

## Report of the directors

The directors have pleasure in presenting their annual report and statement of accounts for the year ended 30th June 2003.

### Group activities

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries, associated companies, jointly controlled entities and other joint ventures are shown in note 36 to the accounts on pages 142 to 152.

### Accounts

The results of the Group for the year ended 30th June 2003 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 103 to 152.

### Dividends

The directors have resolved that no dividend be proposed for the year ended 30th June 2003 (2002: 2 HK cents per share).

### Share capital

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

### Reserves

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

### Purchase, sale or redemption of listed securities

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

### Fixed assets

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

## Donations

Donation made by the Group during the year amounted to HK\$1,661,000 (2002: HK\$15,000).

## Directors

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

Dr. Cheng Kar-shun, Henry  
Mr. Doo Wai-hoi, William  
Mr. Cheng Kar-shing, Peter  
Mr. Leung Chi-kin, Stewart  
Mr. Chan Kam-ling  
Mr. Chow Kwai-cheung  
Mr. Chow Yu-chun, Alexander  
Mr. Chan Wing-tak, Douglas  
Mr. Fong Shing-kwong, Michael (appointed on 29th January 2003)  
Mr. Fu Sze-shing  
Mr. Lo Hong-sui\*  
Mr. Cheng Wai-chee, Christopher\*  
Mr. Tien Pei-chun, James\*  
Mr. So Ngok (resigned on 17th January 2003)

\* *Independent non-executive directors*

Messrs. Fong Shing-kwong, Michael, Chan Wing-tak, Douglas, Chan Kam-ling and Cheng Wai-chee, Christopher will retire at the forthcoming annual general meeting in accordance with Articles 99 and 116 of the Company's Articles of Association and, being eligible, offer themselves for re-election. All remaining current directors continue in office.

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

## Pre-emptive rights

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

## Directors' interest in contracts

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

## Connected transactions

### A. Construction services

- (1) Hip Hing Construction (China) Company Limited, a fellow subsidiary, had been appointed by Dalian New World Plaza International Co., Ltd. ("Dalian Plaza"), Beijing Lingal Real Estates Development Co., Ltd., Shenzhen Topping Real Estate Development Co., Ltd, and New World (Shenyang) Property Development Limited, all being subsidiaries of the Group, as main contractor for the construction of the property projects (the "Properties") undertaken by these subsidiaries. The aggregate accumulated contract fee paid at 30th June 2003 and included as part of the development costs of the Properties was HK\$960,738,000 (2002: HK\$572,555,000) of which HK\$388,183,000 (2002: HK\$313,061,000) was paid during the year.
- (2) Tridant Engineering Company Limited and Young's Engineering Company Limited, fellow subsidiaries, had been appointed by Dalian Plaza as main contractor of electrical and air-conditioning engineering work for the property project undertaken by Dalian Plaza. The accumulated fee paid at 30th June 2003 and included as part of the development cost of the property project was HK\$61,503,000 (2002: HK\$47,757,000) of which HK\$13,746,000 (2002: HK\$47,757,000) was paid during the year.

### B. Tenancy agreements

- (1) On 15th August 1995, a tenancy agreement ("1995 Tenancy Agreement") was entered into between Shenyang New World Hotel Co., Ltd. ("Shenyang Hotel"), a previously 70% owned jointly controlled entity of the Company, as landlord and Shenyang New World Department Store Ltd. ("Shenyang Department Store"), an indirect wholly-owned subsidiary of New World Development Company Limited ("NWD"), the Company's ultimate holding company, as tenant for lease of the shopping arcade in the first and second floors of the annex building of New World Hotel, Shenyang for ten years.

The annual rental is the higher of (A) RMB8,000,000, RMB9,000,000 and RMB10,000,000 for the years ended 14th August 1996, 14th August 1997 and 14th August 1998 respectively, increasing at a rate of 6% per annum in each of the seven years ending 14th August 2005; and (B) 4% of the gross sale revenue earned by Shenyang Department Store, after value-added tax, for each of the three years ended 14th August 1998; and 5% of the gross sale revenue for each of seven years ending 14th August 2005.

- (2) On 8th November 2000, a tenancy agreement ("2000 Tenancy Agreement") was entered into between Shenyang Hotel as landlord and Shenyang Department Store as tenant for lease of the shopping arcade in the third floor of the annex building of New World Hotel, Shenyang with an area of 690 square metres for five years commencing from 1st December, 2000 to 30th November 2005.

The annual rental was RMB987,000 for the first year ended 30th November 2001, increasing at a rate of 6% per annum in each of the four years ending 30th November 2005 with rent-free period from 1st December 2000 to 31st January 2001.

On 30th May 2003, the Company completed the procedures for acquiring additional 30% interest in Shenyang Hotel which then became an indirect wholly-owned subsidiary of the Company. Accordingly, the 1995 Tenancy Agreement and the 2000 Tenancy Agreement constituted connected transactions of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The rental received in aggregate was HK\$1,018,000 from 30th May 2003 to 30th June 2003, under the 1995 Tenancy Agreement and the 2000 Tenancy Agreement.

## Connected transactions (continued)

### B. Tenancy agreements (continued)

- (3) On 12th March 2003, a tenancy agreement was entered into between New World Anderson (Tianjin) Development Co. Ltd., an indirect wholly-owned subsidiary, as landlord and Tianjin Xin An New World Shopping Plaza Co. Ltd., an indirect wholly-owned subsidiary of NWD, as tenant for lease of the first to fourth floors of New World Xin An Shopping Centre located in Nankai District, Tianjin, PRC with an area of 31,800 square metres for three years commencing from 1st July 2002 to 30th June 2005 at a monthly rental of RMB1,929,000 with rent-free period from 1st July 2002 to 28th February 2003 together with a monthly management fee of RMB600,000. The rental and management fee received in aggregate was HK\$13,940,000 for the year ended 30th June 2003.

