

## → Report of the Directors

The Directors submit their report together with the audited accounts of the Group for the year ended 30 June 2003.

### Change of company name

On 29 January 2003, the English name of the Company was changed from "Pacific Ports Company Limited" to "NWS Holdings Limited" and the Chinese name of the Company, for identification purposes only, was changed from "太平洋港口有限公司" to "新創建集團有限公司".

### Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding.

The principal activities of its subsidiary companies include:

- (i) facilities, contracting, transport, financial and environmental services businesses;
- (ii) the development, investment, operation and / or management of and in toll roads, expressways, bridges and tunnel, power plants, water treatment and waste management plants; and
- (iii) the development, investment, operation and management of container handling, logistics and warehousing businesses.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 3 to the accounts.

### Results and appropriations

The results of the Group for the year ended 30 June 2003 and the state of affairs of the Company and the Group at 30 June 2003 are set out in the accounts on pages 76 to 78.

A dividend in respect of the Company's 4% cumulative convertible redeemable preference shares for the year has been incorporated in the accounts.

The Directors recommend the payment of a final dividend of HK\$0.2 per ordinary share (2002: Nil) to the shareholders whose names appear on the register of members of the Company on 28 November 2003.

The register of members of the Company will be closed from Tuesday, 25 November 2003 to Friday, 28 November 2003, both dates inclusive, during which period, no transfer of shares will be registered. Dividend warrants will be despatched to shareholders on or about Tuesday, 16 December 2003. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrars in Hong Kong, Standard Registrars Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 24 November 2003.

# → Report of the Directors

## Five-year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial periods is set out on pages 160 and 161.

## Fixed assets

Details of movements in the fixed assets of the Group during the year are set out in Note 13 to the accounts.

## Subsidiary companies

Particulars of the Company's principal subsidiary companies are set out in Note 39 to the accounts.

## Jointly controlled entities and associated companies

Particulars of the Group's principal jointly controlled entities and associated companies are set out in Notes 41 and 40 to the accounts respectively.

## Share capital

Details of movements in the share capital of the Company during the year are set out in Note 25 to the accounts.

## Donations

During the year, the Group made charitable donations amounting to HK\$142,000 (2002: Nil).

## Pre-emptive rights

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

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

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

## Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in Note 26 to the accounts.

## Distributable reserves

At 30 June 2003, the Company's reserves available for distribution amounted to HK\$908.8 million. In addition, the Company's share premium account, in the amount of HK\$7,156.1 million, may be distributed in the form of fully paid bonus shares.

## Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## Major customers and suppliers

For the year ended 30 June 2003, the aggregate amount of turnover and purchases attributable to the Group's five largest customers and suppliers respectively accounted for less than 30% of the Group's total turnover and purchases.

## Directors

The Directors of the Company during the year and up to the date of this report are:

### Executive Directors:

Dr. Cheng Kar Shun, Henry

Mr. Doo Wai Hoi, William

Mr. Chan Kam Ling

(appointed on 29 January 2003)

Mr. Wong Kwok Kin, Andrew

(appointed on 29 January 2003)

Mr. Lam Wai Hon, Patrick

(appointed on 29 January 2003)

Mr. Cheung Chin Cheung

(resigned on 29 January 2003 and appointed on 1 October 2003)

Mr. Bruce Carroll Allen

(resigned on 20 August 2002)

Mr. Chan Wing Tak, Douglas

(resigned on 29 January 2003)

Mr. Lo Lin Shing, Simon

(resigned on 29 January 2003)

Mr. So Ngok

(resigned on 29 January 2003)

### Non-executive Directors:

Mr. To Hin Tsun, Gerald

(resigned as Independent Non-executive Director and appointed as Non-executive Director on 13 August 2002)

Mr. Wilfried Ernst Kaffenberger

(appointed on 29 January 2003)

Mr. Yeung Kun Wah, David

(appointed as alternate director to Mr. Wilfried Ernst Kaffenberger on 29 January 2003)

Mr. Peter Francis Amour

(reclassified from Independent Non-executive Director to Non-executive Director on 15 October 2002 and resigned on 18 December 2002)

Mr. Tse Po Shing, Andy

(resigned as Executive Director and appointed as Independent Non-executive Director on 20 August 2002, then reclassified from Independent Non-executive Director to Non-executive Director on 15 October 2002 and resigned on 18 December 2002)

### Independent Non-executive Directors:

Mr. Dominic Lai

(appointed on 13 August 2002)

Mr. Kwong Che Keung, Gordon

(appointed on 15 October 2002)

Mr. Cheng Wai Chee, Christopher

(appointed on 29 January 2003)

Mr. Wong Kin Chow, Michael

(appointed on 29 January 2003 and resigned on 1 August 2003)

In accordance with the bye-laws of the Company, Messrs. Doo Wai Hoi, William, Chan Kam Ling, Wong Kwok Kin, Andrew, Lam Wai Hon, Patrick, Wilfried Ernst Kaffenberger, Cheng Wai Chee, Christopher and Cheung Chin Cheung will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## → Report of the Directors

### Directors' service contracts

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

### Directors' interests in contracts

Pursuant to the reorganization of the Group, the following agreements were made by the Company on 21 October 2002:

- (i) share purchase agreement between New World Infrastructure Limited ("NWI") and the Company in respect of the acquisition of infrastructure assets by the Company from NWI for an aggregate consideration of approximately HK\$9.6 billion (the "Infrastructure Assets Sale Agreement"); and
- (ii) share purchase agreement between the shareholders of New World Services Limited (now known as NWS Service Management Limited, "NWSS"), including New World Development Company Limited ("NWD"), and the Company in respect of the acquisition of the entire issued share capital of NWSS by the Company from the shareholders of NWSS for a consideration of approximately HK\$3.4 billion (the "Service Assets Sale Agreement").

