

The Directors present their Annual Report and Statement of Accounts for the year ended 30 June 2003.

## Group Activities

The principal activities of the Company remain investment holding and property investment. The principal activities of the principal subsidiaries, associated companies and jointly controlled entities are shown in Notes 36, 37 and 38 to the Accounts on pages 155 to 163.

## Accounts

The result of the Group for the year ended 30 June 2003 and the state of the Company's and the Group's affairs at that date are set out in the Accounts on pages 98 to 163.

## Group Reorganisation

On 21 October 2002, the Group underwent reorganisation of certain principal subsidiaries (the "Reorganisation") whereby the 52.4% entire interest in NWS Service Management Limited ("NWSSM"), formerly known as New World Services Limited, and the investments in road, bridge, water treatment and power plant projects of the 54.4% owned New World Infrastructure Limited ("NWI") were disposed of to NWS Holdings Limited ("NWSH"), formerly known as Pacific Ports Company Limited, which was 75.0% owned by NWI. Upon completion of the above transactions, NWI converted the preference shares of NWSH held by it and distributed all the NWSH shares to its shareholders. After the Reorganisation, the Group held 53.5% interest in NWSH and continued to hold 54.4% in NWI.

## Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such right under the laws of Hong Kong.

## Dividends

An interim dividend of HK\$0.06 per share (2002: HK\$0.10 per share) was paid in June 2003 and the directors do not recommend the payment of a final dividend (2002: HK\$0.10 per share) for the year ended 30 June 2003.

## Share Capital

Details of movements in share capital during the year are set out in Note 26 to the Accounts.

## Reserves and Distributable Reserves

Details of movements in reserves are set out in Note 27 to the Accounts.

## Five-year Financial Summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 166 and 167.

## Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

## Donations

The Group made charitable and other donations during the year amounting to HK\$32.8 million (2002: HK\$22.4 million).

## **Fixed Assets**

Details of movements in fixed assets during the year are set out in Note 14 to the Accounts.

## **Connected Transactions**

Connected transactions of the Group are set out on pages 73 to 83.

## **Directors**

The Directors of the Company, whose names appear on pages 65 to 68 of this Annual Report, were Directors of the Company during the year and at the date of this report.

In accordance with Article 103 of the Company's Articles of Association, Dr. Cheng Kar-Shun, Henry, Lord Sandberg Michael, Mr. Liang Chong-Hou, David and Dr. Cha Mou-Sing, Payson retire by rotation and, being eligible, offer themselves for re-election.

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

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

## **Audit Committee**

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

## **Directors' Interests in Contracts**

Pursuant to an agreement dated 5 August 1993 (the "Agreement") made between Hotel Property Investments (B.V.I.) Limited ("HPI") and Renaissance Hotel Holdings (B.V.I.) Limited ("Renaissance"), both being former subsidiaries of the Group, and CTF Holdings Limited ("CTF"), HPI agreed to pay CTF an annual fee in accordance with the terms of the Agreement. This Agreement was assigned to NWD (Hotels Investments) Limited ("NWDH"), a subsidiary of the Group, on 25 July 1997. CTF was paid a fee of US\$9.3 million (HK\$72.2 million) for the year ended 30 June 2003 (2002: US\$8.9 million (HK\$69.7 million)). Dr. Cheng Kar-Shun, Henry, Director of the Company and Mr. Doo Wai-Hoi, William, a director of certain subsidiaries of the Group, are interested in this transaction to the extent that they have beneficial interests in CTF.

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

## **Directors' Interests in Shares, Underlying Shares and Debentures**

As at 30 June 2003, interests of the Directors and their associates in shares, underlying shares and debentures of the Company and its associated corporations which were recorded in the register to be kept by the Company under Section 352 of the Securities and Futures Ordinance ("SFO") are set out on pages 84 to 86.

## Directors' Interests in Competing Businesses

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

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

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

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

## **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.

## **Directors' Rights to Acquire Shares or Debentures**

Save as disclosed under the section header "Share Option Schemes" below, at no time during the year was the Company or any of its subsidiaries 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.

## **Share Option Schemes**

Share option schemes of the Group are set out on pages 86 to 94.

## **Substantial Shareholder**

As at 30 June 2003, Chow Tai Fook Enterprises Limited ("CTFEL") and its subsidiaries had interests in 870,785,889 shares in the Company which represent 39.23% to the issued share capital of the Company. All the interests disclosed represent long position in the shares of the Company.

Save for the above, there is no other interest is recorded in the register that is required to be kept under Section 336 of SFO as having an interest in 5.0% or more of the issued share capital of the Company as at 30 June 2003.

## **Major Customers and Suppliers**

During the year, less than 30.0% of the Group's turnover and less than 30.0% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

## **Corporate Governance**

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

## **Practice Note 19 of the Listing Rules**

The disclosure pursuant to Practice Note 19 of the Listing Rules is set out on page 95.

## **Auditors**

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

On behalf of the Board

**Dr. Cheng Yu-Tung**

*Chairman*

Hong Kong, 16 October 2003

## Connected Transactions

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

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

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

On 3 December 1999, ACT became a wholly owned subsidiary of Asia Container Terminals Holdings Limited ("ACTH"). 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 NWSH, Sunmall and CSX8 became indirect non-wholly owned subsidiaries held through NWSH.

On 23 January 2003, the parties to the CSX8 Guarantee entered into a deed of release whereby NWI was released and NWSH had taken up the CSX8 Guarantee with effect from 16 November 2001. On the same date, the parties to the Sunmall Guarantee and NWSH entered into a deed of novation pursuant to which NWI was released and NWSH had taken up the Sunmall Guarantee with effect from the date of completion of the Reorganisation.

- (3) In July 1999, a deed of tax indemnity was entered into between the Company and New World China Land Limited ("NWCL") whereby the Company undertakes to indemnify NWCL in respect of, inter alia, certain PRC income tax ("IT") and land appreciation tax ("LAT") in The People's Republic of China ("PRC") payable in consequence of the disposal of certain properties held by NWCL as at 31 March 1999 and in respect of which the aggregate amount of LAT and IT is estimated at approximately HK\$6,645.0 million (2002: HK\$7,059.0 million). During the year, no such tax indemnity is effected (2002: Nil).

**Connected Transactions** (continued)

- (4) On 19 April 2001, a shareholders' agreement was entered into between Front Drive Limited ("Front Drive"), a wholly owned subsidiary of NWSH, Kingsfund Limited ("Kingsfund") which is an indirect wholly owned subsidiary of CSX World Terminals, LLC. ("CSXWT", a substantial shareholder of CSX8 which is in turn a jointly controlled entity of NWSH), and ATL Logistics Centre Hong Kong Limited ("ATL") which is an associated company of CSXWT and a jointly controlled entity of NWSH 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 18.2% by Front Drive, 31.8% by Kingsfund and 50.0% 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\$2.0 million had been advanced by Front Drive.

- (5) On 27 July 2001, NWCL executed a corporate guarantee in respect of the full obligation and liabilities of a HK\$455.0 million 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 of NWCL. The L/C Facility was granted to support a 48-month credit facility of RMB500.0 million extended by a bank in PRC to Nanjing Huawei Real Estate Development Company Limited ("NHRED"), a 92.0% 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 NHRED. The provision of the aforesaid guarantees by NWCL and NWDC constituted connected transactions of the Group pursuant to rule 14.25(2)(a) of the Listing Rules.