### C. Corporate guarantees

- (1) On 27th July 2001, the Company executed a corporate guarantee in respect of the full obligation and liabilities of a HK\$455,000,000 Standby Letter of Credit Facility ("L/C Facility") extended by a bank for a period of 49 months to New World Development (China) Limited ("NWDC"), a wholly-owned subsidiary. The L/C Facility was granted to support a 48-month credit facility of RMB500,000,000 extended by a bank in PRC to Nanjing Huawei Real Estate Development Company Limited ("Nanjing Huawei"), a 92% owned subsidiary of NWDC. NWDC had also provided a completion and funding guarantee to procure the construction and completion of the property project undertaken by Nanjing Huawei. The provision of the aforesaid guarantees by the Company and NWDC constituted connected transactions of the Company pursuant to rule 14.25(2)(a) of the Listing Rules.
- (2) On 28th November 2001 and 10th June 2002, Shenzhen Topping Real Estate Development Co., Ltd. ("Shenzhen Topping"), a 90% owned subsidiary, obtained loan facilities of RMB250,000,000 and RMB100,000,000 respectively from a bank for a term of 2 years and 3 years respectively to finance a property development project and as general working capital.

The Company had provided corporate guarantees in respect of the full repayment of the principal and interest payable under the above loan facilities. The provision of the aforesaid guarantees constituted connected transactions of the Company pursuant to rule 14.25(2)(a) of the Listing Rules.

- (3) On 16th July 2002, Guangzhou Xin Yi Development Limited ("Guangzhou Xin Yi") was granted a 4-year term loan facility of up to HK\$171,600,000 and a revolving loan facility of up to RMB228,250,000 by a bank to finance the construction and development of its property project. The loan facilities were severally guaranteed by the Company and Chow Tai Fook Enterprises Limited ("CTF") as to 90.5% and 9.5% respectively, in proportion to their indirect shareholdings in Guangzhou Xin Yi.

Since CTF and its subsidiaries have interests in more than one-third of the issued shares of NWD, CTF is deemed to be a connected person of the Company. The provision of the aforesaid guarantee by the Company constituted a connected transaction of the Company pursuant to rule 14.25(2)(b) of the Listing Rules.

- (4) On 19th July 2002 and 31st December, 2002, the Company executed corporate guarantees in respect of the full obligation and liabilities of Shanghai Ju Yi Real Estate Development Co., Ltd. ("Ju Yi") under two loan facilities as granted by a bank of up to aggregate principal amounts of RMB100,000,000 ("RMB facility") and US\$20,000,000 ("US\$ facility") respectively. The RMB facility, with a term of 7 years, was used to finance the development cost of the property project undertaken by Ju Yi whilst the US\$ facility, with a term of 1 year, was used to re-finance its existing loan of US\$20,000,000.

At the date of the transactions, Ju Yi was beneficially owned as to 80% and 20% by NWDC and Stanley Enterprises Limited ("Stanley") respectively. Stanley has agreed to indemnify the Company in respect of its liability under the guarantee in proportion to its shareholding in Ju Yi and pay to the Company a guarantee fee of 0.25% per annum on the amount of the loan facilities being utilised by Ju Yi. The shareholdings in Ju Yi was subsequently changed to 70% and 30% as being held by NWDC and Stanley respectively since 14th March 2003 (paragraph D(2) below).

By virtue of the fact that Stanley is a substantial shareholder of certain subsidiaries of the Group, and is wholly-owned by a director of the Company, Mr. Doo Wai Hoi, William, since 3rd December 2002, the provision of the aforesaid guarantees and payment of the guarantee fee by Stanley constituted connected transactions of the Company and announcements were published on 22nd July 2002, 4th December 2002, and 2nd January 2003.

- (5) On 25th July 2002, Shanghai Ramada Plaza Ltd. ("Shanghai Ramada"), then 57% owned subsidiary, was granted a loan facility of US\$10,000,000 and RMB300,000,000 by two banks for a term of 5 years to finance the construction of its property project and as general working capital. Upon granting of the loan facility, the Company provided guarantee in respect of the full obligation and liabilities of Shanghai Ramada under the loan facility as well as the completion of Shanghai Ramada Plaza and undertook that the funding requirement relating to the completion of its construction would be fulfilled.

On 24th June 2003, Shanghai Ramada, then 61.75% owned subsidiary, obtained another loan facility of RMB100,000,000 from a bank for a term of 5 years to finance the construction cost of its property project. The obligation and liabilities of Shanghai Ramada under the aforesaid loan facility are also guaranteed by the Company.

Shanghai Ramada is 95% held by Ramada Property Ltd. ("Ramada Property"). The other shareholders of Ramada Property, had agreed to indemnify the Company in respect of its liability under the guarantees and pay to the Company a guarantee fee of 0.25% per annum on the amount of the loan facilities being utilised by Shanghai Ramada in proportion to their shareholdings in Ramada Property.

Stanley, having 20% interest in Ramada Property, is a connected person of the Company by reason stated in paragraph C(4) above. The provision of the guarantees by the Company in respect of the loan facilities and payment of the guarantee fee by Stanley constituted connected transactions of the Company and press announcements relating to the provision of the guarantees were published on 26th July 2002, 4th December 2002 and 25th June 2003.

- (6) On 29th July 2002, Shunde Shunxing Real Estate Co. Ltd. ("Shunde Shunxing") was granted a 3-year term loan facility of RMB50,000,000 from a bank to finance a property development project. Shunde Shunxing was owned by Global Perfect Development Limited ("Global Perfect") and an independent third party as to 70% and 30% respectively. Global Perfect is indirectly owned as to 50% and 50% by the Company and CTF respectively.

## Connected transactions (continued)

### C. Corporate guarantees (continued)

The loan facility was severally guaranteed by the Company and CTF in proportion to their indirect shareholdings in Global Perfect. Since CTF is deemed to be a connected person of the Company by reason stated in paragraph C(3) above, the provision of the aforesaid guarantee by the Company constituted a connected transaction of the Company pursuant to rule 14.25(2)(b) of the Listing Rules.