Messrs. Cheng Kar Shun, Henry, Chan Wing Tak, Douglas, Cheung Chin Cheung and Tse Po Shing, Andy, who were Directors of the Company on the date of execution of the Infrastructure Assets Sale Agreement, are interested in this transaction to the extent that they have share interests in NWI.

Furthermore, Messrs. Cheung Chin Cheung, Tse Po Shing, Andy and Kwong Che Keung, Gordon, who were Directors of the Company on the date of execution of the Service Assets Sale Agreement, are interested in this transaction to the extent that they have share interests in NWD.

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

## Directors' interests in competing business

During the year and up to the date of this report, the following Directors are considered to have interests in the business which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as set out below:

| Name of Director          | Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group | Description of business of the entity which are considered to compete or likely to compete with the businesses of the Group | Nature of interest in the entity |
|---------------------------|---|---|----------------------------------|
| Dr. Cheng Kar Shun, Henry | Chow Tai Fook Enterprises Limited group of companies  | Bus services  | Director                         |
|                           | HKR International Limited group of companies  | Construction and property management  | Director                         |
|                           | Shun Tak Holdings Limited group of companies  | Ferry services  | Director                         |
|                           | Tamman Developments Limited   | Investment in airport operation business  | Director                         |
| Mr. Chan Kam Ling         | Qingyuan Qiaoyuan Power Plant Company Limited   | Operation of power plant  | Director                         |
| Mr. Lam Wai Hon, Patrick  | Wai Kee Holdings Limited group of companies   | Contracting   | Director                         |

## → Report of the Directors

### Directors' and Chief Executive's interests in securities

As at 30 June 2003, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies contained in the Listing Rules were as follows:

#### (a) Interests in shares of the Company

| Name                               | Number of shares   |                       |                        | Total      | Approximate percentage of issued share capital of the Company as at 30.06.03 |
|------------------------------------|--------------------|-----------------------|------------------------|------------|--|
|                                    | Personal interests | Family interests      | Corporate interests    |            |  |
| Dr. Cheng Kar Shun, Henry          | –                  | 587,000<br>(Note 1)   | –                      | 587,000    | 0.03%  |
| Mr. Doo Wai Hoi, William           | –                  | –                     | 447,000<br>(Note 2)    | 447,000    | 0.03%  |
| Mr. Chan Kam Ling                  | 3,991              | –                     | 10,254,321<br>(Note 3) | 10,258,312 | 0.58%  |
| Mr. Wong Kwok Kin, Andrew          | 3,135,015          | 2,650,051<br>(Note 4) | –                      | 5,785,066  | 0.32%  |
| Mr. Lam Wai Hon, Patrick           | 35,800             | –                     | 265,139<br>(Note 5)    | 300,939    | 0.02%  |
| Mr. Cheung Chin Cheung<br>(Note 6) | 58,700             | –                     | –                      | 58,700     | 0.00%  |
| Mr. Cheng Chi Pang<br>(Note 6)     | 176,759            | –                     | –                      | 176,759    | 0.01%  |

#### Notes:

- (1) The shares are held by the spouse of Dr. Cheng Kar Shun, Henry.
- (2) The shares are held by a company wholly-owned by Mr. Doo Wai Hoi, William.
- (3) The shares are held by a company of which Mr. Chan Kam Ling holds controlling interest.
- (4) The shares are held by the spouse of Mr. Wong Kwok Kin, Andrew.
- (5) The shares are held by a company wholly-owned by Mr. Lam Wai Hon, Patrick.
- (6) Both Mr. Cheung Chin Cheung and Mr. Cheng Chi Pang were appointed as Chief Executives of the Company with effect from 3 March 2003. Then Mr. Cheung Chin Cheung was appointed as Executive Director of the Company with effect from 1 October 2003.
- (7) All the interests stated above represent long positions.

## Directors' and Chief Executive's interests in securities (Continued)

### (b) Interests in shares of associated corporations of the Company

|  | Number of shares /<br>amount of registered capital |                       |                        | Total      | Approximate<br>percentage of<br>issued share<br>capital as<br>at 30.06.03 |
|--|--|-----------------------|------------------------|------------|---|
|  | Personal<br>interests                              | Family<br>interests   | Corporate<br>interests |            |   |
| <b>New World Development<br/>Company Limited</b> |  |                       |                        |            |   |
| Mr. Chan Kam Ling                                | 96,669   | –                     | –                      | 96,669     | 0.00%   |
| Mr. Kwong Che Keung,<br>Gordon                   | 30,000   | –                     | –                      | 30,000     | 0.00%   |
| Mr. Cheung Chin Cheung<br>(Note 1)               | 43,323   | –                     | –                      | 43,323     | 0.00%   |
| Mr. Cheng Chi Pang<br>(Note 1)                   | 1,000  | –                     | –                      | 1,000      | 0.00%   |
| <b>New World Infrastructure<br/>Limited</b>      |  |                       |                        |            |   |
| Dr. Cheng Kar Shun, Henry                        | –  | 1,000,000<br>(Note 2) | –                      | 1,000,000  | 0.11%   |
| Mr. Doo Wai Hoi, William                         | –  | –                     | 12,000,000<br>(Note 3) | 12,000,000 | 1.26%   |
| Mr. Chan Kam Ling                                | 6,800  | –                     | –                      | 6,800      | 0.00%   |
| Mr. Cheung Chin Cheung<br>(Note 1)               | 100,000  | –                     | –                      | 100,000    | 0.01%   |
| Mr. Cheng Chi Pang<br>(Note 1)                   | 200  | –                     | –                      | 200        | 0.00%   |

