as the new operator of Huining for its unexpired tenure up to 2nd June 2019 at a consideration of RMB18,000,000 (approximately HK\$16,822,430) to be paid to New World (Nanjing) Port Investments Limited (“NW (Nanjing)”), an indirect wholly owned subsidiary of the Company and a 55% owner of Huining, from Huining within 7 days from the date of approval (“Date of Approval”) obtained from the relevant PRC government authorities.

On the same date, NW (Nanjing) entered into an agreement with Huining pursuant to which NW (Nanjing) consented that Nanjing Port Authority had the sole operation and management right of Huining.

Pursuant to a share pledge agreement entered into between NW (Nanjing) and Nanjing Port Authority on the same date, NW (Nanjing) had pledged its entire 55% equity interest in Huining in favour of Nanjing Port Authority as assurance for NW (Nanjing)’s fulfilment of its obligation under the aforesaid agreements and as an undertaking to maintain its equity interest in Huining until the expiry of the tenure of Huining up to 2nd June 2019.

With effect from the Date of Approval, Nanjing Port Authority will be responsible for the daily operation and management of Huining. Huining will not be accounted for as a subsidiary of the Group thereafter.

(5) In respect of the Company's reimbursement of the payroll of certain employees of NWI who are responsible for the administration of the port projects acquired from NWI in the prior period on cost basis starting retrospectively from 15th March 2000, the Company had been granted a waiver by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from the 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 the aforesaid transaction which constituted a connected transaction under the Listing Rules. The transaction has been reviewed by Mr. To Hin-Tsun, Gerald and Mr. Peter Francis Amour, both are independent non-executive directors of the Company, who have confirmed that the transaction was:

- (a) carried out in accordance with the terms of the agreement relating to the reimbursement arrangement;
- (b) on normal commercial terms and fair and reasonable so far as the ordinary shareholders of the Company are concerned; and
- (c) within the amount as agreed with the Stock Exchange.

38 Save as disclosed above, a summary of significant related party transactions during the year was disclosed in note 25 to the accounts.

Compliance with the Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code of Best Practice") as set out in Appendix 14 of the Listing Rules throughout the financial year covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws.

Audit Committee

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice throughout the financial year covered by the annual report.

The audit committee of the Company currently comprises Mr. To Hin-Tsun, Gerald and Mr. Peter Francis Amour who are independent non-executive directors of the Company and their principal duties include the review and supervision of the Company's financial reporting process and internal control.

Auditors

The accounts for the year ended 31st December 1998 and for the period from 1st January 1999 to 30th June 2000 were audited by Ernst & Young. Ernst & Young retired and did not offer themselves for re-appointment. PricewaterhouseCoopers were nominated as the new auditors in place of the retiring auditors of the Company. The accounts for the year ended 30th June 2001 have been audited by 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