- (7) Fortune Leader Overseas Chinese (Daiyawan) Real Estate Development Co., Ltd. ("Fortune Leader Real Estate") was granted a 4-year banking facility with principal amount of up to HK\$30,000,000 ("HK\$30 million facility") on 6th September 2002 and additional facility of HK\$40,000,000 on 17th July 2003 to finance the development of its property projects. Fortune Leader Real Estate was 80% owned by Dragon Fortune Limited ("Dragon Fortune") and 20% by an independent third party. Dragon Fortune is in turn owned by the Company, Potassium Corp. ("Potassium"), Sun City Holdings Limited ("Sun City"), a 30.625% owned associated company, and independent third parties as to 36.39%, 7.09%, 20.33% and 36.19% respectively. Effectively, the Group owns Dragon Fortune as to 42.62%.

The obligation and liabilities of Fortune Leader Real Estate under the banking facilities were guaranteed by the Company, a director of the Company ("Personal Guarantor") and certain independent shareholders of Dragon Fortune in the proportion of 39.2%, 30.64% and 30.16% respectively on several basis.

Potassium is wholly-owned by the Personal Guarantor. Sun City is a 30.625% owned associated company of the Company and is also a connected person of the Company by virtue of the deemed interest of the Personal Guarantor in more than one-third of its issued share capital. Accordingly, the provision of the guarantee by the Company in respect of the banking facilities to Fortune Leader Real Estate constituted connected transactions of the Company under rule 14.25(2)(b) of the Listing Rules.

- (8) On 18th October 2002 and 2nd December 2002, the Company executed corporate guarantees to secure the full obligation and liabilities of Nanjing Huawei under two banking facilities in the principal amounts of RMB35,000,000 and RMB17,000,000 respectively as granted by a bank for a term of 1 year, subject to renewal. The banking facilities would be utilised to finance the development of the property projects of Nanjing Huawei.

The provision of the corporate guarantees by the Company constituted connected transactions of the Company pursuant to rule 14.25(2)(a) of the Listing Rules.

- (9) On 11th December 2002, the Company executed corporate guarantee to secure the full obligation and liabilities of Dalian New World Plaza International Co., Ltd., a 88% owned subsidiary, of banking facilities with principal amount of RMB100,000,000 as granted by a bank for a term of 2 years. The banking facilities would be utilised to finance the development of its property projects.

The provision of the corporate guarantee by the Company constituted a connected transaction of the Company pursuant to rule 14.25(2)(a) of the Listing Rules.

- (10) On 19th December 2002, Shanghai Mayfair Hotel Co., Ltd. ("Shanghai Mayfair") was granted a banking facility of up to an aggregate principal amount of HK\$10,000,000 and RMB74,000,000 respectively ("Loan Facility") by a bank for a term of 2 years to re-finance its existing loans of HK\$10,000,000 and RMB74,000,000. The Company had provided guarantee in respect of the full obligation and liabilities of Shanghai Mayfair under the Loan Facility.

Shanghai Mayfair is indirectly owned as to 99% by Ramada Property. The other shareholders of Ramada Property have agreed to indemnify the Company in respect of its liability under the guarantee and pay to the Company a guarantee fee of 0.25% per annum on the amount of the banking facilities being utilised by Shanghai Mayfair in proportion to their shareholding in Ramada Property.

Stanley, having 20% interest in Ramada Property, is a connected person of the Company by reason stated in paragraph C(4) above. The provision of the guarantee by the Company in respect of the facility and the payment of guarantee fee by Stanley constituted connected transactions of the Company and an announcement relating to the provision of the guarantee was published on 20th December 2002.

- (11) On 8th January 2003, Fortune Leader Overseas Chinese (Daiyawan) Investment Co., Ltd. ("Fortune Leader Investment") was granted a 4-year banking facility with principal amount of up to HK\$50,000,000 to finance the development of its property projects. Fortune Leader Investment was 80% owned by Dragon Fortune.

The obligation and liabilities of Fortune Leader Investment under the banking facilities were guaranteed by the Company, a director of the Company ("Personal Guarantor") and certain independent shareholders of Dragon Fortune in the proportion of 39.84%, 29.5% and 30.66% respectively on several basis.

By reason stated in paragraph C(7) above, the guarantee by the Company in respect of the banking facilities to Fortune Leader Investment constituted connected transaction under rule 14.25(2)(b) of the Listing Rules.

- (12) On 7th April 2003, the Company executed a corporate guarantee to secure 50% of the indebtedness of Global Perfect under a loan facility of up to HK\$300,000,000 as provided by a bank under a loan agreement dated 27th March 1997 for a term of 7 years to finance its property development project. Global Perfect is indirectly owned as to 50% and 50% by the Company and CTF respectively. CTF had provided full guarantee in respect of the loan facility since 27th March 1997.

As CTF is regarded as a connected person of the Company by reason stated in paragraph C(3) above, the provision of the aforesaid guarantee by the Company constituted a connected transaction of the Company pursuant to rule 14.25(2)(b) of the Listing Rules.

## Connected transactions (continued)

### D. Disposal of interests

- (1) On 20th February 2003, NWDC entered into an agreement with Sino Asset Property Limited ("Sino Asset") whereby NWDC agreed to sell and assign and Sino Asset agreed to purchase 1 ordinary share, being the entire issued share capital, in Steady Profits Limited ("Steady Profits") together with the shareholder's loan in the sum of HK\$270,598,359 due and owing by Steady Profits to NWDC for a cash consideration of HK\$347,800,260. The transaction was completed on 24th February 2003.

Steady Profits was an investment holding company having 35% interests in Niceline Company Limited ("Niceline"), which in turn indirectly engaged in the development of a property project in Tienchu Township, Shunyi County, Chaoyang District, Beijing, PRC.

By virtue of the fact that Sino Asset is wholly owned by CTF which in turn is a connected person of the Company by reason of its interest in more than one-third of the issued share capital of NWD, the Company's holding company, the disposal constituted a connected transaction of the Company. An announcement relating to the disposal was published on 21st February 2003.

- (2) On 14th March 2003, NWDC entered into an agreement with Stanley whereby NWDC agreed to transfer and Stanley agreed to acquire a participating interest representing 10% equity interest in Ju Yi for a cash consideration of HK\$72,053,800. Ju Yi is principally engaged in the development of Shanghai Hong Kong New World Garden. After the transaction, Ju Yi was beneficially owned by NWDC and Stanley as to 70% and 30% respectively.

