

The Directors have pleasure in presenting their Annual Report and Statement of Accounts for the year ended 30 June 2002.

GROUP ACTIVITIES

The principal activities of the Group are the investment and operation of infrastructure projects. The principal activities of the principal subsidiaries, associated companies and jointly controlled entities are shown in Notes 34, 35 and 36 to the Accounts on pages 107 to 115.

ACCOUNTS

The consolidated results of the Group for the year ended 30 June 2002 and the state of the Company's and the Group's affairs at that date are set out in the Accounts on pages 67 to 115.

DIVIDENDS

The Directors have resolved that no dividend be declared for the year ended 30 June 2002.

RESERVES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, nominal amount of US\$15,000 of 5% Convertible Bonds due 2001 were converted into 5,917 shares of HK\$1 each of the Company, the remaining balance of US\$119,420,000 were redeemed at par by the Company on 15 July 2001. The Company also repurchased total nominal amounts of US\$4,000,000 of the 1% Convertible Bonds due 2003 listed on the Luxembourg Stock Exchange at prices ranging from 125.75 to 130.00. Details of the repurchases are set out in Note 23 to the Accounts.

Save for the foregoing, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities during the year.

FIXED ASSETS

Movements of fixed assets during the year are summarised in Note 21 to the Accounts.

DIRECTORS

The Directors who held office during the year and at the date of this report were:-

Dr. Cheng Kar-Shun, Henry	
Mr. Doo Wai-Hoi, William	
Mr. Chan Wing-Tak, Douglas	
Mr. Cheng Kar-Shing, Peter	
Mr. Leung Chi-Kin, Stewart	
Mr. Chan Kam-Ling	
Mr. So Ngok	
Dr. Li Kwok-Po, David	
Mr. Cheng Wai-Chee, Christopher	
Mr. Coull, Gary William John	
Mr. Fu Sze-Shing	
Mr. Yan Y. Andrew	(resigned on 10 October 2001)
Mr. Wilfried E. Kaffenberger	(appointed on 10 October 2001)
Mr. Yeung Kun-Wah, David	(appointed on 22 March 2002 as alternate director to Mr. Wilfried E. Kaffenberger)

DIRECTORS (Continued)

Mr. So Ngok, Dr. Li Kwok-Po, David and Mr. Gary William John Coull retire in accordance with Article 116 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

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

No 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, subsisted at the end of the year or at any time during the year.

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:

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 Kar-Shun, Henry	Tamman Developments Limited	Investment in airport operation business	Director
Mr. Chan Wing-Tak, Douglas	Tamman Developments Limited	Investment in airport operation business	Director
Mr. Chan Kam-Ling	Qingyuan Qiaoyuan Power Plant Company Limited	Operation of power plant	Director

As the Board of Directors of the Company is independent from the boards of the aforesaid companies and none of the above 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.

CODE OF BEST PRACTICE

The Company has complied throughout the financial year ended 30 June 2002 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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.

On 26 October 1998, an audit committee was established and consists of independent Non-executive Directors – Dr. Li Kwok-Po, David, Mr. Cheng Wai-Chee, Christopher and Mr. Gary William John Coull. Dr. Li is the chairman of the committee. A principal duty of the audit committee is to review and supervise the Company's financial reporting process and internal controls.

CONNECTED TRANSACTIONS

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

- (1) Three tenancy agreements were entered into on 23 August 2000 between the Company and New World Tower Company Limited ("NWT") in respect of the office premises at 8/F. and 16/F., Tower 2, New World Tower occupied by the Company. The term of tenancies are for approximately three years commencing from July 2000 or August 2000 to 30 June 2003 at a total annual rental of HK\$3,601,440. NWT is a wholly owned subsidiary of New World Development Company Limited ("NWD"), the Company's ultimate holding company.
- (2) On 3 December 1998, the Company and CSX World Terminals Hong Kong Limited ("CSXHK") entered into a deed of guarantee (the "CSXWT 8 Guarantee") in respect of the obligations of CSXWT Terminal 8 Limited ("CSXWT 8"). The Company 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 CSXWT 8 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 CSXWT 8 holding 57%, 13.5% and 29.5% interest respectively. Sunmall was at that time a wholly owned subsidiary of the Company and CSXWT 8 was a non-wholly owned subsidiary owned as to 66.1% indirectly by the Company and 33.9% by CSXHK. CSXHK is a connected person of the Company only by virtue of CSXHK's substantial shareholding in CSXWT 8.