## → Report of the Directors

### Directors' and Chief Executive's interests in securities (Continued)

#### (b) Interests in shares of associated corporations of the Company (Continued)

|  | Number of shares /<br>amount of registered capital |                     |                           | Total         | Approximate<br>percentage of<br>issued share<br>capital as<br>at 30.06.03 |
|--|--|---------------------|---------------------------|---------------|---|
|  | Personal<br>interests                              | Family<br>interests | Corporate<br>interests    |               |   |
| <b>New World China Land<br/>Limited</b>                          |  |                     |                           |               |   |
| Mr. Doo Wai Hoi, William   | 700,000  | –                   | –                         | 700,000       | 0.05%   |
| Mr. Chan Kam Ling  | 100,000  | –                   | –                         | 100,000       | 0.01%   |
| Mr. Lam Wai Hon, Patrick   | 30,000   | –                   | –                         | 30,000        | 0.00%   |
| <b>Fung Seng Estate<br/>Development (Shanghai)<br/>Co., Ltd.</b> |  |                     |                           |               |   |
| Mr. Doo Wai Hoi, William   | –  | –                   | US\$3,000,000<br>(Note 4) | US\$3,000,000 | 30.00%  |
| <b>HH Holdings Corporation</b>                                   |  |                     |                           |               |   |
| Mr. Chan Kam Ling  | 15,000   | –                   | –                         | 15,000        | 2.50%   |
| <b>Master Services Limited</b>                                   |  |                     |                           |               |   |
| Mr. Chan Kam Ling  | 16,335   | –                   | –                         | 16,335        | 1.63%   |
| Mr. Wong Kwok Kin,<br>Andrew                                     | 44,915   | –                   | –                         | 44,915        | 4.49%   |
| <b>Nanjing New World Chang<br/>Jiang Equipment Co. Ltd.</b>      |  |                     |                           |               |   |
| Mr. Doo Wai Hoi, William   | –  | –                   | RMB5,357,275<br>(Note 4)  | RMB5,357,275  | 21.18%  |

## Directors' and Chief Executive's interests in securities (Continued)

### (b) Interests in shares of associated corporations of the Company (Continued)

|  | Number of shares /<br>amount of registered capital |                     |                             | Total           | Approximate<br>percentage of<br>issued share<br>capital as<br>at 30.06.03 |
|--|--|---------------------|-----------------------------|-----------------|---|
|  | Personal<br>interests                              | Family<br>interests | Corporate<br>interests      |                 |   |
| <b>Nanjing Xinlidao Property<br/>Development Limited</b>   |  |                     |                             |                 |   |
| Mr. Doo Wai Hoi, William                                   | –  | –                   | HK\$21,000,000<br>(Note 5)  | HK\$21,000,000  | 35.00%  |
| <b>Ramada Property Ltd.</b>                                |  |                     |                             |                 |   |
| Mr. Doo Wai Hoi, William                                   | –  | –                   | 200<br>(Note 3)             | 200             | 20.00%  |
| <b>Shanghai Juyi Real Estate<br/>Development Co., Ltd.</b> |  |                     |                             |                 |   |
| Mr. Doo Wai Hoi, William                                   | –  | –                   | US\$105,000,000<br>(Note 5) | US\$105,000,000 | 30.00%  |
| <b>Tai Fook Securities Group<br/>Limited</b>               |  |                     |                             |                 |   |
| Mr. Wong Kwok Kin,<br>Andrew                               | 390,000  | –                   | –                           | 390,000         | 0.08%   |

Notes:

- (1) Both Mr. Cheung Chin Cheung and Mr. Cheng Chi Pang were appointed as Chief Executives of the Company with effect from 3 March 2003. Then Mr. Cheung Chin Cheung was appointed as Executive Director of the Company with effect from 1 October 2003.
- (2) The shares are held by the spouse of Dr. Cheng Kar Shun, Henry.
- (3) The shares are held by a company wholly-owned by Mr. Doo Wai Hoi, William.
- (4) The interests represent the equity interests held by a company wholly-owned by Mr. Doo Wai Hoi, William
- (5) The interests represent the participating interests held by a company wholly-owned by Mr. Doo Wai Hoi, William.
- (6) All the interests stated above represent long positions.