On the same date, NWDC and Stanley entered into another agreement for the transfer of a participating interest representing 10% equity interest in Fung Seng Estate Development (Shanghai) Co., Ltd. ("Fung Seng") from NWDC to Stanley for a cash consideration of HK\$13,225,610. The principal business of Fung Seng is the ownership of an office building located in Huaihaizhong Road, Xuhui District, Shanghai, PRC and two parcels of vacant sites in Mengzi Road, Luwan District, Shanghai, PRC. After the transaction, Fung Seng was beneficially owned by NWDC and Stanley as to 70% and 30% respectively.

Stanley is a connected person of the Company by virtue of the reason stated in paragraph C(4) above. The aforesaid agreements constituted connected transactions of the Company and an announcement was published on 17th March 2003.

### E. Other connected transactions

In July 1999, a deed of tax indemnity was entered into between NWD and the Group whereby NWD undertakes to indemnify the Group in respect of, inter alia, certain PRC income tax ("IT") and land appreciation tax ("LAT") payable in consequence of the disposal of certain properties held by the Group as at 31st March 1999. During the year, no such tax indemnity was effected (2002: Nil).



**F. Conditional waivers****(1) Construction services**

As stated in the Company's press announcement published on 2nd July 2002, the Company was granted conditional waiver by The Stock Exchange of Hong Kong Limited ("Stock Exchange") up to the year ending 30th June 2005 from strict compliance with the requirements of Chapter 14 of the Listing Rules in respect of the construction services being provided or to be provided by the group of NWD, to the construction projects undertaken by the Group in the PRC, including transactions A(1) and A(2) above, which constituted connected transactions as defined in the Listing Rules.

These transactions have been reviewed by the independent non-executive directors of the Company who have confirmed that the transactions were:

- (a) entered into in the ordinary and usual course of business of the Group;
- (b) conducted on normal commercial terms and on arm's length basis;
- (c) entered into either in accordance with the terms of the agreements governing the transactions, or where there are no such agreements, on terms no more favourable than terms available to (or from, as appropriate) independent third parties;
- (d) entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (e) within the maximum amounts as agreed with the Stock Exchange, being HK\$450 million and did not exceed 3% of the net tangible asset value of the Group for the year ended 30th June 2003.

**(2) Tenancy agreements**

As stated in the Company's announcements published on 11th June 2003 and 13th March 2003, the Company was granted conditional waiver by the Stock Exchange from strict compliance with the disclosure requirement of Listing Rules for the period up to 30th November 2005 in respect of transactions arising from 1995 Tenancy Agreement and the 2000 Tenancy Agreement as described in paragraphs B(1) and B(2) above (collectively, the "Shenyang Tenancy Agreements"), and for the period up to 30th June 2005 in respect of transactions arising from the tenancy agreement described in paragraph B(3) above (the "Tianjin Tenancy Agreement") which constituted connected transactions as defined in the Listing Rules.

The independent non-executive directors of the Company had reviewed the transactions arising from the Shenyang Tenancy Agreements and the Tianjin Tenancy Agreement (collectively, the "Tenancy Agreements") for the year ended 30th June 2003 and confirmed that the transactions were :

- (a) entered into by the Group in the ordinary and usual course of business;
- (b) conducted on normal commercial terms or (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
- (c) entered into in accordance with the terms of the Tenancy Agreements; and

## Connected transactions (continued)

### F. Conditional waivers (continued)

#### (2) Tenancy agreements (continued)

- (d) within the annual amounts receivable pursuant to each of the Tenancy Agreements and did not exceed 3% of the book value of the consolidated net tangible assets of the Group for the year ended 30th June 2003.

The auditors of the Company had reviewed the transactions arising from each of the Tenancy Agreements and had provided a letter to the directors of the Company confirming that:

- (a) the transactions had received the approval of the board of directors of the Company;
- (b) the transactions were entered into in accordance with terms of the Tenancy Agreements;
- (c) the aggregate values of the transactions were within the annual amounts receivable pursuant to each of the Tenancy Agreements and did not exceed 3% of the book value of the consolidated net tangible assets of the Group for the year ended 30th June 2003.

Save as disclosed above, a summary of significant related party transactions that do not constitute connected transactions made during the year was disclosed in note 33 to the accounts.

## Directors' right to acquire shares or debentures

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

## Directors' interests in securities

As at 30th June 2003, the interests of the directors and their associates in shares, registered capital, underlying shares and debentures of the Company and its associated corporations as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

### (A) Long position in shares

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital as at 30th June 2003
	Personal interests	Family interests	Corporate interests		
<b>New World China Land Limited</b>					
(Ordinary shares of HK\$0.1 each)					
Mr. Doo Wai-hoi, William	700,000	—	—	700,000	<b>0.05</b>
Mr. Chan Kam-ling	100,000	—	—	100,000	<b>0.01</b>
Mr. Chow Kwai-cheung	126	—	—	126	—
Mr. Fong Shing-kwong, Michael	200,000	—	—	200,000	<b>0.01</b>
Mr. Tien Pei-chun, James	—	—	770,000 (note 1)	770,000	<b>0.05</b>
<b>New World Development Company Limited</b>					
(Ordinary shares of HK\$1 each)					
Mr. Leung Chi-kin, Stewart	23,253	—	—	23,253	<b>0.001</b>
Mr. Chan Kam-ling	96,669	—	—	96,669	<b>0.004</b>
Mr. Chow Kwai-cheung	20,818	—	—	20,818	<b>0.001</b>