Pursuant to a restructuring 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 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 CSXWT 8 became indirect non-wholly owned subsidiaries held through PPC.

Under the CSXWT 8 Guarantee, the Company and CSXHK unconditionally, irrevocably and severally guarantee in the proportion of each of their respective shareholdings in CSXWT 8, to ACTH and each of its shareholders (other than CSXWT 8) that, if for any reason CSXWT 8 does not (a) pay any sum payable by or expressed to be payable by it, or (b) perform any of its obligations, under the ACT Agreements, the Company and CSXHK 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 CSXWT 8 under the ACT Agreements is substantially to fund CSXWT 8's share of CT9 project cost currently estimated to be HK\$818 million of which 66.1% amounting to HK\$541 million is guaranteed by the Company pursuant to the CSXWT 8 Guarantee.

On 29 May 2002, the parties to the CSXWT 8 Guarantee entered into a deed of amendment whereby the Company was released from the CSXWT 8 Guarantee with effect from 16 November 2001.

Under the Sunmall Guarantee, the Company unconditionally and irrevocably guarantee to ACTH and each of its shareholders (other than Sunmall) that, if for any reason Sunmall does not (a) pay any sum payable by or expressed to be payable by it, or (b) perform any of its obligations, under the ACT Agreements, the Company 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\$374 million pursuant to the Sunmall Guarantee.

CONNECTED TRANSACTIONS (Continued)

- (3) ACT entered into a facility agreement (the "ACT Refinanced Loan") in respect of project financing of CT9 for HK\$2,700 million on 13 November 2001 to refinance the facility agreement (the "ACT Loan") dated 31 January 2000. The ACT Refinanced Loan is severally guaranteed by the Company and the other shareholders of ACTH in proportion of their respective effective equity interest in ACTH which wholly owns ACT. Accordingly, the Company guarantees 32.9995% of the ACT Refinanced Loan.

After the PPC Reorganisation, PPC holds the Company's former interest in ACTH but the Company remains the guarantor for purpose of the ACT Loan and therefore, the ACT Refinanced Loan. PPC is a non-wholly owned subsidiary of the Company in which no connected person of the Company is a substantial shareholder.

- (4) Suzhou Huisu International Container Freight Wharfs Co., Ltd. ("Huisu"), a subsidiary of PPC, is owned as to 45% by Suzhou Tonggang Group Company ("Tonggang"), 40% by New World (Suzhou) Port Investments Limited ("NW (Suzhou)") and 15% by Wealth & Health Limited ("Wealth & Health"). Both NW (Suzhou) and Wealth & Health are indirect wholly owned subsidiaries of PPC which in turn is a 75% subsidiary of the Company. Tonggang is a connected person of the Company only by virtue of being a substantial shareholder of Huisu and is not otherwise connected with the Company.

On 8 February 2001, an agreement was entered into between Grand Linkage Limited ("Grand Linkage") (an indirect wholly owned subsidiary of PPC) 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 unaudited net asset value of Huisu as at 30 June 2000. The acquisition would permit PPC to strengthen the management of Huisu and enhance its contribution in the long run. As at the date of this report, the transaction had been approved by the relevant PRC authorities.

- (5) On 19 April 2001, a shareholders' agreement was entered into between Front Drive Limited ("Front Drive", a wholly owned subsidiary of PPC), Kingsfund Limited ("Kingsfund") which is an indirect wholly owned subsidiary of CSX World Terminals, LLC. ("CSX", a substantial shareholder of CSXWT 8 which is in turn a subsidiary of PPC), and ATL Logistics Centre Hong Kong Limited ("ATL") which is an associated company of CSX and a jointly controlled entity of PPC 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 in Yantian District, PRC. ATLY is owned as to 18.17% by Front Drive, 31.83% by Kingsfund and 50% by ATL.