- (6) On 19 September 2001, 27 December 2002 and 27 February 2003, Touchful Limited ("Touchful"), a wholly owned subsidiary of NWI, entered into loan agreements ("Loan Agreements") with Apex-Pro Systems Limited ("Apex-Pro"), an indirect 62.8% subsidiary of NWI in which no connected person of NWI is a substantial shareholder, whereby Touchful provides advances up to HK\$2.0 million, HK\$0.3 million and HK\$0.2 million respectively to Apex-Pro at an interest rate of 8.0% 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 respective Loan Agreements. Apex-Pro shall, upon the request of Touchful, capitalise the outstanding amount of the advances (based on a pre-money valuation of HK\$10.0 million for the entire issued share capital of Apex-Pro as at the date of the respective Loan Agreements) into new shares of Apex-Pro. As at the date of this report, these advances have not been repaid and Touchful has not made any request for capitalisation of such outstanding amount.

Touchful also entered into the following loan agreements with Apex-Pro which were repaid during the year:

- (a) a loan agreement dated 27 December 2002 in respect of a short term loan of HK\$0.1 million for the purpose of rental deposit on new office; and
- (b) a loan agreement dated 30 April 2003 in respect of a short term financing of HK\$0.1 million bearing interest at the rate of 8.0% per annum.

These advances were made not in proportion to the shareholdings of Apex-Pro. Therefore this transaction constituted connected transaction under the Listing Rules.

**Connected Transactions** (continued)

- (7) ACT entered into a facility agreement (the "ACT Refinanced Loan") in respect of project financing of CT9 for HK\$2,700.0 million on 13 November 2001 to refinance the facility agreement (the "ACT Loan") dated 31 January 2000. The ACT Refinanced Loan was severally guaranteed by NWI and the other shareholders of ACTH in proportion of their respective effective equity interest in ACTH which wholly owns ACT. Accordingly, NWI guarantees 33.0% of the ACT Refinanced Loan.

After the acquisition of all ports and port-related investments from NWI in 2000, NWS holds NWI's former interest in ACTH but NWI remains the guarantor for purpose of the ACT Loan and thereafter, the ACT Refinanced Loan.

NWI was released and NWSH had taken up the guarantee in relation to the ACT Refinanced Loan with effect from the date of completion of the Reorganisation pursuant to a deed of release and assumption dated 23 January 2003 made between NWI, NWSH and the facility agent.

- (8) On 28 November 2001 and 10 June 2002, Shenzhen Topping Real Estate Development Co., Ltd. ("STRED"), a 90.0% owned subsidiary of NWCL, obtained loan facilities of RMB250.0 million and RMB100.0 million from a bank for a term of 2 years and 3 years respectively to finance a property development project and as general working capital.

NWCL 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 said guarantees constituted connected transactions of the Group pursuant to rule 14.25(2)(a) of the Listing Rules.

- (9) On 4 January 2002, a sale and purchase agreement had been entered into between the Company, CTFEL, Triple Wise Investment Company Limited ("Triple Wise"), Asean Resources Holdings Limited ("AR"), Fitmond Limited ("Fitmond") and Wise Come Development Limited ("Wise Come") for the purpose of, inter alia, the acquisition of the entire issued share capital of Poucher Limited ("Poucher"), a wholly owned subsidiary of Fitmond, of US\$1.0 (equivalent to approximately HK\$7.8) and the shareholder's loan owing by Poucher to Fitmond upon completion at a consideration of HK\$7.8 and HK\$300.0 million (subject to adjustment) respectively by Wise Come from Fitmond. Poucher, through its wholly owned subsidiaries, is principally engaged in the development of Fanling Sheung Shui Town Lot No. 182 and various lots no in Demarcation District No. 51 in Fanling New Territories with a total site area of approximately 684,264 sq. ft. (the "Properties") for sale and is beneficially interested in the land title of the Properties.

Poucher is now owned as to 80.0% by Triple Wise and as to 20.0% by Wisdom Profit Investments Limited, an indirect wholly owned subsidiary of AR.

Triple Wise is owned equally by the Company and CTFEL and will be solely responsible for the provision of necessary funding to Wise Come for the purpose of the acquisition and future operations of Wise Come. The Company and CTFEL or their respective associates will in turn provide or procure the necessary funding to Triple Wise proportionate to their respective equity interests in Triple Wise ("Transactions").

The provision of financial assistance to Wise Come solely by the Company and CTFEL or their respective associates through Triple Wise will constitute a connected transaction of the Company under Chapter 14 of the Listing Rules.

### Connected Transactions (continued)

The Company had been granted a waiver by the Stock Exchange from compliance with the requirements of Chapter 14 of the Listing Rules in respect of the Transactions set out above which constituted connected transaction as defined in the Listing Rules. The Transactions have been reviewed by the Independent Non-executive Directors of the Company who had confirmed that the Transactions were:

- (i) in the ordinary and usual course of business of the Company;
  - (ii) on normal commercial terms and on terms that were fair and reasonable so far as the shareholders of the Company were concerned; and
  - (iii) the aggregate amount of the Transactions was lower than 3.0% of the audited consolidated net tangible assets of the Group.
- (10) On 15 May 2002, the Company, CTFEL and Wee Investments (Pte.) Limited ("Wee"), an independent third party property development company, entered into a funding agreement, a performance and completion undertaking and a deed of guarantee entered into by the Company ("Financing Documents"), in favour of the agent for the lenders in respect of HK\$1,300.0 million term loan facility granted by a syndicate of banks to Jade Gain Enterprises Limited ("Jade Gain"), which is the developer of Tseung Kwan O Town Lot No. 75 Area 55b development site ("the Project"). The Company, CTFEL and Wee have direct or indirect shareholdings of 45.0%, 30.0% and 25.0% respectively in Jade Gain. The financial obligations of the Company, CTFEL and Wee under the Financing Documents are several and are in proportion to each shareholder's respective shareholding percentage in Jade Gain. However the financial obligations of the Company, CTFEL and Wee under the Financing Documents might be adjusted if one of the party defaulted under the development agreement of the Project dated 6 February 2002. Under such circumstances, the non-defaulting parties would have to assume the financial obligations of the defaulting party under the Financing Documents on a pro rata basis amongst the non-defaulting parties so that a party might have to assume the financing obligations under the Financing Documents greater than the in proportion to each shareholders' respective shareholder's percentage in Jade Gain.

As CTFEL is regarded as a connected person of the Company, entering into of the Financial Documents by the Company would constitute connected transaction of the Company.

- (11) Xiamen Xiang Yu Quay Co., Ltd. ("Xiangyu") was 8.0% owned by Xiamen Xiangyu Group Corporation ("Xiangyu Group") and 92.0% owned by New World (Xiamen) Port Investments Limited ("NW (Xiamen)", an indirect wholly owned subsidiary of NWSH) while Xiamen Xiangyu Free Trade Zone Huijian Quay Co., Ltd. ("Huijian") was 40.0% owned by Xiangyu Group and 60.0% owned by NW (Xiamen). Xiangyu and Huijian owned berth no. 12 and berths no. 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 Xiangyu, Huijian and Xiamen Xiangyu Free Port Developing Co., Ltd. ("Xiangyu Free Port"), a wholly owned subsidiary of Xiangyu Group, which owned berth no. 15 and 16 in the East Channel Port Zone of Xiamen in the PRC, pursuant to which Xiangyu will be merged with Huijian and Xiangyu Free Port by way of absorption (the "Merger").