## Directors' interests in securities (continued)

### (A) Long position in shares (continued)

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital as at 30th June 2003
	Personal interests	Family interests	Corporate interests		
<b>New World Infrastructure Limited</b>					
(Ordinary shares of HK\$1 each)					
Dr. Cheng Kar-shun, Henry	—	1,000,000	—	1,000,000	0.11
Mr. Doo Wai Hoi, William	—	—	12,000,000 (note 2)	12,000,000	0.67
Mr. Chan Kam-ling	6,800	—	—	6,800	0.0007
Mr. Chan Wing-tak, Douglas	1,300,000	400,000	—	1,700,000	0.18
<b>NWS Holdings Limited</b>					
(Ordinary shares of HK\$1 each)					
Dr. Cheng Kar-shun, Henry	—	587,000	—	587,000	0.03
Mr. Doo Wai-hoi, William	—	—	447,000 (note 2)	447,000	0.03
Mr. Cheng Kar-shing, Peter	2,989,700	—	—	2,989,700	0.17
Mr. Leung Chi-kin, Stewart	3,946,238	—	—	3,946,238	0.22
Mr. Chan Kam-ling	3,991	—	10,254,321 (note 3)	10,258,312	0.58
Mr. Chow Kwai-cheung	2,264,652	—	—	2,264,652	0.13
Mr. Chow Yu-chun, Alexander	2,957,652	—	—	2,957,652	0.17
Mr. Chan Wing-tak, Douglas	410,900	—	—	410,900	0.02
<b>Dragon Fortune Limited</b>					
(Ordinary shares of US\$1 each)					
Mr. Cheng Kar-shing, Peter	—	—	15,869 (note 4)	15,869	27.41
<b>Faith Yard Property Limited</b>					
(Ordinary share of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	1 (note 2)	1	50.00
<b>Fortune Star Worldwide Limited</b>					
(Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	60 (note 2)	60	60.00
<b>Fung Seng Estate Development (Shanghai) Co., Ltd.</b>					
(Registered capital in US\$)					
Mr. Doo Wai-hoi, William	—	—	3,000,000 (note 5)	3,000,000	30.00

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital as at 30th June 2003
	Personal interests	Family interests	Corporate interests		
<b>Grand Make International Limited</b> (Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	10 (note 2)	10	<b>10.00</b>
<b>HH Holdings Limited</b> (Ordinary shares of HK\$1 each)					
Mr. Chan Kam-ling	15,000	—	—	15,000	<b>2.50</b>
<b>Master Services Limited</b> (Ordinary shares of US\$0.01 each)					
Mr. Leung Chi-kin, Stewart	16,335	—	—	16,335	<b>1.63</b>
Mr. Chan Kam-ling	16,335	—	—	16,335	<b>1.63</b>
Mr. Chow Kwai-cheung	16,335	—	—	16,335	<b>1.63</b>
Mr. Chow Yu-chun, Alexander	16,335	—	—	16,335	<b>1.63</b>
<b>Nanjing New World Chang Jiang Equipment Co. Ltd.</b> (Registered capital in RMB)					
Mr. Doo Wai-hoi, William	—	—	5,357,275 (note 2)	5,357,275	<b>21.18</b>
<b>Nanjing Xinlidao Property Development Limited</b> (Registered capital in HK\$)					
Mr. Doo Wai-hoi, William	—	—	21,000,000 (note 2)	21,000,000	<b>35.00</b>
<b>New World Sun City Limited</b> (Ordinary shares of HK\$1 each)					
Mr. Cheng Kar-shing, Peter	—	—	300 (note 6)	300	<b>30.00</b>
<b>Ramada Property Ltd.</b> (Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	200 (note 2)	200	<b>20.00</b>
<b>Shanghai Juyi Real Estate Development Co., Ltd.</b> (Registered capital in US\$)					
Mr. Doo Wai-hoi, William	—	—	105,000,000 (note 5)	105,000,000	<b>30.00</b>

## Directors' interests in securities (continued)

### (A) Long position in shares (continued)

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital as at 30th June 2003
	Personal interests	Family interests	Corporate interests		
<b>Shanghai Trio Property Development Co. Ltd.</b> (Registered capital in US\$)					
Mr. Doo Wai-hoi, William	—	—	1,350,000 (note 5)	1,350,000	<b>1.80</b>
<b>Sun City Holdings Limited</b> (Ordinary shares of HK\$1 each)					
Mr. Cheng Kar-shing, Peter	—	80,000	3,570,000 (note 7)	3,650,000	<b>45.63</b>
<b>YE Holdings Corporation</b> (Ordinary shares of HK\$1 each)					
Mr. Leung Chi-kin, Stewart	37,500	—	—	37,500	<b>1.50</b>
<b>Zhaoqing New World Property Development Limited</b> (Registered capital in US\$)					
Mr. Doo Wai-hoi, William	—	—	3,600,000 (note 8)	3,600,000	<b>60.00</b>
<b>Zhaoqing New World Property Management Limited</b> (Registered capital in HK\$)					
Mr. Doo Wai-hoi, William	—	—	300,000 (note 8)	300,000	<b>60.00</b>

#### Notes:

- (1) These shares are beneficially owned by a company of which Mr. Tien Pei-chun, James has an indirect interest of 59.15%.
- (2) These shares are beneficially owned by companies wholly-owned by Mr. Doo Wai-hoi, William.
- (3) These shares are beneficially owned by a company of which Mr. Chan Kam-ling owns an interest of 50%.
- (4) Out of 15,869 shares of Dragon Fortune Limited, 4,102 shares are held by a company wholly-owned by Mr. Cheng Kar-shing, Peter and 11,767 shares are held by Sun City Holdings Limited ("Sun City"), of which Mr. Cheng is deemed to be interested in 45.625% of its issued share capital.
- (5) These represent the participating interests held by a company wholly-owned by Mr. Doo Wai-hoi, William.
- (6) Mr. Cheng Kar-shing, Peter is deemed to be interested in the shares of New World Sun City Limited by virtue of his interests in Sun City.
- (7) These shares are held by a company of which Mr. Cheng Kar-shing, Peter owns an indirect interest of 48.18%.
- (8) Mr. Doo Wai-hoi, William is deemed to be interested in the registered capital of these companies by virtue of his interest in Fortune Star Worldwide Limited, of which Mr. Doo Wai-hoi, William owns an indirect interest of 60%.