According to the terms of the aforesaid shareholders' agreement, shareholders' loans will be called by ATLY on a pro-rata basis when required. As at the date of this report, shareholders' loans for ATLY in the total amount of HK\$2,008,184.74 had been advanced by Front Drive.

- (6) On 30 August 2001, 南京惠寧碼頭有限公司 (Nanjing Huining Wharfs Co., Ltd.) ("Nanjing Huining") 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 RMB18,000,000 (approximately HK\$16,830,000) to be paid to New World (Nanjing) Port Investments Limited ("NW (Nanjing)") by Nanjing Huining within 7 days from the date of approval ("Date of Approval") obtained from the relevant PRC government authorities.

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% 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.

CONNECTED TRANSACTIONS (Continued)

With effect from the Date of Approval, i.e. 24 December 2001, NPA was responsible for the daily operation and management of Nanjing Huining.

Nanjing Huining was a non-wholly owned subsidiary of the Company owned as to 55% by NW (Nanjing) and 45% by NPA. NW (Nanjing) is wholly owned by PPC and NPA is a connected person of the Company only by virtue of being a substantial shareholder of Nanjing Huining and is not otherwise connected with the Company.

- (7) On 19 September 2001, Touchful Limited ("Touchful"), a wholly owned subsidiary of the Company, entered into a loan agreement ("Loan Agreement") with Apex-Pro Systems Limited ("Apex-Pro"), an indirect 62.75% subsidiary of the Company in which no connected person of the Company is a substantial shareholder, whereby Touchful provides advances up to HK\$2,000,000 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, Apex-Pro shall, upon the request of Touchful, capitalize the outstanding amount of the advances (based on a pre-money valuation of HK\$10 million for the entire issued share capital of Apex-Pro as at the date of the Loan Agreement) into new shares of Apex-Pro.

As at the date of this report, the said advances have not been repaid and Touchful has not made any request for capitalisation of such outstanding amount.

- (8) On 11 October 2001, a share subscription agreement (the "Subscription Agreement") was entered into between PPC, Noble Park Investments Limited ("NP"), Sunmall Limited ("Sunmall"), Pacific Owner Limited ("POL", together with NP and Sunmall, all of them are wholly owned subsidiaries of PPC which in turn is a 75% subsidiary of the Company), Pacific Container Limited and CSXHK, under which POL (which holds approximately 19.5% attributable interest in ACT) agreed to issue to CSXHK three redeemable convertible shares of US\$1.00 each in the share capital of POL (the "Subscription Shares") at HK\$242,336,001 in cash. Such amount of consideration was received by PPC on 16 November 2001 (the "Completion Date"). Upon the conversion of the Subscription Shares, CSXHK will obtain the title for 100% interest in POL.

Pursuant to the Subscription Agreement, CSXHK had assumed liability of POL, Sunmall, NP, PPC and the Company (as appropriate) under the financing and project agreements in respect of the ACT Project (as defined below) by way of cross indemnity from the Completion Date.

("ACT Project" refers to projects carried out by ACT in relation to the completion of the construction of CT9 and the subsequent operation and management of that terminal or Container Terminal 8 West under a berth swap agreement entered into between ACT and Modern Terminals Limited.)

CSXHK and PCL are connected persons of the Company only by virtue of being substantial shareholders of CSXWT 8.

- (9) Xiamen Xiang Yu Quay Co., Ltd. ("CJV 1") is 8% owned by Xiamen Xiangyu Group Corporation ("Xiangyu Group") and 92% owned by New World (Xiamen) Port Investments Limited ("NW (Xiamen)", an indirect wholly owned subsidiary of PPC) while Xiamen Xiangyu Free Trade Zone Huijian Quay Co., Ltd. ("CJV 2") is 40% owned by Xiangyu Group and 60% owned by NW (Xiamen). CJV 1 and CJV 2 own berth no.12 and berth nos.13 and 14 in the East Channel Port Zone of Xiamen in the PRC respectively.