**Connected Transactions** (continued)

A new joint venture company under the name of Xiangyu (the "New JV") was established as a result and owned as to 50.0% by Xiangyu Group and 50.0% by NW (Xiamen). The total investment and the registered capital of the New JV are RMB1,150.0 million (approximately HK\$1,084.9 million) and RMB384.0 million (approximately HK\$362.3 million) 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.

The Merger was completed on 28 January 2003.

NW (Xiamen) was a wholly owned subsidiary of NWSH. Xiangyu Free Port is a connected person of the Group only by virtue of being a wholly owned subsidiary of a substantial shareholder of Huijian and is not otherwise connected with the Group.

- (12) On 16 July 2002, Guangzhou Xin Yi Development Limited ("GXVD") was granted a 4-year term loan facility of up to HK\$171.6 million and a revolving loan facility of up to RMB228.3 million by a bank to finance the construction and development of its property project. The loan facilities were severally guaranteed by NWCL and CTFEL as to 90.5% and 9.5% respectively, in proportion to their indirect shareholdings in GXVD.

As CTFEL is regarded as a connected person of the Group, the provision of the said guarantee by NWCL constituted connected transaction of the Group pursuant to rule 14.25(2)(b) of the Listing Rules.

- (13) On 19 July 2002 and 31 December 2002, NWCL executed corporate guarantees in respect of the full obligation and liabilities of Shanghai Juyi Real Estate Development Co., Ltd. ("SJYRED") under two loan facilities as granted by a bank of up to aggregate principal amounts of RMB100.0 million ("RMB Facility") and US\$20.0 million ("US\$ Facility") respectively. RMB Facility, with a term of 7 years, was used to finance the development cost of the property project undertaken by SJYRED whilst the US\$ Facility, with a term of 1 year, was used to refinance its existing loan of US\$20.0 million.

At the date of the transactions, SJYRED was beneficially owned as to 80.0% and 20.0% by NWDC and Stanley Enterprises Limited ("Stanley") respectively. Stanley has agreed to indemnify NWCL in respect of its liabilities under the guarantees in proportion to its shareholding in SJYRED and pay to NWCL a guarantee fee of 0.25% per annum on the amount of the loan facilities being utilised by SJYRED. The shareholdings in SJYRED was subsequently changed to 70.0% and 30.0% as being held by NWDC and Stanley respectively since 14 March 2003.

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 NWCL, Mr. Doo Wai-Hoi, William, since 3 December 2002, the provision of the said guarantees and payment of the guarantee fee by Stanley constituted connected transactions of the Group.

- (14) On 24 July 2002, a sale and purchase agreement was entered into between Yue Wah Enterprises Company Limited ("Yue Wah"), a wholly owned subsidiary of the Company, and Bing Fu Investment Company Limited ("Bing Fu"), a wholly owned subsidiary of CTFEL.

**Connected Transactions** (continued)

Pursuant to the sale and purchase agreement, the Company and Yue Wah respectively agreed to dispose to Bing Fu of 12.5% of the entire issued share capital of each of Mightypattern Limited ("Mightypattern") and Waldorf Realty Limited ("Waldorf") respectively at an aggregate cash consideration of approximately HK\$164.0 million which would be adjusted in accordance with the audited financial statements of Mightypattern and Waldorf respectively as at 24 July 2002.

Bing Fu is a wholly owned subsidiary of CTFEL, the disposal constituted connected transaction for the Company under the Listing Rules.

- (15) On 25 July 2002, Shanghai Ramada Plaza Ltd. ("Shanghai Ramada"), then 57.0% owned subsidiary of NWCL, was granted loan facilities of US\$10.0 million and RMB300.0 million by two banks for terms of 5 years to finance the construction of its property project and as general working capital. Upon granting of the loan facilities, NWCL provided guarantees in respect of the full obligation and liabilities of Shanghai Ramada under the loan facilities 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 24 June 2003, Shanghai Ramada, then 61.7% owned subsidiary of NWCL, had obtained another loan facility of RMB100.0 million from a bank for a term of 5 years to finance the construction of its property project. The obligation and liabilities of Shanghai Ramada under the aforesaid loan facility are also guaranteed by NWCL.

The other shareholders of Ramada Property Ltd. ("Ramada Property"), being the holding company of Shanghai Ramada having 95.0% interest in Shanghai Ramada, had agreed to indemnify NWCL in respect of its liability under the guarantees and pay to NWCL a guarantee fee of 0.25% per annum on the amount of the loan facilities being utilised by Shanghai Ramada in proportion to their shareholding in Ramada Property.

Stanley, having 20.0% interest in Ramada Property, is a connected person of the Group. The provision of the guarantees by NWCL in respect of the loan facilities and payment of the guarantee fee by Stanley constituted connected transactions of the Group.

- (16) On 29 July 2002, Shunde Shunxing Real Estate Co., Ltd. ("Shunde Shunxing") was granted a 3-year term loan facility of RMB50.0 million 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 70.0% and 30.0% respectively. Global Perfect is indirectly owned as to 50.0% and 50.0% by NWCL and CTFEL respectively.

The loan facility was severally guaranteed by NWCL and CTFEL in proportion to their indirect shareholdings in Global Perfect. Since CTFEL is a connected person, the provision of the said guarantee by NWCL constituted a connected transaction of the Group pursuant to rule 14.25(2)(b) of the Listing Rules.

**Connected Transactions** (continued)

- (17) 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\$30.0 million ("HK\$30.0 million facility") on 6 September 2002 and additional facility of HK\$40.0 million on 17 July 2003 to finance the development cost of its property projects. Fortune Leader Real Estate is 80.0% owned by Dragon Fortune Limited ("Dragon Fortune") and 20.0% by an independent third party. Dragon Fortune is in turn owned by NWCL, Potassium Crop. ("Potassium"), Sun City Holdings Limited ("Sun City"), a 30.6% owned associated company, and independent third parties as to 36.4%, 7.1%, 20.3% and 36.2% respectively. Effectively, NWCL owns Dragon Fortune as to 42.6%.

The obligation and liabilities of Fortune Leader Real Estate under the banking facilities were guaranteed by NWCL, a director of NWCL ("Personal Guarantor") and certain independent shareholders of Dragon Fortune in the proportion of 39.3%, 30.6% and 30.1% respectively on several basis.

Potassium is wholly owned by the Personal Guarantor. Sun City is a 30.6% owned associated company of NWCL and is also a connected person of NWCL 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 NWCL in respect of the banking facilities to Fortune Leader Real Estate constituted connected transactions under rule 14.25(2)(b) of the Listing Rules.