**(B) Long position in underlying shares — share options**(1) *The Company*

Under the share option scheme of the Company adopted on 18th December 2000, share options were granted to the undermentioned directors of the Company to subscribe for shares of the Company and accordingly they are regarded as interested in the underlying shares of the Company. Details of the share options granted to them are as follows:

Name of director	Date of grant	Exercisable period (note 1)	Number of share options with subscription price per share of HK\$1.955	
			Balance as at 1st July 2002	Balance as at 30th June 2003
Dr. Cheng Kar-shun, Henry	7th February 2001	8th March 2001 to 7th March 2006	5,000,000	<b>5,000,000</b>
Mr. Doo Wai-hoi, William	8th February 2001	9th March 2002 to 8th March 2006 (note 2)	2,800,000	<b>2,800,000</b>
Mr. Cheng Kar-shing, Peter	9th February 2001	10th March 2001 to 9th March 2006	2,500,000	<b>2,500,000</b>
Mr. Chow Yu-chun, Alexander	8th February 2001	9th March 2001 to 8th March 2006	2,500,000	<b>2,500,000</b>
Mr. Leung Chi-kin, Stewart	7th February 2001	8th March 2001 to 7th March 2006	500,000	<b>500,000</b>
Mr. Chan Kam-ling	9th February 2001	10th March 2002 to 9th March 2006 (note 2)	400,000	<b>400,000</b>
Mr. Chow Kwai-cheung	9th February 2001	10th March 2001 to 9th March 2006	500,000	<b>500,000</b>
Mr. Chan Wing-tak, Douglas	12th February 2001	13th March 2001 to 12th March 2006	500,000	<b>500,000</b>
Mr. Fong Shing-kwong, Michael	17th February 2001	18th March 2002 to 17th March 2006 (note 2)	800,000	<b>800,000</b>
Mr. So Ngok*	9th February 2001	10th March 2001 to 9th March 2006	500,000	<b>500,000</b>
Total			16,000,000	<b>16,000,000</b>

\* Resigned as director of the Company with effect from 17th January 2003.

## Directors' interests in securities (continued)

### (B) Long position in underlying shares — share options (continued)

#### (1) *The Company (continued)*

Notes:

- The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of each grant when the offers of 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 years, unless otherwise specified in note (2).
- The share options were exercisable during the remaining exercisable period of four years, provided that the maximum number of share options that can be exercised during a year is 25% of the outstanding balance of the share options held on the respective commencement dates of the exercisable period.
- The cash consideration paid by each director for each grant of the share options is HK\$10.

No share option of the Company was exercised by the above directors during the year ended 30th June 2003.

#### (2) *New World Infrastructure Limited*

Under the share option scheme of a fellow subsidiary, New World Infrastructure Limited ("NWI") adopted on 3rd October 1997, the following directors of the Company were granted share options to subscribe for shares in NWI and accordingly, they are regarded as interested in the underlying shares of NWI. Details of the share options of NWI granted to them are as follows:

Name of director	Date of grant	Share options with exercise price per share of HK\$10.20 (note 1)		Share options with exercise price per share of HK\$12.00 (note 2)	
		Balance as at 1st July 2002	Balance as at 30th June 2003	Balance as at 1st July 2002	Balance as at 30th June 2003
Dr. Cheng Kar-shun, Henry	2nd December 1998	600,000	600,000	2,400,000	2,400,000
Mr. Cheng Kar-shing, Peter <sup>#</sup>	1st December 1998	120,000	—	480,000	—
Mr. Doo Wai-hoi, William <sup>##</sup>	16th December 1998	200,000	—	800,000	—
Mr. Leung Chi-kin, Stewart <sup>#</sup>	8th December 1998	120,000	—	480,000	—
Mr. Chan Kam-ling <sup>#</sup>	9th December 1998	200,000	—	800,000	—
Mr. Chan Wing-tak, Douglas	26th November 1998	320,000	320,000	1,280,000	1,280,000
Mr. Cheng Wai-chee, Christopher <sup>#</sup>	11th December 1998	120,000	—	480,000	—
Mr. Fu Sze-shing	23rd September 1999	240,000 (note 3)	240,000 (note 3)	960,000 (note 4)	960,000 (note 4)
Mr. So Ngok <sup>**</sup>	26th November 1998	200,000	—	800,000	—

<sup>#</sup> Share options lapsed on 18th February 2003

<sup>##</sup> Share options lapsed on 12th February 2003

<sup>\*</sup> Resigned as director of the Company with effect from 17th January 2003.



Notes:

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

The cash consideration paid by each director for each grant of the share options is HK\$10.

No share option was exercised by the directors under the share option scheme of NWL during the year ended 30th June 2003.

(3) *NWS Holdings Limited*

Under another share option scheme of a fellow subsidiary, NWS Holdings Limited ("NWS"), the following director of the Company has personal interests in share options to subscribe for shares in NWS and is accordingly regarded as interested in the underlying shares of NWS. Details of the share options of NWS granted to him are as follows:

Name of director	Date of grant	Number of share options outstanding at 30th June 2003 with exercise price per share of HK\$6.93
Mr. Chan Wing-tak, Douglas	11th May 1999	1,000,000 (note)

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

No share option was exercised by the director under the share option scheme of NWS during the year ended 30th June 2003.

## Directors' interests in securities (continued)

### (C) Long position in debentures

The following director of the Company has interests in the debentures issued by New World Capital Finance Limited ("NWCF"), a fellow subsidiary of the Company, detailed as follows:

Name of director	Amount of debentures in US\$ issued by NWCF			Percentage to the total debentures in issue as at 30th June 2003
	Interest as founder of discretionary trust	Family interests	Total	
Mr. Cheng Wai-chee, Christopher	9,200,000 (note 1)	100,000 (note 2)	9,300,000	2.66

Notes:

- (1) These debentures are convertible into 2,898,522 shares of HK\$1 each of New World Development Company Limited, representing 0.13% of its issued share capital as at 30th June 2003, for the period from 10th June 1999 to 9th August 2004.
- (2) These debentures are convertible into 31,505 shares of HK\$1 each of New World Development Company Limited, representing 0.001% of its issued share capital as at 30th June 2003, for the period from 10th June 1999 to 9th August 2004.

Save as disclosed above, as at 30th June 2003, none of the directors, chief executive or any of their associates had or deemed to have any interests or short positions in the shares, registered capital, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Mode Code for Securities Transactions by Directors of Listed Companies.