On 28 June 2002, a merger agreement (the "Merger Agreement") was entered into between CJV 1, CJV 2 and Xiamen Xiangyu Free Port Developing Co., Ltd. ("WSOLLC", a wholly owned subsidiary of Xiangyu Group which owns berth nos.15 and 16 in the East Channel Port Zone of Xiamen in the PRC), pursuant to which CJV 1 will be merged with CJV 2 and WSOLLC by way of absorption (i.e. the assets and liabilities of CJV 2 and WSOLLC will be absorbed by CJV 1, thereafter CJV 2 and WSOLLC will cease to exist) (the "Merger"). In addition, CJV 1 will be converted from a Sino-foreign co-operative joint venture company into a Sino-foreign equity joint venture company when the Merger is completed in accordance with the Merger Agreement, after which a new joint venture company (the "New JV"), the new identity of CJV 1, will be formally established as a result of such conversion.

CONNECTED TRANSACTIONS (Continued)

The New JV will be owned as to 50% by Xiangyu Group and 50% by NW (Xiamen). The total investment and the registered capital of the New JV will be RMB1,150,000,000 (approximately HK\$1,084,905,660) and RMB384,040,000 (approximately HK\$362,301,886) respectively. The difference between the total investment and the registered capital of the New JV will be made up of shareholders' loans and/or bank loans and internal funding.

As at the date of this report, the conditions for the completion of the Merger as set out in the Merger Agreement were not yet fulfilled.

NW (Xiamen) was a wholly owned subsidiary of PPC which in turn is a 75% subsidiary of the Company. WSOLLC is a connected person of the Company only by virtue of being a wholly owned subsidiary of a substantial shareholder of CJV 2 and is not otherwise connected with the Company.

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 30 to the Accounts on page 106.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2002, the interests of the Directors and their associates in the securities of the Company or any of its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:-

	Personal Interests	Family Interests	Corporate Interests (Note)
New World Infrastructure Limited (Ordinary shares of HK\$1.00 each)			
Dr. Cheng Kar-Shun, Henry	-	1,000,000	-
Mr. Chan Wing-Tak, Douglas	700,000	-	-
Mr. Chan Kam-Ling	6,800	-	-
New World Development Company Limited (Ordinary shares of HK\$1.00 each)			
Mr. Leung Chi-Kin, Stewart	23,253	-	-
Mr. Chan Kam-Ling	90,470	-	-
Extensive Trading Company Limited (Non-voting deferred shares of HK\$1.00 each)			
Mr. Cheng Kar-Shing, Peter	-	-	380,000
Mr. Leung Chi-Kin, Stewart	160,000	-	-
Mr. Chan Kam-Ling	-	-	80,000
Hip Hing Construction Company Limited (Non-voting deferred shares of HK\$100.00 each)			
Mr. Chan Kam-Ling	15,000	-	-
HH Holdings Corporation (Ordinary shares of HK\$1.00 each)			
Mr. Chan Kam-Ling	15,000	-	-
International Property Management Limited (Non-voting deferred shares of HK\$10.00 each)			
Mr. Chan Kam-Ling	1,350	-	-

DIRECTORS' INTERESTS IN SECURITIES (Continued)

	Personal Interests	Family Interests	Corporate Interests (Note)
Master Services Limited (Ordinary shares of US\$0.01 each)			
Mr. Leung Chi-Kin, Stewart	16,335	–	–
Mr. Chan Kam-Ling	16,335	–	–
Matsuden Company Limited (Non-voting deferred shares of HK\$1.00 each)			
Mr. Leung Chi-Kin, Stewart	44,000	–	–
Mr. Chan Kam-Ling	–	–	44,000
New World China Land Limited (Ordinary shares of HK\$0.10 each)			
Mr. Doo Wai-Hoi, William	700,000	–	–
Mr. Chan Kam-Ling	100,000	–	–
New World Services Limited (Ordinary shares of HK\$0.10 each)			
Mr. Cheng Kar-Shing, Peter	–	–	3,382,788
Mr. Leung Chi-Kin, Stewart	4,214,347	–	250,745
Mr. Chan Kam-Ling	–	–	10,602,565
Progreso Investment Limited (Non-voting deferred shares of HK\$1.00 each)			
Mr. Leung Chi-Kin, Stewart	–	–	119,000
Tai Yieh Construction & Engineering Company Limited (Non-voting deferred shares of HK\$1,000.00 each)			
Mr. Chan Kam-Ling	250	–	–
Urban Property Management Limited (Non-voting deferred shares of HK\$1.00 each)			
Mr. Cheng Kar-Shing, Peter	–	–	750
Mr. Leung Chi-Kin, Stewart	750	–	–
YE Holdings Corporation (Ordinary shares of HK\$1.00 each)			
Mr. Leung Chi-Kin, Stewart	37,500	–	–

Note: These shares were beneficially owned by a company in which the relevant director is deemed to be entitled under the SDI Ordinance to exercise or control the exercise of one-third or more of the voting power at its general meetings.