- (18) On 18 October 2002 and 2 December 2002, NWCL executed corporate guarantees to secure the full obligation and liabilities of Nanjing Huawei Real Estate Development Company Limited ("Nanjing Huawei") under two banking facilities in the principal amounts of RMB35.0 million and RMB17.0 million 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 cost of the property projects of Nanjing Huawei.

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

- (19) On 21 October 2002, the Group underwent Reorganisation. The Reorganisation comprises three inter-conditional parts: (a) the acquisition of the infrastructure assets by NWSH from NWI for an aggregate consideration (comprising cash, consideration shares of NWSH and an undertaking by NWSH to pay certain liabilities of NWI in the aggregate amount of approximately HK\$886.0 million) of approximately HK\$10,227.0 million (subject to certain adjustments if any, on the cash portion of the consideration); (b) the acquisition of the entire share capital in NWSSM by NWSH from the Company and other NWSSM shareholders for a consideration of approximately HK\$10,913.0 million which was satisfied by the issue of the NWSH shares; and (c) a distribution of all the ordinary shares of NWSH held by NWI (the "NWSH Distribution Shares", including consideration shares issued by NWSH and the ordinary shares allotted by NWSH upon conversion in full of the preference shares) to its shareholders in the ratio of 5.87 NWSH Distribution Shares to 1 NWI share held on 29 January 2003.

The Reorganisation was completed on 29 January 2003 and NWSH then became a 53.5% owned subsidiary of the Group.

**Connected Transactions** (continued)

- (20) On 11 December 2002, NWCL executed corporate guarantee to secure the full obligation and liabilities of Dalian New World Plaza International Co., Ltd., a 88.0% owned subsidiary of NWCL, of banking facilities with principal amount of RMB100.0 million, as granted by a bank for a term of 2 years. The banking facilities would be utilised to finance the development cost of its property projects.

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

- (21) On 19 December 2002, Shanghai Mayfair Hotel Co., Ltd. ("Shanghai Mayfair") was granted a banking facility of up to an aggregate principal amount of HK\$10.0 million and RMB74.0 million respectively ("Loan Facility") by a bank for a term of 2 years to refinance its existing loans of HK\$10.0 million and RMB74.0 million. NWCL 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 99.0% by Ramada Property. The other shareholders of Ramada Property have agreed to indemnify NWCL in respect of its liability under the guarantee and pay to NWCL a guarantee fee of 0.25% per annum on the amount of the Loan Facility being utilised by Shanghai Mayfair in proportion to their shareholding in Ramada Property.

Since Stanley is a connected person of the Group, the provision of the guarantee by NWCL in respect of the Loan Facility and the payment of guarantee fee by Stanley constituted connected transactions of the Group.

- (22) On 8 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\$50.0 million to finance the development cost of its property projects. Fortune Leader Investment is 80.0% owned by Dragon Fortune.

The obligation and liabilities of Fortune Leader Investment under the banking facility were guaranteed by NWCL, a director of NWCL ("Personal Guarantor") and certain independent shareholders of Dragon Fortune in the proportion of 39.8%, 29.5% and 30.7% respectively on several basis.

Potassium is wholly owned by the Personal Guarantor. Since Sun City is a connected person of the Group. The provision of the guarantee by NWCL in respect of the banking facility to Fortune Leader Investment constituted connected transaction under rule 14.25(2)(b) of the Listing Rules.

- (23) On 20 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\$270.6 million due and owing by Steady Profits to NWDC for a cash consideration of HK\$347.8 million. The transaction was completed on 24 February 2003.

Steady Profits was an investment holding company having 35.0% 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, PRC.

**Connected Transactions** (continued)

By virtue of the fact that Sino Asset is wholly owned by CTFEL which in turn is a connected person of the Group, the disposal constituted a connected transaction of the Group.

- (24) On 14 March 2003, NWDC entered into an agreement with Stanley whereby NWDC agreed to transfer and Stanley agreed to acquire a participating interest representing 10.0% equity interest in SJYRED for a cash consideration of HK\$72.1 million. SJYRED is principally engaged in the development of Shanghai Hong Kong New World Garden. After the transaction, SJYRED was beneficially owned by NWDC and Stanley as to 70.0% and 30.0% respectively.

On the same day, NWDC and Stanley entered into another agreement for the transfer of a participating interest representing 10.0% equity interest in Fung Seng Estate Development (Shanghai) Co., Ltd. ("Fung Seng") from NWDC to Stanley for a cash consideration of HK\$13.2 million. 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 70.0% and 30.0% respectively.

As Stanley is a connected person of the Group, the aforesaid agreements constituted connected transactions of the Group.

- (25) On 19 March 2003, New World First Ferry Services (Macau) Limited ("NWFF (Macau)"), Best Conquer Properties Limited ("Best Conquer"), the registered owners of 8 vessels (the "Vessel Owners"), CTFEL and Star Success Enterprises Limited ("Star Success") entered into a master charter agreement (the "Master Charter Agreement"), pursuant to which NWFF (Macau) conditionally agreed to enter into 8 separate bareboat charters (the "Bareboat Charters") with the Vessel Owners. Under the Bareboat Charters, NWFF (Macau) will charter the 8 vessels for an initial term of 4 years commencing from the date of the Bareboat Charters. The same terms and conditions of the Bareboat Charters will apply to the renewed Bareboat Charters (except for the right of renewal, which will not be available under any renewed Bareboat Charters, and the term of lease, which may not exceed 4 years). The charter hire payable by NWFF (Macau) to the Vessel Owners each year will be equal to 25.0% of the fare revenue from the operation of the 8 vessels and are subject to a maximum amount which is equal to 3.0% of the audited consolidated net tangible assets of NWSH for the preceding financial year.

Under the Master Charter Agreement, CTFEL and Star Success have agreed to provide guarantees in favour of NWFF (Macau) for the fact that if the net profit before tax of NWFF (Macau) attributable to the operation of the vessels (the "Vessels Operation Profit") for any particular financial year as set out in its pro forma consolidated or combined profit and loss account during the charter period is less than HK\$10.0 million (or such lesser amount as is proportional, on the basis of a 365 day a year, thereto in respect of any part of a charter period which does not extend to the entire financial year of NWFF (Macau)) (the "Guaranteed Sum"), CTFEL will pay NWFF (Macau) an amount equal to the shortfall in cash within 2 months after the issue of certificate by auditors upon finalisation of the said account, provided that such amount shall not in any event exceed the aggregate charter hires payable and actually paid by NWFF (Macau) to the Vessel Owners under the Bareboat Charters for the relevant year.

By virtue of the fact that NWFF (Macau) is an indirect wholly owned subsidiary of NWSH. Star Success is an indirect wholly owned subsidiary of CTFEL, which in turns holds approximately 54.0% of the issued share capital (and hence a controlling shareholder) of NWSH. Best Conquer and the Vessel Owners are direct or indirect wholly owned subsidiaries of Star Success and, accordingly, are connected persons of NWSH, the transaction therefore constituted connected transaction for the Group.

## Connected Transactions (continued)

NWSH and the Company had made a joint announcement on 14 August 2003 stating that based on the unaudited proforma combined profit and loss account of NWFF (Macau) and as a result of the adverse effects from the SARS outbreak in Hong Kong, there would be a shortfall in the Vessels Operation Profit for the Guaranteed Sum. According to the audited financial statements of NWFF (Macau), the shortfall amounted to HK\$8.5 million for the year ended 30 June 2003.