## Directors' interests in competing business

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

<b>Name of director</b>	<b>Name of entities with competing businesses</b>	<b>Business activities of the entities</b>	<b>Nature of interest of directors in the entities</b>
Dr. Cheng Kar-shun, Henry	Tianjin Tianzheng Property & Merchants Co., Ltd.	Land improvement in Tianjin	Director
	Wuxi Ramada Hotel Company Limited	Hotel operation in Wuxi	Director
	Hong Kong Jiang Guang Development Limited	Hotel operation in Beijing	Director
	Beijing Chang Le Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Beijing Niceline Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Beijing Fu Wah Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Beijing Po Garden Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Mr. Doo Wai-hoi, William	Tianjin Tianzheng Property & Merchants Co., Ltd.	Land improvement in Tianjin
New Bei Fang Hotel Ltd.		Hotel operation in Harbin	Director
Mr. Chan Kam-ling	Grand New World Hotel Company Limited	Hotel operation in Xian	Director
Mr. Chow Kwai-cheung	Tianjin Tianzheng Property & Merchants Co., Ltd.	Land improvement in Tianjin	Director
	廣州金湖住宅發展有限公司	Property development in Guangzhou	Director
	廣州紅丰房地產有限公司	Property development in Guangzhou	Director
	增城永裕房地產有限公司	Property development in Guangzhou	Director
	北京市天竺花園別墅發展有限公司	Property development in Beijing	Director
	Beijing Chang Le Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Beijing Niceline Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Beijing Fu Wah Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Beijing Po Garden Real Estates Development Co., Ltd.	Property development in Beijing	Director

## Directors' interests in competing business (continued)

Name of director	Name of entities with competing businesses	Business activities of the entities	Nature of interest of directors in the entities
Mr. Chow Yu-chun, Alexander	Guangzhou Metropolitan Properties Co., Ltd.	Property development in Guangzhou	Director
	Guangzhou New World Properties Development Co., Ltd.	Property development in Guangzhou	Director
	Grand New World Hotel Company Limited	Hotel operation in Xian	Director
	New Bei Fang Hotel Ltd.	Hotel operation in Harbin	Director
Mr. Fong Shing-kwong, Michael	Grand New World Hotel Company Limited	Hotel operation in Xian	Director
	Beijing Jiang Guang Centre Co. Ltd.	Hotel operation in Beijing	Director
	Wuxi New City Development Co. Ltd.	Hotel operation in Wuxi	Director
	Beijing Niceline Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Beijing Fu Wah Real Estates Development Co., Ltd.	Property development in Beijing	Director

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

## Substantial shareholders' interests in shares

As at 30th June 2003, the register of substantial shareholders maintained under Section 336 of the SFO showed that the following parties had interests in 5% or more of the issued share capital of the Company:

Name	Number of shares			Percentage to the issued share capital as at 30th June 2003
	Beneficial interest	Corporate interest	Total	
Chow Tai Fook Enterprises Limited ( <i>note 1</i> )	—	1,050,768,800	1,050,768,800	<b>70.90</b>
New World Development Company Limited ("NWD") ( <i>note 2</i> )	1,011,714,293	39,054,507	1,050,768,800	<b>70.90</b>
Oaktree Capital Management, LLC ("OCM") ( <i>note 3</i> )	—	103,034,600	103,034,600	<b>6.95</b>
OCM Emerging Markets Fund, LP ("EMF")	103,034,600	—	103,034,600	<b>6.95</b>

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) NWD directly held 1,011,714,293 shares and is deemed to be interested in 22,508,064 shares held by Great Worth Holdings Limited, its 59% owned subsidiary, together with 16,546,443 shares held by High Earnings Holdings Limited, its 54% owned subsidiary.
- (3) OCM is the general partner of EMF and holds 1% interest in EMF. OCM is deemed to be interested in the shares held by EMF.

All the interests stated above represent long position. Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 336 of the SFO as at 30th June 2003.

## Share option schemes

On 18th December 2000, the Company adopted a share option scheme ("2000 Share Option Scheme") pursuant to which employees, including executive directors of the Group, were given opportunity to obtain equity holdings in the Company. The 2000 Share Option Scheme was subsequently terminated at the annual general meeting of the Company held on 26th November 2002 ("2002 AGM") whereby a new share option scheme ("2002 Share Option Scheme") was adopted in compliance with the new requirements of the Listing Rules. Any share options which were granted under the 2000 Share Option Scheme prior to such termination shall continue to be valid and exercisable in accordance with the terms of the 2000 Share Option Scheme.

A summary of the 2000 Share Option Scheme and the 2002 Share Option Scheme was set out as follows:

	<b>2000 Share Option Scheme</b>	<b>2002 Share Option Scheme</b>
Purpose of the schemes	As incentive to employees, including executive directors, of the Company or its subsidiaries	To provide an opportunity for the full-time or part-time employees, including directors, of the Group 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 directors, of the Company or its subsidiaries	Full-time or part-time employees, including directors, of the Company or its subsidiaries

## Share option schemes (continued)

	<b>2000 Share Option Scheme</b>	<b>2002 Share Option Scheme</b>
Total number of securities available for issue under the schemes and percentage of issued share capital as at the date of this annual report	The Company had granted share options representing the rights to subscribe for 65,745,200 shares of the Company under the 2000 Share Option Scheme, representing approximately 4.43% of the shares in issue as at the date of this report. No further options will be granted under the 2000 Share Option Scheme	The Company had granted share options representing the rights to subscribe for 3,558,400 shares of the Company under the 2002 Share Option Scheme. The Company may further grant share options to subscribe for 144,636,029 shares of the Company, representing approximately 9.75% of the total issued share capital of the Company
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 1 month after the date on which the option is accepted 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 5 years commencing on the expiry of 1 month after the date on which the option is accepted and expiring on a date not later than the last day of the 5-year period
The minimum period for which an option must be held before it can be exercised	1 month	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

	<b>2000 Share Option Scheme</b>	<b>2002 Share Option Scheme</b>
The basis of determining the exercise price	<p>The exercise price shall be determined by the Directors, being the higher of:</p> <p>(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</p> <p>(b) the nominal value of a share</p>	<p>The exercise price shall be determined by the Directors, being at least the higher of:</p> <p>(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</p> <p>(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</p>
The remaining life of the schemes	<p>The 2000 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 18th December 2000</p>	<p>The 2002 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 26th November 2002</p>

## Share option schemes (continued)

During the year ended 30th June 2003, movements of share options granted to the directors and employees of the Group under the 2000 Share Option Scheme and the 2002 Share Option Scheme were as follows:

(A) Movement of share options to directors was disclosed under the heading "Directors' interests in securities" above.