Save as disclosed above, as at 30 June 2002, none of the Directors, chief executive or any of their associates had any beneficial or non-beneficial interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the share option scheme (the "1997 Share Option Scheme") adopted by the Company on 3 October 1997, 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:

	Grant date	Options held at 1.7.2001	Options lapsed during the year	Options held at 30.6.2002	Exercise price per share HK\$	Note
Dr. Cheng Kar-Shun, Henry	2 December 1998	600,000	–	600,000	10.20	(1)
	2 December 1998	2,400,000	–	2,400,000	12.00	(2)
Mr. Doo Wai-Hoi, William	16 December 1998	200,000	–	200,000	10.20	(1)
	16 December 1998	800,000	–	800,000	12.00	(2)
Mr. Chan Wing-Tak, Douglas	26 November 1998	320,000	–	320,000	10.20	(1)
	26 November 1998	1,280,000	–	1,280,000	12.00	(2)
Mr. Cheng Kar-Shing, Peter	1 December 1998	120,000	–	120,000	10.20	(1)
	1 December 1998	480,000	–	480,000	12.00	(2)
Mr. Leung Chi-Kin, Stewart	8 December 1998	120,000	–	120,000	10.20	(1)
	8 December 1998	480,000	–	480,000	12.00	(2)
Mr. Chan Kam-Ling	9 December 1998	200,000	–	200,000	10.20	(1)
	9 December 1998	800,000	–	800,000	12.00	(2)
Mr. So Ngok	26 November 1998	200,000	–	200,000	10.20	(1)
	26 November 1998	800,000	–	800,000	12.00	(2)
Dr. Li Kwok-Po, David	28 November 1998	120,000	–	120,000	10.20	(1)
	28 November 1998	480,000	–	480,000	12.00	(2)
Mr. Cheng Wai-Chee, Christopher	11 December 1998	120,000	–	120,000	10.20	(1)
	11 December 1998	480,000	–	480,000	12.00	(2)
Mr. Coull, Gary William John	26 November 1998	120,000	–	120,000	10.20	(1)
	26 November 1998	480,000	–	480,000	12.00	(2)
Mr. Fu Sze-Shing	23 September 1999	240,000	–	240,000	10.20	(3)
	23 September 1999	960,000	–	960,000	12.00	(4)
Mr. Yan Y., Andrew (resigned on 10 October 2001)	23 September 1999	120,000	120,000	–	10.20	(3)
	23 September 1999	480,000	480,000	–	12.00	(4)

Notes:

- (1) Exercisable from 1 July 1999 to 1 June 2004.
- (2) Divided into 3 tranches exercisable from 1 July 2000 to 1 June 2004, from 1 July 2001 to 1 June 2004 and from 1 July 2002 to 1 June 2004 respectively.
- (3) Exercisable from 1 July 2000 to 1 June 2005.
- (4) Divided into 3 tranches exercisable from 1 July 2001 to 1 June 2005, from 1 July 2002 to 1 June 2005 and from 1 July 2003 to 1 June 2005 respectively.
- (5) The cash consideration paid by each director for each grant of the share options is HK\$10.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (Continued)

A new share option scheme (the "2001 Share Option Scheme") was approved by the board of directors on 10 October 2001 and adopted by the shareholders of the Company at the annual general meeting held on 6 December 2001. Under the 2001 Share Option Scheme, the directors may, at their discretion, grant options to directors and employees of the Group, to subscribe for shares in the Company. No option had been granted to any of the directors under the 2001 Share Option Scheme since it was adopted.