The Company had been granted conditional waivers by the Stock Exchange from strict compliance of the requirements of Chapter 14 of the Listing Rules in respect of the above transactions 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) in the ordinary course of business of the Company;
  - (b) on normal commercial terms and on an arm's length basis;
  - (c) where there are agreements governing such transactions, such transactions have been carried out in accordance with the terms of the agreements governing such transactions, or where there are no such agreements, on terms no less favourable than terms available to or from independent third parties;
  - (d) entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
  - (e) within the maximum amounts as agreed with the Stock Exchange.
- (26) On 26 March 2003, a sale and purchase agreement was entered into among (i) Wealthy Century Group Limited ("Wealthy Century"), an indirect wholly owned subsidiary of the Company, as vendor and (ii) the Company as vendor's guarantor and (iii) Yass Pacific Corporation ("Yass Pacific") as purchaser and (iv) Mr. Ko Chung-Lun, ("Mr. Ko"), a director of Wide Ocean Investment Limited ("Wide Ocean") and the sole beneficial owner of Yass Pacific, as purchaser's guarantor in respect of the sale by Wealthy Century to Yass Pacific of all its 5,007 Shares, representing 50.1% of the issued share capital of Wide Ocean together with the aggregate principal and interest amount of the loans advanced by Wealthy Century of about HK\$10.4 million to Wide Ocean, for an aggregate consideration of approximately HK\$244.2 million plus an additional amount of interest.

Wide Ocean, an indirect subsidiary of the Company, was owned as to 50.1% by Wealthy Century and 49.9% by Yass Pacific. Therefore, Yass Pacific was a substantial shareholder of Wide Ocean. Accordingly, the above sale and purchase agreement constituted a connected transaction under Rule 14.23(1) of the Listing Rules.

- (27) On 7 April 2003, NWCL executed a corporate guarantee to secure 50.0% of the indebtedness of Global Perfect under a loan facility of up to HK\$300.0 million as provided by a bank under a loan agreement dated 27 March 1997 for a term of 7 years to finance its property development project. Global Perfect is indirectly owned as to 50.0% and 50.0% by NWCL and CTFEL respectively. CTFEL had provided full guarantee in respect of the loan facility since 27 March 1997.

As CTFEL is regarded as a connected person of the Group, the provision of the aforesaid guarantee by NWCL constituted a connected transaction of the Group pursuant to rule 14.25(2)(b) of the Listing Rules.

**Connected Transactions** (continued)

- (28) On 8 July 2003, NWI had provided a financial support undertaking in relation to the total investment amount and registered capital (amounting to US\$0.1 million (equivalent to HK\$1.2 million) respectively) as stated in the articles of association of 北京諾美亞生物科技有限公司, a wholly foreign owned enterprise to be established by NoveMed Group Ltd., in the PRC. NoveMed Group Ltd. is an indirect 65.0% subsidiary of NWI in which no connected person of NWI is a substantial shareholder.
- (29) The Company had advanced an aggregate of HK\$634.7 million to Spark Investment Limited, a wholly owned subsidiary of the Company, to finance a development project in Tai Po Tsai, Sai Kung, New Territories held by a 56.0% indirectly owned subsidiary, as at 30 June 2003. The advance is unsecured and carries interest at 3.0% above Hong Kong Interbank Offered Rate ("HIBOR"). The Company had received a total interest payment of HK\$32.4 million for the said advance during the year.
- The advance was made not in proportion to the shareholdings of the said project. Therefore this transaction constituted connected transaction under the Listing Rules.
- (30) NWSH had advanced an aggregate of HK\$8.2 million to New Waly Interior Products Limited, in which NWSH held 70.0% indirect interest, as at 30 June 2003. The advance is unsecured and carries interest at 1.0% over Hong Kong Prime rate. NWSH had received a total interest payment of HK\$0.2 million for the said advance during the year.
- (31) New World Finance Company Limited and Sexon Enterprises Limited, wholly owned subsidiaries of the Group, had advanced HK\$2,484.2 million (2002: HK\$2,886.0 million) in aggregate to NWCL as at 30 June 2003. These loans are unsecured and carry interest ranging from 3 months HIBOR to 0.5% above London Interbank Offered Rate per annum, and are repayable from June 2004 to December 2006. The interest charged by these subsidiaries of the Group to NWCL for the year ended 30 June 2003 in respect of these loans amounted to HK\$39.2 million (2002: HK\$74.1 million).

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

## Directors' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2003, the interests of the Directors and their associates in shares, underlying shares and debentures of the Company or any of its associated corporations which were recorded in the register required to be kept by the Company under Section 352 of SFO were as follows:

### (A) Long position in shares

	Capacity	Number of shares				Total	Approximate % of shareholding
		Personal interests	Family interests	Corporate interests	Other interests		
New World Development Company Limited							
(Ordinary shares of HK\$1.00 each)							
The Honourable Lee Quo-Wei	Interest of controlled corporation and member of trustee of charitable foundation	—	—	3,665,865	253,321	3,919,186	0.18
Dr. Ho Tim	Beneficial owner	1,805,813	—	—	—	1,805,813	0.08
Dr. Sin Wai-Kin, David	Beneficial owner and interest of spouse	3,363,363	33,642	—	—	3,397,005	0.15
Mr. Leung Chi-Kin, Stewart	Beneficial owner	23,253	—	—	—	23,253	—
Mr. Chan Kam-Ling	Beneficial owner	96,669	—	—	—	96,669	—
Mr. Chow Kwai-Cheung	Beneficial owner	20,818	—	—	—	20,818	—
Dragon Fortune Limited							
(Ordinary shares of US\$1.00 each)							
Mr. Cheng Kar-Shing, Peter	Interest of controlled corporation	—	—	15,869	—	15,869	27.41
HH Holdings Corporation							
(Ordinary shares of HK\$1.00 each)							
Dr. Sin Wai-Kin, David	Beneficial owner	42,000	—	—	—	42,000	7.00
Mr. Chan Kam-Ling	Beneficial owner	15,000	—	—	—	15,000	2.50
Master Services Limited							
(Ordinary shares of US\$0.01 each)							
Mr. Leung Chi-Kin, Stewart	Beneficial owner	16,335	—	—	—	16,335	1.63
Mr. Chan Kam-Ling	Beneficial owner	16,335	—	—	—	16,335	1.63
Mr. Chow Kwai-Cheung	Beneficial owner	16,335	—	—	—	16,335	1.63
New World China Land Limited							
(Ordinary shares of HK\$0.10 each)							
Mr. Chan Kam-Ling	Beneficial owner	100,000	—	—	—	100,000	0.01
Mr. Chow Kwai-Cheung	Beneficial owner	126	—	—	—	126	—