## → Report of the Directors

### Directors' and Chief Executive's interests in securities (Continued)

#### (c) Interests in underlying shares of the Company – share options

As at 30 June 2003, the following Directors of the Company have personal interests in options to subscribe for shares granted under the 1997 Share Option Scheme (as defined below):

| Name                            | Date of grant    | Number of share options outstanding at 01.07.02<br>(Note 2) | Lapsed during the year | Number of share options outstanding at 30.06.03 | Exercisable period<br>Notes | Exercise price per share<br>HK\$ |
|---------------------------------|------------------|---|------------------------|---|-----------------------------|----------------------------------|
| Mr. Chan Wing Tak, Douglas*     | 11 May 1999      | 1,000,000   | –                      | 1,000,000                                       | (3)                         | 6.93                             |
| Mr. Lo Lin Shing, Simon*        | 11 May 1999      | 600,000   | –                      | 600,000   | (3)                         | 6.93                             |
| Mr. Cheung Chin Cheung (Note 1) | 11 May 1999      | 300,000   | –                      | 300,000   | (3)                         | 6.93                             |
| Mr. Tse Po Shing, Andy          | 11 May 1999      | 200,000   | 200,000<br>(Note 5)    | –   | (3)                         | 6.93                             |
| Mr. Bruce Carroll Allen         | 16 February 2000 | 200,000   | 200,000<br>(Note 5)    | –   | (4)                         | 6.93                             |

\* resigned as Director of the Company on 29 January 2003

#### Notes:

- (1) Mr. Cheung Chin Cheung was appointed as Chief Executive of the Company with effect from 3 March 2003. Then he was appointed as Executive Director of the Company with effect from 1 October 2003.
- (2) With effect from 10 February 2003, every 10 ordinary shares of HK\$0.1 each of the Company were consolidated into 1 ordinary share of HK\$1 each. The number of share options outstanding at 1 July 2002 was adjusted accordingly.
- (3) Divided into 4 tranches exercisable from 5 November 1999, 5 May 2001, 5 May 2002 and 5 May 2003 respectively to 4 November 2004, both dates inclusive.
- (4) Divided into 4 tranches exercisable from 16 August 2000, 16 February 2002, 16 February 2003 and 16 February 2004 respectively to 15 August 2005, both dates inclusive.
- (5) Upon the resignations of Mr. Bruce Carroll Allen and Mr. Tse Po Shing, Andy on 20 August 2002 and 18 December 2002 respectively, the share options granted to them lapsed with effect from the dates of their resignations.
- (6) All the interests stated above represent long positions.

No share option of the Company was exercised by the above Directors during the year.

## Directors' and Chief Executive's interests in securities (Continued)

### (d) Interests in underlying shares of associated corporations of the Company – share options

- (i) Under the share option scheme adopted by NWI, a fellow subsidiary company of the Company, on 3 October 1997, options may be granted to Directors and employees of NWI or its subsidiary companies to subscribe for shares in NWI. The following Directors of the Company have personal interests in options to subscribe for shares in NWI which had been granted to them as follows:

| Name                               | Note | Date of grant    | Share options with exercise price<br>per share of HK\$10.20 (Note 1) |                           | Share options with exercise price<br>per share of HK\$12.00 (Note 2) |                           |
|------------------------------------|------|------------------|--|---------------------------|--|---------------------------|
|                                    |      |                  | Balance as at<br>01.07.02  | Balance as at<br>30.06.03 | Balance as at<br>01.07.02  | Balance as at<br>30.06.03 |
| Dr. Cheng Kar Shun,<br>Henry       |      | 2 December 1998  | 600,000  | 600,000                   | 2,400,000  | 2,400,000                 |
| Mr. Doo Wai Hoi, William           | 3    | 16 December 1998 | 200,000  | –                         | 800,000  | –                         |
| Mr. Chan Kam Ling                  | 4    | 9 December 1998  | 200,000  | –                         | 800,000  | –                         |
| Mr. Cheng Wai Chee,<br>Christopher | 4    | 11 December 1998 | 120,000  | –                         | 480,000  | –                         |
| Mr. Chan Wing Tak,<br>Douglas      | 5    | 26 November 1998 | 320,000  | 320,000                   | 1,280,000  | 1,280,000                 |
| Mr. So Ngok                        | 5    | 26 November 1998 | 200,000  | –                         | 800,000  | –                         |
| Mr. Cheung Chin Cheung             | 6    | 12 December 1998 | 78,800   | –                         | 315,200  | –                         |

#### Notes:

- (1) Exercisable from 1 July 1999 to 1 June 2004.
- (2) Divided into 3 tranches exercisable from 1 July 2000, 1 July 2001 and 1 July 2002 respectively to 1 June 2004.
- (3) Mr. Doo Wai Hoi, William resigned as Director of NWI with effect from 11 January 2003 and the share options granted to him lapsed on 12 February 2003.
- (4) Both Mr. Chan Kam Ling and Mr. Cheng Wai Chee, Christopher resigned as Directors of NWI and the share options granted to them lapsed on 18 February 2003.
- (5) Both Mr. Chan Wing Tak, Douglas and Mr. So Ngok resigned as Directors of the Company with effect from 29 January 2003. Mr. So Ngok also resigned as Director of NWI and the share options granted to him lapsed on 18 February 2003.
- (6) Mr. Cheung Chin Cheung was appointed as Chief Executive of the Company with effect from 3 March 2003. Then he was appointed as Executive Director of the Company with effect from 1 October 2003. Mr. Cheung ceased to be an employee of NWI and the share options granted to him lapsed on 16 June 2003.
- (7) The cash consideration paid by each Director for each grant of the share options is HK\$10.
- (8) All the interests stated above represent long positions.

No share option of NWI was exercised by the above Directors during the year.