Pursuant to a share option scheme of a subsidiary, Pacific Ports Company Limited ("PPC"), options to subscribe for 10,000,000 shares of PPC at an exercise price of HK\$0.693 per share were granted to Mr. Chan Wing-Tak, Douglas on 11 May 1999. The options are divided into 4 tranches exercisable from 5 November 1999, 5 May 2001, 5 May 2002 and 5 May 2003 respectively to 4 November 2004. As at 30 June 2002, all the options granted to Mr. Chan Wing-Tak, Douglas have not yet been exercised.

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

	Grant date	Exercisable Period (Note 1)	Number of share options with exercise price per share of HK\$1.955		
			Held at 1.7.2001	Exercised during the year	Held at 30.6.2002
Dr. Cheng Kar-Shun, Henry	7 February 2001	8 March 2001 to 7 March 2006	5,000,000	-	5,000,000
Mr. Doo Wai-Hoi, William	8 February 2001	9 March 2001 to 8 March 2006	3,500,000	700,000 (Note 2)	2,800,000
Mr. Chan Wing-Tak, Douglas	12 February 2001	13 March 2001 to 12 March 2006	500,000	-	500,000
Mr. Cheng Kar-Shing, Peter	9 February 2001	10 March 2001 to 9 March 2006	2,500,000	-	2,500,000
Mr. Leung Chi-Kin, Stewart	7 February 2001	8 March 2001 to 7 March 2006	500,000	-	500,000
Mr. Chan Kam-Ling	9 February 2001	10 March 2001 to 9 March 2006	500,000	100,000 (Note 3)	400,000
Mr. So Ngok	9 February 2001	10 March 2001 to 9 March 2006	500,000	-	500,000

Notes:

- (1) The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of grant when the offers of the share options were accepted, provided that the maximum number of share options that can be exercised during a year is 20% of the total number of the share options granted together with any unexercised share options carried forward from the previous year(s).
- (2) Exercise date was 27 July 2001.
- (3) Exercise date was 26 October 2001.
- (4) The cash consideration paid by each director for each grant of the share options is HK\$10.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (Continued)

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

INFORMATION ON SHARE OPTION SCHEMES

Summary of share option schemes of the Company and its subsidiaries disclosed in accordance with the Listing Rules is as follows:–

(A) The 1997 Share Option Scheme and the 2001 Share Option Scheme

	1997 Share Option Scheme	2001 Share Option Scheme
Purpose of schemes	As incentive to employees (including any director) of the Company or any of its subsidiaries.	To provide an opportunity for employees (including any director) of the Company or any of its subsidiaries to participate in the equity of the Company as well as to motivate them to optimize their performance.
Participants of the schemes	Full time employees (including any director) of the Company or its subsidiaries.	Full time employees (including any director) of the Company or its subsidiaries.
Total number of shares available for issue under the schemes and percentage of issued share capital as at the date of this annual report	13,873,000 shares (approximately 1.46% of the issued share capital as at the date of this annual report), being the outstanding options unexercised. No further options will be granted under the 1997 Share Option Scheme upon adoption of the 2001 Share Option Scheme.	The total number of shares which may be issued upon exercise of all options to be granted under the 2001 Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% (the 10% Limit) of the shares in issue as at the date of adoption of the 2001 Share Option Scheme, i.e. 85,533,125 shares, representing approximately 8.98% of the issued share capital as at the date of this annual report. The 10% Limit may be refreshed with the approval of shareholders of the Company. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2001 Share Option Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. No option has been granted under the 2001 Share Option Scheme since its adoption.

INFORMATION ON SHARE OPTION SCHEMES (Continued)

(A) The 1997 Share Option Scheme and the 2001 Share Option Scheme (Continued)