## Directors' Interests in Shares, Underlying Shares and Debentures (continued)

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

	Capacity	Number of shares				Total	Approximate % of shareholding
		Personal interests	Family interests	Corporate interests	Other interests		
New World Infrastructure Limited							
(Ordinary shares of HK\$1.00 each)							
Dr. Cheng Kar-Shun, Henry	Interest of spouse	—	1,000,000	—	—	1,000,000	0.11
Dr. Ho Tim	Beneficial owner	148	—	—	—	148	—
Dr. Sin Wai-Kin, David	Beneficial owner and interest of spouse	5,594	53	—	—	5,647	—
Mr. Liang Chong-Hou, David	Beneficial owner	262	—	—	—	262	—
Mr. Chan Kam-Ling	Beneficial owner	6,800	—	—	—	6,800	—
New World Sun City Limited							
(Ordinary shares of HK\$1.00 each)							
Mr. Cheng Kar-Shing, Peter	Interest of controlled corporation	—	—	300	—	300	30.00
NWS Holdings Limited							
(Ordinary shares of HK\$1.00 each)							
Dr. Cheng Kar-Shun, Henry	Interest of spouse	—	587,000	—	—	587,000	0.03
Dr. Sin Wai-Kin, David	Interest of controlled corporation	—	—	32,224,060	—	32,224,060	1.81
Mr. Cheng Kar-Shing, Peter	Beneficial owner	2,989,700	—	—	—	2,989,700	0.17
Mr. Liang Chong-Hou, David	Beneficial owner	153	—	—	—	153	—
Mr. Leung Chi-Kin, Stewart	Beneficial owner	3,946,238	—	—	—	3,946,238	0.22
Mr. Chan Kam-Ling	Beneficial owner and interest of controlled corporation	3,991	—	10,254,321	—	10,258,312	0.58
Mr. Chow Kwai-Cheung	Beneficial owner	2,264,652	—	—	—	2,264,652	0.13
Sun City Holdings Limited							
(Ordinary shares of HK\$1.00 each)							
Mr. Cheng Kar-Shing, Peter	Interest of spouse and interest of controlled corporation	—	80,000	3,570,000	—	3,650,000	45.63
YE Holding Limited							
(Ordinary shares of HK\$1.00 each)							
Mr. Leung Chi-Kin, Stewart	Beneficial owner	37,500	—	—	—	37,500	1.50

**Directors' Interests in Shares, Underlying Shares and Debentures** (continued)**(B) Long position in underlying shares — share options**

Under the respective share option schemes of NWCL, NWI and NWSH, share options may be granted respectively to certain directors and employees of NWCL, NWI or NWSH to subscribe for shares. Certain Directors of the Company have interest in share options to subscribe for shares in NWCL or NWI respectively.

**Share Option Schemes of NWCL**

The 2000 Share Option Scheme of NWCL was terminated by NWCL at its annual general meeting held on 26 November 2002 ("2002 AGM"). Any share options which were granted under the 2000 Share Option Scheme of NWCL prior to such termination shall continue to be valid and exercisable in accordance with the terms of the 2000 Share Option Scheme of NWCL. At the 2002 AGM of NWCL, a new share option scheme was adopted in compliance with the new requirements of the Listing Rules. No share option had been granted to any director of NWCL under the new share option scheme for the year ended 30 June 2003.

A summary of share option schemes of NWCL disclosed in accordance with the Listing Rules is as follows:

	2000 Share Option Scheme	2002 Share Option Scheme
Purpose of the schemes	As incentive to employees, including executive directors of NWCL or its subsidiaries.	To provide an opportunity for the full-time or part-time employees, including directors of NWCL or its subsidiaries to participate in the equity of NWCL as well as to motivate them to optimize their performance.
Participants of the schemes	Full-time employees, including any directors of NWCL or its subsidiaries	Full-time or part-time employees, including directors of NWCL or its subsidiaries
Total number of shares available for issue under the schemes and percentage of issued share capital as at the date of NWCL's annual report	NWCL had granted share options representing the rights to subscribe for 65,745,200 shares of NWCL under the 2000 Share Option Scheme, representing approximately 4.4% of the shares in issue as at the date of NWCL's report.  No further options will be granted under the 2000 Share Option Scheme	NWCL had granted share options representing the rights to subscribe for 3,558,400 shares of NWCL under the 2002 Share Option Scheme. NWCL may further grant share options to subscribe for 144,636,029 shares of NWCL, representing approximately 9.8% of the total issued share capital of NWCL.
Maximum entitlement of each participant under the schemes	25.0% 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 1.0% of the shares in issue unless the same is approved by NWCL's 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 NWCL's 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 NWCL's 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

## Share Option Schemes of NWCL (continued)

	2000 Share Option Scheme	2002 Share Option Scheme
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\$10.0 is to be paid as consideration for the grant of option within 28 days from the date of offer.	HK\$10.0 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 NWCL's directors, being the higher of: <ul style="list-style-type: none"> <li>(a) not less than 80.0% of the average closing price of shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of offer; or</li> <li>(b) the nominal value of a share.</li> </ul>	The exercise price shall be determined by NWCL's directors, being at least the higher of: <ul style="list-style-type: none"> <li>(a) the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a business day; and</li> <li>(b) the average closing price of shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of offer.</li> </ul>
The remaining life of the schemes	The 2000 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 18 December 2000.	The 2002 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 26 November 2002.

## Share options granted to Directors

Name of Director	Cash consideration		Date of grant	Exercisable period	Number of share options with exercise price of HK\$1.955 per share	
	per share	HK\$			Balance at 1 July 2002	Balance at 30 June 2003
Dr. Cheng Kar-Shun, Henry		10.0	7 February 2001	8 March 2001 to 7 March 2006	5,000,000	5,000,000 <sup>(1)</sup>
Mr. Cheng Kar-Shing, Peter		10.0	9 February 2001	10 March 2001 to 9 March 2006	2,500,000	2,500,000 <sup>(1)</sup>
Mr. Leung Chi-Kin, Stewart		10.0	7 February 2001	8 March 2001 to 7 March 2006	500,000	500,000 <sup>(1)</sup>
Mr. Chan Kam-Ling		10.0	9 February 2001	10 March 2002 to 9 March 2006 <sup>(2)</sup>	400,000	400,000 <sup>(1)</sup>
Mr. Chow Kwai-Cheung		10.0	9 February 2001	10 March 2001 to 9 March 2006	500,000	500,000 <sup>(1)</sup>
					8,900,000	8,900,000

- (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 20.0% 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).
- (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 25.0% of the outstanding balance of the share options held on the respective commencement dates of the exercisable period.
- (3) No share option was exercised by the directors of NWCL for the year ended 30 June 2003.

## Share Option Schemes of NWCL (continued)

## Share options granted to employees

Date of grant	Cash consideration per share HK\$	Number of share options				Balance at 30 June 2003	Exercise price per share HK\$
		Balance at	Granted	Exercised	Lapsed		
		1 July 2002	during the year	during the year	during the year		
<b>2000 Share Option Scheme</b>							
5 February 2001 to 2 March 2001	10.00	38,927,600	—	(42,400) <sup>(2)</sup>	(2,911,600)	35,973,600	1.955
2 May 2001 to 29 May 2001	10.00	458,400	—	—	—	458,400	2.605
29 June 2001 to 26 July 2001	10.00	2,328,000	—	—	—	2,328,000	3.192
31 August 2001 to 27 September 2001	10.00	2,130,000	—	—	—	2,130,000	2.380
26 March 2002 to 22 April 2002	10.00	2,067,600	—	—	(524,400)	1,543,200	2.265
		45,911,600	—	(42,400)	(3,436,000)	42,433,200	
<b>2002 Share Option Scheme</b>							
3 January 2003 to 30 January 2003	10.00	—	1,344,000 <sup>(3)</sup>	—	—	1,344,000	1.33
12 May 2003 to 6 June 2003	10.00	—	2,214,400 <sup>(3)</sup>	—	—	2,214,400	1.00
		—	3,558,400	—	—	3,558,400	

(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 20.0% 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 3 January 2003 and 12 May 2003, the dates of grant, were HK\$1.33 and HK\$1.00 respectively.