## → Report of the Directors

### Directors' and Chief Executive's interests in securities (Continued)

#### (d) Interests in underlying shares of associated corporations of the Company – share options (Continued)

- (ii) Under the share option scheme of New World China Land Limited (“NWCL”), a fellow subsidiary company of the Company, the following Directors of the Company, who are also Directors of NWCL, have personal interests in options to subscribe for shares in NWCL which have been granted to them as follows:

| Name                                   | Date of grant    | Exercisable period<br>(Note 1)            | Share options with exercise price per share of HK\$1.955 |                        |
|--|------------------|---|--|------------------------|
|  |                  |   | Balance as at 01.07.02                                   | Balance as at 30.06.03 |
| Dr. Cheng Kar Shun, Henry              | 7 February 2001  | 8 March 2001 to 7 March 2006              | 5,000,000  | 5,000,000              |
| Mr. Doo Wai Hoi, William               | 8 February 2001  | 9 March 2002 to 8 March 2006<br>(Note 2)  | 2,800,000  | 2,800,000              |
| Mr. Chan Kam Ling                      | 9 February 2001  | 10 March 2002 to 9 March 2006<br>(Note 2) | 400,000  | 400,000                |
| Mr. Chan Wing Tak, Douglas<br>(Note 3) | 12 February 2001 | 13 March 2001 to 12 March 2006            | 500,000  | 500,000                |
| Mr. So Ngok<br>(Note 3)                | 9 February 2001  | 10 March 2001 to 9 March 2006             | 500,000  | 500,000                |

Notes:

- (1) The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of each grant when the offers of the share options were accepted, provided that the maximum number of share options that can be exercised during a year is 20% of the total number of the share options granted together with any unexercised share options carried forward from the previous year(s), unless as specified in Note (2).
- (2) The share options are 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 periods.
- (3) Both Mr. Chan Wing Tak, Douglas and Mr. So Ngok resigned as Directors of the Company with effect from 29 January 2003. Mr. So Ngok also resigned as Director of NWCL with effect from 17 January 2003.
- (4) The cash consideration paid by each Director for each grant of the share options is HK\$10.
- (5) All the interests stated above represent long positions.

No share option of NWCL was exercised by the above Directors during the year.

## Directors' and Chief Executive's interests in securities (Continued)

### (d) Interests in underlying shares of associated corporations of the Company – share options (Continued)

- (iii) Under the share option scheme of Wai Kee Holdings Limited (“Wai Kee”), an associated company of the Company, the following Director and Chief Executive of the Company, who are also Directors of Wai Kee, have personal interests in options to subscribe for shares in Wai Kee which have been granted to them as follows:

| Name                           | Date of grant    | Exercisable period                   | Number of share options outstanding at 30.06.03 with exercise price per share of HK\$0.34 |
|--------------------------------|------------------|--------------------------------------|---|
| Mr. Lam Wai Hon, Patrick       | 29 November 2000 | 29 November 2001 to 28 November 2004 | 500,000   |
| Mr. Cheng Chi Pang<br>(Note 1) | 29 November 2000 | 29 November 2001 to 28 November 2004 | 500,000   |

Notes:

- (1) Mr. Cheng Chi Pang was appointed as Chief Executive of the Company with effect from 3 March 2003.
- (2) The cash consideration paid by each Director of Wai Kee for each grant of the share options is HK\$1.
- (3) All the interests stated above represent long positions.

No share option of Wai Kee was exercised by the above Director and Chief Executive during the year.

## → Report of the Directors

### Directors' and Chief Executive's interests in securities (Continued)

#### (e) Interests in debentures of associated corporation of the Company

The following Director of the Company has interests in the debentures issued by New World Capital Finance Limited, a fellow subsidiary company of the Company, as follows:

| Name                               | Amount of debentures  |                                      |               | Percentage to the total debentures in issue as at 30.06.03 |
|------------------------------------|---|--------------------------------------|---------------|--|
|                                    | Interests as founder of discretionary trust<br>US\$<br>(Note 1) | Family interests<br>US\$<br>(Note 2) | Total<br>US\$ |  |
| Mr. Cheng Wai Chee,<br>Christopher | 9,200,000   | 100,000                              | 9,300,000     | 2.66%  |

Notes:

- (1) The debentures are convertible into 2,898,522 shares of HK\$1 each of NWD, representing 0.13% of its issued share capital as at 30 June 2003, for the period from 10 June 1999 to 9 August 2004.
- (2) The debentures are convertible into 31,505 shares of HK\$1 each of NWD, representing 0.001% of its issued share capital as at 30 June 2003, for the period from 10 June 1999 to 9 August 2004. The interests are held by the spouse of Mr. Cheng Wai Chee, Christopher.
- (3) The interests stated above represent long positions.

Save as disclosed above, none of the Directors or Chief Executive of the Company had or were deemed under the SFO, to have any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2003.

### Directors' rights to acquire shares or debentures

Save as the interests disclosed in the section headed "Directors' and Chief Executive's interests in securities" above, at no time during the year was the Company, or any of its holding companies, subsidiary companies or fellow subsidiary companies a party to any arrangement to enable the Directors or Chief Executive of the Company or their respective spouses or children under 18 years of age or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Share option schemes

On 11 April 1997, a share option scheme was adopted by the Company (the "1997 Share Option Scheme") under which the Directors may, at their discretion grant options to Executive Directors or full-time employees of the Group to subscribe for ordinary shares in the Company. Subsequent to the amendment of Chapter 17 of the Listing Rules in 2001, a new share option scheme was adopted by the Company on 6 December 2001 (the "2001 Share Option Scheme") thereafter certain rules of such scheme were altered and approved by the shareholders of the Company held on 12 March 2003. Under the 2001 Share Option Scheme, the Directors of the Company may at their discretion grant options to any eligible participants as defined in the scheme to subscribe for shares in the Company.