	1997 Share Option Scheme	2001 Share Option Scheme
Maximum entitlement of each participant under the schemes	25% of the aggregate number of shares for the time being issued and issuable under the scheme.	The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless the same is approved by shareholders in general meeting.
The period within which the shares must be taken up under an option	At any time during a period to be notified by the Directors, which period not to exceed 5 years commencing on the expiry of 6 months after the date of grant of an option and expiring on the last day of the 5- year period.	At any time during a period to be notified by the Directors, which period not to exceed 7 years commencing on the expiry of 1 month after the date of grant of an option and expiring on the last day of the 7-year period.
The minimum period for which an option must be held before it can be exercised	6 months	1 month
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK\$10 is to be paid as consideration for the grant of option within 28 days from the date of offer.	HK\$10 is to be paid as consideration for the grant of option within 28 days from the date of offer.
The basis of determining the exercise price	The exercise price shall be determined by the Directors, being the higher of <ul style="list-style-type: none"> (a) not less than 80% of the average closing price of shares on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of offer; or (b) the nominal value of a share. 	The exercise price shall be determined by the Directors, being at least the higher of <ul style="list-style-type: none"> (a) the closing price of shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of offer, which must be a business day; and (b) the average closing price of shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of offer.
The remaining life of the schemes	The 1997 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 3 October 1997.	The 2001 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 6 December 2001.

INFORMATION ON SHARE OPTION SCHEMES (Continued)

(A) The 1997 Share Option Scheme and the 2001 Share Option Scheme (Continued)

In addition to options granted to Directors of the Company as disclosed in the section headed "Directors' Rights to Acquire Shares or Debentures" above, the Company had granted options under the 1997 Share Option Scheme to employees of the Group (the "Employees"). The movements in the aggregate number of the share options granted to the Employees during the year and balance outstanding at 30 June 2002 were as follows:

Grant date	Options held at 1.7.2001	Options lapsed during the year	Options held at 30.6.2002	Exercise price per share HK\$	Note
18 November 1998 to 16 December 1998	162,000	–	162,000	10.20	(1)
18 November 1998 to 16 December 1998	1,943,000	32,000	1,911,000	12.00	(2)

Notes:

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

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

No option had been granted to any Employee under the 2001 Share Option Scheme.

(B) Share Option Schemes of PPC

For the purposes of rewarding directors and full-time employees of PPC and its subsidiaries (the "PPC Group") for past service or performance, providing incentive and motivation for increase performance, attracting and retaining right calibre with the necessary experience to work for the PPC Group and to foster a sense of corporate identity, PPC had adopted a total of three share option schemes, details of which are listed as follows:–

(a) PPC 1997 Share Option Scheme

On 11 April 1997, a share option scheme was adopted by PPC (the "PPC 1997 Share Option Scheme") under which the directors of PPC may, at their discretion and during the period of three years commencing from 11 April 1997, grant options to executive directors or full-time employees of the PPC Group to subscribe for ordinary shares in PPC. The maximum number of shares of PPC in respect of which options may be granted under the PPC 1997 Share Option Scheme to any eligible person shall not exceed 25% of the total number of shares of PPC in issue.

The offer of a grant of share options may be accepted within 21 days from the date of the offer while no consideration is required to be paid by the grantee upon acceptance of the offer. The vesting and exercisable period of the share options are determined by the directors of PPC but the exercisable period shall not be more than ten years from the date of grant. The exercise price is determined by the directors of PPC which shall be equal to the higher of the nominal value of the shares of PPC or a price not less than 80% of the average of the closing prices per share of PPC as stated in the daily quotations sheets issued by the Hong Kong Stock Exchange on the five trading days immediately preceding the date of grant.

The PPC 1997 Share Option Scheme was expired on 11 April 2000, no further share options can be granted under it. However, share options granted under the PPC 1997 Share Option Scheme are still exercisable.

INFORMATION ON SHARE OPTION SCHEMES (Continued)

(B) Share Option Schemes of PPC (Continued)

(b) PPC 1999 Share Option Scheme

On 21 June 1999, PPC approved another share option scheme (the "PPC 1999 Share Option Scheme") under which the directors of PPC may, at their discretion and during the period of three years commencing from 21 June 1999, grant options to any director or full-time employees of the PPC Group to subscribe for the shares of PPC. The maximum number of shares of PPC in respect of which options may be granted under the PPC 1999 Share Option Scheme and the PPC 1997 Share Option Scheme to any eligible person shall not exceed 25% of the total number of shares of PPC in issue.