The fair values of the share options granted during the year with exercise prices per share of HK\$1.33 and HK\$1.00 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.

## Share Option Schemes of NWI

Pursuant to the share option schemes adopted on 3 October 1997 (the "1997 Share Option Scheme") and 6 December 2001 (the "2001 Share Option Scheme"), NWI may grant options to directors and employees of NWI or any of its subsidiaries to subscribe for shares in NWI. No option had been granted under the 2001 Share Option Scheme since its adoption.

Summary of share option schemes of NWI disclosed in accordance with the Listing Rules is as follows:

	1997 Share Option Scheme	2001 Share Option Scheme
Purpose of schemes	As incentive to employees (including any director) of NWI or any of its subsidiaries.	To provide an opportunity for employees (including any director) of NWI or any of its subsidiaries to participate in the equity of NWI as well as to motivate them to optimise their performance.
Participants of the schemes	Full time employees (including any director) of NWI or its subsidiaries.	Full time employees (including any director) of NWI or its subsidiaries.
Total number of shares available for issue under the schemes and percentage of issued share capital as at the date of NWI's annual report	6,352,800 shares (approximately 0.7% of the issued share capital as at the date of NWI's 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 NWI must not in aggregate exceed 10.0% of the shares in issue as at the date of adoption of the 2001 Share Option Scheme, i.e. 85,533,125 shares (the 10.0% Limit), representing approximately 9.0% of the issued share capital as at the date of NWI's annual report.  The 10.0% Limit may be refreshed with the approval of shareholders of NWI.  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 30.0% of the shares in issue from time to time.  No option has been granted under the 2001 Share Option Scheme since its adoption.
Maximum entitlement of each participant under the schemes	25.0% 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 1.0% of the shares in issue unless the same is approved by NWI's 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 NWI's 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 NWI's 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

## Share Option Schemes of NWI (continued)

	1997 Share Option Scheme	2001 Share Option Scheme
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\$10.0 is to be paid as consideration for the grant of option within 28 days from the date of offer.	HK\$10.0 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 NWI's directors, being the higher of: <ul style="list-style-type: none"> <li>(a) not less than 80.0% of the average closing price of shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of offer; or</li> <li>(b) the nominal value of a share.</li> </ul>	The exercise price shall be determined by the NWI's directors, being at least the higher of: <ul style="list-style-type: none"> <li>(a) the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a business day; and</li> <li>(b) the average closing price of shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of offer.</li> </ul>
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.

## Share options granted to Directors

Name of Director	Cash consideration		Number of share options			Exercise price per share HK\$
	per share HK\$	Date of grant	Balance at 1 July 2002	Lapsed during the year	Balance at 30 June 2003	
Dr. Cheng Kar-Shun, Henry	10.0	2 December 1998	600,000	—	600,000 <sup>(1)</sup>	10.20
		2 December 1998	2,400,000	—	2,400,000 <sup>(2)</sup>	12.00
Mr. Cheng Kar-Shing, Peter <sup>#</sup>	10.0	1 December 1998	120,000	(120,000)	— <sup>(1)</sup>	10.20
		1 December 1998	480,000	(480,000)	— <sup>(2)</sup>	12.00
Mr. Leung Chi-Kin, Stewart <sup>#</sup>	10.0	8 December 1998	120,000	(120,000)	— <sup>(1)</sup>	10.20
		8 December 1998	480,000	(480,000)	— <sup>(2)</sup>	12.00
Mr. Chan Kam-Ling <sup>#</sup>	10.0	9 December 1998	200,000	(200,000)	— <sup>(1)</sup>	10.20
		9 December 1998	800,000	(800,000)	— <sup>(2)</sup>	12.00
			5,200,000	(2,200,000)	3,000,000	

<sup>#</sup> Resigned as director of NWI with effect from 17 January 2003.

## Share Option Schemes of NWI (continued)

## Share options to employees

Date of grant	Cash consideration per share HK\$	Number of share options				Balance at 30 June 2003	Exercise price per share HK\$
		Balance at	Granted	Exercised	Lapsed		
		1 July 2002	during the year	during the year	during the year		
18 November 1998 to 23 September 1999	10.0	1,482,000	—	—	(879,200)	602,800 <sup>(3)</sup>	10.2
18 November 1998 to 23 September 1999	10.0	7,191,000	—	—	(4,441,000)	2,750,000 <sup>(4)</sup>	12.0
		8,673,000	—	—	(5,320,200)	3,352,800	

<sup>(1)</sup> Exercisable from 1 July 1999 to 1 June 2004.

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

<sup>(3)</sup> Exercisable from 1 July 1999 to 1 June 2004 except for 240,000 share options which are exercisable from 1 July 2000 to 1 June 2005.

<sup>(4)</sup> Divided into 3 tranches exercisable from 1 July 2000, 2001 and 2002 respectively to 1 June 2004 except for 960,000 share options which are divided into 3 tranches exercisable from 1 July 2001, 2002 and 2003 respectively to 1 June 2005.

<sup>(5)</sup> No share option was exercised by the directors and employees of NWI for the year ended 30 June 2003.

## Share Option Schemes of NWSH

On 11 April 1997, a share option scheme was adopted by NWSH (the "NWSH 1997 Share Option Scheme") under which the directors of NWSH may, at their discretion grant options to executive directors or full-time employees of NWSH and any of its subsidiaries subscribe for ordinary shares in NWSH. Subsequent to the amendment of Chapter 17 of the Listing Rules in 2001, a new share option scheme was adopted by NWSH on 6 December 2001 (the "NWSH 2001 Share Option Scheme") thereafter certain rules of such scheme were altered and approved by the shareholders of NWSH held on 12 March 2003. Under the NWSH 2001 Share Option Scheme, the directors of NWSH may at their discretion grant options to any eligible persons as defined in the scheme to subscribe for ordinary shares in NWSH. No share option was granted to the Directors of the Company.