(B) Movement of share options to employees was as follows:

### Under the 2000 Share Option Scheme

Date of grant	Number of share options					Outstanding as at 30th June 2003	Subscription price per share HK\$
	Balance as at 1st July 2002	Granted during the year	Exercised during the year (note 2)	Reclassified as director's interest	Lapsed during the year		
5th February 2001 to 2nd March 2001	32,627,600	—	42,400	800,000	2,911,600	28,873,600	1.955
2nd May 2001 to 29th May 2001	458,400	—	—	—	—	458,400	2.605
29th June 2001 to 26th July 2001	2,328,000	—	—	—	—	2,328,000	3.192
31st August 2001 to 27th September 2001	2,130,000	—	—	—	—	2,130,000	2.380
26th March 2002 to 22nd April 2002	2,067,600	—	—	—	524,400	1,543,200	2.265
<b>Total</b>	<b>39,611,600</b>	<b>—</b>	<b>42,400</b>	<b>800,000</b>	<b>3,436,000</b>	<b>35,333,200</b>	

### Under the 2002 Share Option Scheme

Date of grant	Number of share options				Outstanding as at 30th June 2003	Subscription price per share HK\$
	Balance as at 1st July 2002	Granted during the year (note 3)	Exercised during the year	Lapsed during the year		
3rd January 2003 to 30th January 2003	—	1,344,000	—	—	1,344,000	1.33
12th May 2003 to 6th June 2003	—	2,214,400	—	—	2,214,400	1.00
<b>Total</b>	<b>—</b>	<b>3,558,400</b>	<b>—</b>	<b>—</b>	<b>3,558,400</b>	

Notes:

- (1) The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of each grant when the offers of 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 years.
- (2) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$2.05.
- (3) The closing prices per share immediately before 3rd January 2003 and 12th May 2003, the dates of grant, were HK\$1.33 and HK\$1 respectively.



The fair values of the share options granted during the year with subscription prices per share of HK\$1.33 and HK\$1 are estimated at HK\$0.49 and HK\$0.59, respectively, using the Black-Scholes option pricing model. Values are estimated based on the risk-free rate of 0.975% per annum with reference to the rate prevailing on the Exchange Fund Notes, a one-year period historical volatility of 0.5, assuming no dividends and an expected option life of 5 years.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. As the characteristics of the options granted during the year are significantly different from those of publicly traded options and changes in the subjective inputs may materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

## 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 was attributable to the Group's five largest customers.

The percentage of purchases for the year attributable to the Group's major suppliers are as follows:

- |                                   |     |
|-----------------------------------|-----|
| • the largest supplier            | 26% |
| • five largest suppliers combined | 32% |

None of the directors, their associates or any shareholder had any interest in the major suppliers noted above except that the largest supplier is a fellow subsidiary of the Company.

## Code of best practice

The Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the year, except that the non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at Annual General Meeting in accordance with Article 116 of the Company's Articles of Association.

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

### (A) Financial assistance and guarantees to affiliated companies

In accordance with the requirements under paragraph 3.3 of Practice Note 19 (“PN 19”) of the Listing Rules, the directors of the Company reported below the details of advances to, and guarantees given for the benefit of, their affiliated companies (as defined by PN 19) as at 30th June 2003.

The Company and its subsidiaries had advanced an aggregate amount of HK\$7,847,201,000 (2002: HK\$8,456,687,000) to affiliated companies (included in amounts disclosed in notes 15 and 16 to the accounts), guaranteed bank loans and other borrowing facilities for the benefit of the affiliated companies in the amount of HK\$2,068,623,000 (2002: HK\$1,322,568,000) (included in the amounts disclosed in note 30 to the accounts) and contracted to further provide an aggregate amount of HK\$1,337,372,000 (2002: HK\$1,117,119,000) in capital and loans to affiliated companies. The advances are unsecured and are interest free except for an aggregate amount of HK\$6,236,782,000 (2002: HK\$6,535,232,000) which carry interest ranging from 1.5% above HIBOR to 12% per annum (2002: 4% to 12% per annum). Other than amounts of HK\$19,626,000 (2002: Nil) and HK\$336,449,000 (2002: HK\$361,371,000) which are repayable within one year and repayable by instalments up to December 2016 respectively, the advances have no fixed repayment terms. Contracted capital and loan contributions to affiliated companies would be funded by proceeds from internal resources and bank and other borrowings of the Group.

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

As at 30th June 2003, the Group’s total exposure on the combined indebtedness reported by such affiliated companies (including amounts owing to the Group) amounted to approximately HK\$13,356,749,000 (2002: HK\$16,232,310,000). Such affiliated companies reported no capital commitments and contingent liabilities as at 30th June 2003 (2002: Nil).

### (B) Banking facilities with covenants relating to specific performance of the controlling shareholder

In accordance with the requirements under paragraph 3.9 of PN 19 of the Listing Rules, the directors of the Company reported below the details of loan facilities which include conditions relating to specific performance of the controlling shareholder of the Company.

On 9th May 2002, the Company was granted a 4-year term loan facility of up to HK\$500,000,000 and on 16th July 2002, Guangzhou Xin Yi Development Limited, a 90.5% owned subsidiary, was granted a 4-year term loan facility of up to HK\$171,600,000 and a revolving loan facility of up to RMB228,250,000. Upon the granting of each of these loan facilities, the Company undertook to the respective lender that NWD would retain a holding of at least 51% beneficial interest in the issued share capital of the Company throughout the term of the facility. Failure to perform the undertaking which continues for a period of 14 days following the date of notice given by the lender will constitute an event of default.

## Auditors

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

On behalf of the Board

**Dr. Cheng Kar-shun, Henry**  
*Chairman and Managing Director*

Hong Kong, 16th October 2003