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

|                            | 1997 Share Option Scheme   | 2001 Share Option Scheme   |
|----------------------------|--|--|
| Purpose of the scheme      | As incentive to Executive Directors and employees of the Company or any of its subsidiary companies. | To reward Directors and employees of the Group for past service or performance, to provide incentive and motivation or reward to eligible participants for increase performance or making contribution to the Group, to attract and retain persons of right caliber with the necessary experience to work for the Group and to foster a sense of corporate identity.   |
| Participants of the scheme | Executive Directors or full-time employees of the Company or its subsidiary companies.               | 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 the Company, any subsidiary company or any invested entity of the Group (the "Invested Entity");</li> <li>(iii) any supplier of goods or services to any member of the Group or any Invested Entity;</li> <li>(iv) any customer of any member of the Group or any Invested Entity;</li> </ul> |

## → Report of the Directors

### Share option schemes (Continued)

|   | 1997 Share Option Scheme   | 2001 Share Option Scheme  |
|---|--|---|
|   |  | <ul style="list-style-type: none"><li>(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;</li><li>(vi) any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group 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 the Group or any Invested Entity; and</li><li>(viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.</li></ul> |
| Total number of shares available for issue under the scheme and percentage of issued share capital as at the date of this annual report | Options to subscribe for 2,000,000 shares had been granted by the Company under this scheme. The scheme was expired on 11 April 2000 and no further share option can be granted. | Renewal of the 10% general limit on grant of options under the share option schemes was approved by the shareholders of the Company on 12 March 2003. Thus, the Company can grant options to subscribe for up to 178,075,900 shares of the Company under this scheme.<br><br>On 21 July 2003, the Company granted options to certain eligible participants to subscribe for 41,497,000 shares of the Company. Therefore, the total number of shares available for issue under this scheme is 136,578,900 representing approximately 7.67% of the Company's issued share capital as at the date of this report.  |

## Share option schemes (Continued)

|   | 1997 Share Option Scheme  | 2001 Share Option Scheme  |
|---|---|---|
| Maximum entitlement of each participant under the scheme  | No eligible person shall be granted an option or options for such number of shares which in aggregate would exceed 25% of the total number of shares for which share options may be granted under the scheme.   | Unless approved by shareholders of the Company, the total number of 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% of the share capital of the Company in issue.   |
| The period which the shares must be taken up under an option  | At any time during a period as specified by the 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 the 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 the Directors.  | Any period as determined by the 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 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 the Directors which shall be equal to the higher of the nominal value of the shares or a price not less than 80% of the average of the closing prices per share as stated in the daily quotations sheets issued by the Stock Exchange on the five trading days immediately preceding the date of grant. | The exercise price is determined by the Directors which must be at least the higher of the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant or the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date or grant. |
| The remaining life of the scheme  | The scheme was expired on 11 April 2000.  | The scheme shall be valid and effective for a period of ten years from the date of adoption, i.e. 6 December 2001.  |

## → Report of the Directors

### Share option schemes (Continued)

Movement of share options granted to the Directors and employees of the Group under the 1997 Share Option Scheme during the year ended 30 June 2003 was as follows:

#### (1) Share options to Directors

Details of the movement of share options granted to Directors are disclosed under the section headed "Directors' and Chief Executive's interests in securities" above.

#### (2) Share options to employees

| Date of grant | Number of share options outstanding at 01.07.02<br>(Note 1) | Lapsed during the year | Number of share options outstanding at 30.06.03 | Exercisable period | Exercise price per share |
|---------------|---|------------------------|---|--------------------|--------------------------|
| 11 May 1999   | 100,000   | –                      | 100,000   | (Note 2)           | HK\$6.93                 |

Notes:

- (1) With effect from 10 February 2003, every 10 ordinary shares of HK\$0.1 each of the Company had been consolidated into 1 ordinary share of HK\$1 each. The number of share options outstanding as at 1 July 2002 was adjusted accordingly.
- (2) Divided into 5 tranches exercisable from 5 November 1999, 5 May 2001, 5 May 2002, 5 May 2003 and 5 May 2004 respectively to 4 November 2004, both dates inclusive.

No share option of the Company was exercised by the above employees during the year.

The Directors do not consider it appropriate to disclose a theoretical value of the share options granted to the Directors and employees because a number of factors crucial for the valuation are subjective and uncertain. Accordingly, any valuation of the options based on various speculative assumptions would not be meaningful and would be misleading.

## Substantial shareholders' interests in shares

As at 30 June 2003, so far as are known to the Directors, the following parties (other than a Director or Chief Executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

| Name                                      | Note | Beneficial interests | Number of shares Corporate interests | Total         | Approximate percentage to the issued share capital of the Company |
|---|------|----------------------|--------------------------------------|---------------|---|
| Chow Tai Fook Enterprises Limited ("CTF") | (1)  | 59,831,893           | 970,011,739                          | 1,029,843,632 | 57.83%  |
| NWD                                       | (2)  | 666,558,052          | 303,453,687                          | 970,011,739   | 54.47%  |
| Mombasa Limited ("Mombasa")               |      | 303,453,687          | –                                    | 303,453,687   | 17.04%  |

### Notes:

- (1) CTF and its subsidiary companies 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. CTF is also directly interested in 59,831,893 shares in the capital of the Company.
- (2) NWD holds 100% indirect interests in Mombasa. Mombasa's interests in the Company is deemed to be held by NWD. NWD is also directly interested in 666,558,052 shares in the capital of the Company.
- (3) All the interests stated above represent long positions.