## Share Option Schemes of NWSH (continued)

Summary of share option schemes of NWSH disclosed in accordance with the Listing Rules is as follows:

	1997 Share Option Scheme	2001 Share Option Scheme
Purpose of the schemes	As incentive to executive directors and employees of NWSH or any of its subsidiaries	To reward directors and employees of NWSH and any of its subsidiaries for past service or performance, to provide incentive and motivation or reward to eligible participants for increase performance or making contribution to NWSH and any of its subsidiaries, to attract and retain persons of right caliber with the necessary experience to work for NWSH and any of its subsidiaries and to foster a sense of corporate identity.
Participants of the schemes	Executive directors or full-time employees of NWSH or its subsidiaries	Eligible participant may be a person or entity belonging to any of the following classes: <ul style="list-style-type: none"> <li>(i) any eligible employee;</li> <li>(ii) any non-executive directors (including independent non-executive directors) of NWSH, any subsidiary or any invested entity of NWSH and any of its subsidiaries (the "Invested Entity");</li> <li>(iii) any supplier of goods or services to any member of NWSH and any of its subsidiaries or any Invested Entity;</li> <li>(iv) any customer of any member of NWSH and any of its subsidiaries or any Invested Entity;</li> <li>(v) any person or entity that provides research, development or other technological support to NWSH and any of its subsidiaries or any Invested Entity;</li> <li>(vi) any shareholder of any member of NWSH and any of its subsidiaries or any invested entity or any holder of any securities issued by any member of NWSH and any of its subsidiaries or any Invested Entity;</li> <li>(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of NWSH and any of its subsidiaries or any Invested Entity; and</li> <li>(viii) any joint venture partner or business alliance that co-operates with any member of NWSH and any of its subsidiaries or any Invested Entity in any area of business operation or development.</li> </ul>

## Share Option Schemes of NWSH (continued)

	1997 Share Option Scheme	2001 Share Option Scheme
Total number of shares available for issue under the schemes and percentage of issued share capital as at the date of NWSH's annual report	Options to subscribe for 2,000,000 shares had been granted by NWSH under this scheme. It was expired on 11 April 2000 and no further share option can be granted.	Renewal of the 10.0% general limit on grant of options under the share option schemes was approved by NWSH's shareholders on 12 March 2003. Thus, NWSH can grant options to subscribe for up to 178,075,900 shares of NWSH under this scheme.  On 21 July 2003, NWSH granted options to certain eligible persons to subscribe for 41,497,000 shares of NWSH. Therefore, the total number of shares available for issue under this scheme is 136,578,900 representing approximately 7.7% of the issued share capital as at the date of NWSH's report.
Maximum entitlement of each participant under the schemes	No eligible person shall be granted an option or options for such number of ordinary shares which in aggregate would exceed 25.0% of the total number of ordinary shares for which share options may be granted under the NWSH 1997 Share Option Scheme.	Unless approved by shareholders of NWSH, the total number of ordinary shares 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 1.0% of the ordinary share capital of NWSH in issue.
The period which the shares must be taken up under an option	At any time during a period as specified by NWSH's directors, which shall not be more than 10 years from the date of grant of the share options	At any time during a period as specified by NWSH's directors, however in any event the share options must be exercised within 10 years from the date of grant of the share options.
The minimum period for which an option must be held before it can be exercised	Any period as determined by NWSH's directors	Any period as determined by NWSH's directors
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	Nil	HK\$10.0 is to be paid as consideration for the grant of option within 14 days from the date of offer.
The basis of determining the exercise price	The exercise price is determined by NWSH's directors which shall be equal to the higher of the nominal value of the ordinary shares or a price not less than 80.0% of the average of the closing prices per ordinary share as stated in the daily quotations sheets issued by The Stock Exchange on the 5 trading days immediately preceding the date of grant.	The exercise price is determined by NWSH's directors which must be at least the higher of the closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheet on the date of grant or the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant.
The remaining life of the schemes	The NWSH 1997 Share Option Scheme was expired on 11 April 2000.	The NWSH 2001 Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 6 December 2001.

## Share Option Schemes of NWSH (continued)

## Share options to employees

Date of grant	Cash consideration		Number of share options				Exercise price	
	per share	Balance at	Granted	Exercised	Lapsed	Balance at	per share	
	HK\$	1 July 2002	during the year	during the year	during the year	30 June 2003	HK\$	
11 May 1999	—	2,100,000	—	—	(200,000)	1,900,000 <sup>(2)</sup>	6.93	
11 May 1999	—	100,000	—	—	—	100,000 <sup>(3)</sup>	6.93	
16 February 2000	—	200,000	—	—	(200,000)	— <sup>(4)</sup>	6.93	
		2,400,000	—	—	(400,000)	2,000,000		

<sup>(1)</sup> With effect from 10 February 2002, every 10 ordinary shares of HK\$0.1 each of NWSH had been consolidated into 1 ordinary share of HK\$1.0 each. The number of share options outstanding as at 1 July 2002 was adjusted accordingly.

<sup>(2)</sup> Divided into 4 tranches exercisable from 5 November 1999, 5 May 2001, 2002 and 2003 respectively to 4 November 2004, both dates inclusive.

<sup>(3)</sup> Divided into 5 tranches exercisable from 5 November 1999, 5 May 2001, 2002, 2003 and 2004 respectively to 4 November 2004, both dates inclusive.

<sup>(4)</sup> Divided into 4 tranches exercisable from 16 August 2000, 16 February 2002, 2003 and 2004 respectively to 15 August 2005, both dates inclusive.

<sup>(5)</sup> No share option was exercised by the employees of NWSH for the year ended 30 June 2003.

## Practice Note 19 of the Listing Rules

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

	2003	2002
	HK\$m	HK\$m
Amounts due by affiliated companies	18,184.5	21,739.0
Guarantees given for affiliated companies in respect of banking and other credit facilities	6,118.3	4,218.7
Commitments to capital injections	1,337.4	1,291.6
	<b>25,640.2</b>	<b>27,249.3</b>

- (a) The above financial assistance given to the affiliated companies, in aggregate, represented 55.6% of the consolidated net assets of the Group (2002: 50.8%) as at the balance sheet date. No single entity received financial assistance from the Group which exceeds 25.0% of the consolidated net assets of the Group.
- (b) In addition to the above, certain subsidiaries and jointly controlled entities of the Group are parties to agreements with third parties in relation to the joint development of CT9 in Hong Kong, the related berth swap arrangement and the funding therefor. NWSH has given guarantees in respect of the obligations of the subsidiaries and jointly controlled entities to provide additional funds. If NWSH is required to perform its obligations under the guarantees, the maximum amount of NWSH share of the liability under the guarantees will be HK\$5,120.0 million (2002: HK\$5,120.0 million). Pursuant to the terms of a subscription agreement dated 11 October 2001, which was entered into between a subsidiary of NWSH and an associated company in respect of the disposal of an effective interest of 13.0% in one of the jointly controlled entities, the associated company has agreed to counter-indemnify the subsidiary of NWSH in respect of such guarantees for a maximum amount of approximately HK\$3,022.0 million.
- (c) In accordance with the requirements under paragraph 3.10 of Practice Note 19 of the Listing Rules, the Company is required to include in its annual report a proforma combined balance sheet of its affiliated companies which would include significant balance sheet classifications and state the attributable interest of the Company in the affiliated companies. The Company has numerous affiliated companies and the Directors are of the opinion that it is not practical nor meaningful to prepare a proforma combined balance sheet and such information may be misleading. The Company made an application to, and received a waiver from, the Stock Exchange to provide the following statement as an alternative.
- (d) At 30 June 2003, the combined indebtedness including amounts owing to the Group, capital commitments and contingent liabilities as reported by the affiliated companies amounted to HK\$60,719.0 million, HK\$3,654.9 million and HK\$1,309.4 million (2002: HK\$69,331.6 million, HK\$3,339.7 million and HK\$1,371.0 million) respectively.