The offer of a grant of share options may be accepted within 21 days from the date of the offer while no consideration is required to be paid by the grantee upon acceptance of the offer. The vesting and exercisable period of the share options are determined by the directors of PPC but the exercisable period shall not be more than ten years from the date of grant. The exercise price is determined by the directors of PPC which shall be equal to the higher of the nominal value of the shares of PPC or a price not less than 80% of the average of the closing prices per share of PPC as stated in the daily quotations sheets issued by the Hong Kong Stock Exchange on the five trading days immediately preceding the date of grant.

The PPC 1999 Share Option Scheme was expired on 21 June 2002 and no option had ever been granted under such scheme.

(c) PPC 2001 Share Option Scheme

Subsequent to the amendment of Chapter 17 of the Listing Rules in 2001, a new share option scheme was adopted by PPC on 6 December 2001 (the "PPC 2001 Share Option Scheme") which will be valid and effective for a period of ten years from the date of adoption. The directors of PPC may, at their discretion, grant options to any director (including executive directors and independent non-executive directors) or employee of the PPC Group (the "Eligible Participant") to subscribe for the shares of PPC. Unless approved by shareholders of PPC, the total number of shares of PPC issued and to be issued upon exercise of the share options granted to each Eligible Participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the ordinary share capital of PPC in issue.

The offer of a grant of share options may be accepted within 14 days from the date of the offer together with the payment of nominal consideration of HK\$10 in total by the grantee. The vesting and exercisable period of the share options are determined by the directors of PPC but the exercisable period shall not be more than ten years from the date of grant. The exercise price is determined by the directors of PPC which must be at least the higher of the closing price of the shares of PPC as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant or the average closing price of the shares of PPC as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

The total number of shares of PPC which may be issued upon exercise of all share options to be granted under the PPC 2001 Share Option Scheme and any other schemes must not in aggregate exceed 10% of the ordinary share capital of PPC in issue as at the date of approval of the PPC 2001 Share Option Scheme. No share option had been granted under such scheme since its adoption.

As at the date of this annual report, a total of 22,000,000 share options were outstanding and all of which were granted under the PPC 1997 Share Option Scheme. The total number of shares of PPC available for issue under the PPC 2001 Share Option Scheme is 183,996,800 which represents approximately 8.93% of the issued ordinary share capital of PPC as at the date of this annual report.

Also, pursuant to the PPC 1997 Share Option Scheme, options to subscribe for 3,000,000 shares of PPC at an exercise price of HK\$0.693 per share were granted to an employee of the Company on 11 May 1999. The options are divided into 4 tranches exercisable from 5 November 1999, 5 May 2001, 5 May 2002 and 5 May 2003 respectively to 4 November 2004. As at 30 June 2002, all the options granted to the said employee have not yet been exercised.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the following parties had interests of 10% or more of the issued share capital of the Company:-

Name	Number of shares held
Chow Tai Fook Enterprises Limited	519,919,085 (Note 1)
New World Development Company Limited ("NWD")	519,919,085 (Note 2)
Sea Walker Limited ("SWL")	516,561,485 (Note 3)
Mombasa Limited	516,561,485
AIG Asian Infrastructure Management II Ltd. as general partner of AIG Asian Infrastructure Management II LP as general partner of AIG Asian Infrastructure Fund II LP	96,848,750

Notes:

- (1) Chow Tai Fook Enterprises Limited and its subsidiaries have interests in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares deemed to be interested by NWD.
- (2) This interest represents 516,561,485 shares deemed to be held by SWL and 3,357,600 shares directly held by Financial Concepts Investment Limited ("FCIL"). SWL is a wholly owned subsidiary of NWD and NWD has a 51.3% indirect interest in FCIL. NWD is deemed to have interests in the shares held by SWL and FCIL.
- (3) Mombasa Limited is a wholly owned subsidiary of SWL and its interests in the Company is deemed to be held by SWL.

Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 16(1) of the SDI Ordinance as at 30 June 2002.

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,

- (1) less than 30% of the Group's turnover was attributable to the Group's five largest customers; and
- (2) the Group's largest supplier accounted for 100% of the Group's total purchases.

According to the understanding of the Directors, none of the Directors, their associates or any shareholders who owned more than 5% of the Company's share capital had any interest in the five largest customers or suppliers.

AUDITORS

The Accounts 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, 18 October 2002