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 30 June 2003.

## → Report of the Directors

### Connected transactions

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

- (1) Prior to the acquisition of certain port and port-related investments (the "Assets") from NWI (the "Acquisition"), NWD and / or NWI had assumed certain contingent liabilities to third parties with respect to the Assets (the "Obligations"). Pursuant to the sale and purchase agreement entered into between the Company and NWI for the Acquisition, the Company agreed to counter-indemnify NWD and / or NWI in the event that they were required to make any payments under the Obligations.

Pursuant to the Infrastructure Assets Sale Agreement, the abovesaid counter-indemnity was terminated due to the release of the Obligations with the relevant third parties with effect from 29 January 2003.

- (2) During the year, the Company had reimbursed payroll of certain employees of NWI who were responsible for the administration of the port projects acquired from NWI on cost basis starting retrospectively from 15 March 2000.

Upon the signing of the secondment agreement between NWI and the Company on 29 January 2003 (details are explained below), the said reimbursement of payroll was terminated. The total amount of approximately HK\$2.0 million had been reimbursed by the Company to NWI during the year.

- (3) On 19 April 2001, a shareholders' agreement was entered into between Front Drive Limited ("Front Drive"), a wholly-owned subsidiary company of the Company, Kingsfund Limited ("Kingsfund") which is an indirect wholly-owned subsidiary company of CSX World Terminals, LLC. ("CSX"), a substantial shareholder of CSXWT Terminal 8 Limited which is in turn a jointly controlled entity of the Company, and ATL Logistics Centre Hong Kong Limited ("ATL") which is an associated company of CSX and a jointly controlled entity of the Company for the purpose of setting up a company incorporated in Hong Kong known as ATL Logistics Centre Yantian Limited ("ATLY") to invest in the business of Yantian District, the PRC. The approximate shareholding structure of ATLY is Front Drive as to 18.2%, Kingsfund as to 31.8% and ATL as to 50.0% respectively.

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 approximately HK\$2.0 million had been advanced by Front Drive.

- (4) On 12 June 2001, Seaview Gold Limited, a wholly-owned subsidiary company of the Company, entered into a tenancy agreement with New World Tower Company Limited ("NWT") to renew the lease of the Company's office premises at 21/F., New World Tower 2, 18 Queen's Road Central, Hong Kong for a period of three years commencing from 19 June 2001 to 18 June 2004 at a monthly rental of HK\$147,600 (exclusive of rates, management fees and air conditioning charges). NWT is a wholly-owned subsidiary company of NWD, the Company's ultimate holding company.

### Connected transactions (Continued)

- (5) Xiamen Xiang Yu Quay Co., Ltd. ("Xiangyu") was 8% owned by Xiamen Xiangyu Group Corporation ("Xiangyu Group") and 92% owned by New World (Xiamen) Port Investments Limited ("NW (Xiamen)", an indirect wholly-owned subsidiary company of the Company) while Xiamen Xiangyu Free Trade Zone Huijian Quay Co., Ltd. ("Huijian") was 40% owned by Xiangyu Group and 60% 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 company of Xiangyu Group which owned berths no. 15 and 16 in the East Channel Port Zone of Xiamen in the PRC, pursuant to which Xiangyu merged with Huijian and Xiangyu Free Port by way of absorption (the "Merger"). A new joint venture company under the name of Xiangyu (the "New JV") was formed and owned as to 50% by Xiangyu Group and 50% 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 approximately 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 Stock Exchange had granted a waiver to the Company for the requirement of obtaining shareholders' approval at a special general meeting for the transaction on the basis that NWI, as the then holder of more than 50% of the ordinary issued share capital of the Company and was not interested in the transaction, had confirmed in writing that it approved the transaction and that the Company (jointly with NWI) had issued a circular to the shareholders of the Company for their information.

The Merger was completed on 28 January 2003.

- (6) On 21 October 2002, NWI and the Company entered into the Infrastructure Assets Sale Agreement relating to the acquisition of certain infrastructure assets by the Company from NWI (the "Infrastructure Assets Acquisition") while shareholders of NWSS (the "NWSS Shareholders"), including NWD, and the Company entered into the Service Assets Sale Agreement relating to the acquisition of the entire issued share capital of NWSS by the Company from the NWSS Shareholders (the "Service Assets Acquisition"). Completion of the said agreements resulted in a reorganization of NWI, the Company and NWSS (the "Reorganization").

The Reorganization comprised:

- (a) acquisition of the infrastructure assets by the Company from NWI for an aggregate consideration of approximately HK\$9.6 billion comprising cash, shares of the Company and an undertaking by the Company to pay certain liabilities of NWI;
- (b) acquisition of the entire issued share capital of NWSS by the Company from the NWSS Shareholders for a consideration of approximately HK\$3.4 billion, which was satisfied by the issuance of new shares of the Company to the NWSS Shareholders; and

## → Report of the Directors

### Connected transactions (Continued)

- (c) a distribution of the entire shareholding of the Company held by NWI to its shareholders in the ratio of 5.87 shares of the Company to one share of NWI, which included new shares of the Company issued to NWI upon conversion of 3,193,654,306 4% cumulative convertible redeemable preference shares of the Company.

By virtue of the fact that NWI was the then controlling shareholder of the Company holding 75% of the issued share capital of the Company, the Infrastructure Assets Acquisition constituted a major and connected transaction for the Company under the Listing Rules. Furthermore, NWSS was then an approximately 52.35% owned subsidiary company of NWD, which was the controlling shareholder of NWI, and thereby a then associate of the Company's controlling shareholder, the Service Assets Acquisition constituted a major and connected transaction for the Company under the Listing Rules.

The Reorganization was approved by the shareholders at the special general meeting of the Company held on 12 December 2002 in accordance with the requirements pursuant to Chapter 14 of the Listing Rules and the Reorganization was completed on 29 January 2003.

- (7) On 29 January 2003, a secondment agreement was entered into between NWI and the Company (the "Secondment Agreement") and pursuant to which, NWI agreed to second 71 employees (the "Secondees") to the Group with effect from 29 January 2003 until 30 June 2003 (or such other date as may be agreed by the parties) unless terminated earlier in accordance with the provisions of the Secondment Agreement. The aggregate consideration payable by the Company to NWI pursuant to the Secondment Agreement is calculated based upon the aggregate amount of all salaries, contributions to the relevant retirement schemes, bonuses, other costs and expenses incurred by NWI in connection with the Secondees during the secondment period. The aggregate value of the consideration is based on the aggregate of the monthly salaries and contributions to pension / retirement schemes in respect of the Secondees.

By virtue of the fact that NWI is a fellow subsidiary company of the Company, the Secondment Agreement constituted a connected transaction under the Listing Rules.

The Secondment Agreement was terminated on 16 May 2003 upon the execution of the relevant employment contracts with the Secondees by NWS Infrastructure Management Limited, a wholly-owned subsidiary company of the Company. The Company had paid an aggregate amount of approximately HK\$9.9 million to NWI for the secondment during the secondment period.

### Connected transactions (Continued)

- (8) Following the Reorganization, the Company is expected to engage in a number of transactions of a recurrent nature which will constitute connected transactions between the Group and NWD and/or its subsidiary companies (the "NWD Group") under the Listing Rules. Such transactions can be categorized as construction services, electrical and mechanical engineering services, facility management services, property management services, security and guarding services, cleaning and landscaping services, financial services, rental of properties, etc.

As NWD indirectly owns an aggregate of approximately 54% of the listed share capital of the Company, transactions between: (i) the NWD Group; and (ii) the Company or its subsidiary companies constitute connected transactions of the Company under the Listing Rules.

The abovesaid ongoing connected transactions were approved by the independent shareholders at the special general meeting of the Company held on 12 March 2003.

As at 30 June 2003, an aggregate consideration of approximately HK\$872.0 million had been received by the Group in respect of the services provided to NWD Group while an aggregate rental of approximately HK\$13.6 million had been paid by the Group to NWD Group.

- (9) On 19 March 2003, New World First Ferry Services (Macau) Limited ("NWFF (Macau)"), Best Conquer Properties Limited ("Best Conquer"), the registered owners of eight vessels (the "Vessel Owners"), CTF 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 eight separate bareboat charters (the "Bareboat Charters") with the Vessel Owners. Under the Bareboat Charters, NWFF (Macau) chartered the eight vessels for an initial term of four years commencing from the date of the Bareboat Charters. The charter hire payable by NWFF (Macau) to each Vessel Owner each year is equal to 25% of the fare revenue from the operation of its respective vessel for that year.

Under the Master Charter Agreement, CTF 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 accounts 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 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"), CTF will pay NWFF (Macau) an amount equal to the shortfall in cash within two months after the issue of certificate by auditors upon finalization of the said accounts, 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 (the "Shortfall").

NWFF (Macau) is an indirect wholly-owned subsidiary company of the Company. Star Success is an indirect wholly-owned subsidiary company of CTF, which is the controlling shareholder of NWD, which in turn holds approximately 54% of the issued share capital (and hence a controlling shareholder) of the Company. Best Conquer and the Vessel Owners are direct or indirect wholly-owned subsidiary companies of Star Success and, accordingly, are connected persons of the Company, the transaction constituted a connected transaction of the Company.

## → Report of the Directors

### Connected transactions (Continued)

NWD and the Company made a joint announcement on 14 August 2003 stating the fact that based on the unaudited pro forma 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. Based on the audited financial statements of NWFF (Macau), the Shortfall amounted to HK\$8.5 million while the total charter hire paid by NWFF (Macau) amounted to approximately HK\$8.5 million for the year ended 30 June 2003.

- (10) The Company had advanced an aggregate of HK\$8.2 million to New Waly Interior Products Limited, in which the Company held 70% indirect interest as at 30 June 2003. The advance is unsecured and carries interest at 1% over Hong Kong prime rate. The Company had received a total interest payment of HK\$0.2 million for the said advance during the year.

The Company had been granted conditional waivers by the Stock Exchange from strict compliance of the requirements under Chapter 14 of the Listing Rules in respect of transactions (2), (7), (8) and (9) 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) 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.

The conditional waivers in respect of transactions (2) and (7) above were terminated subsequent to the execution of the Secondment Agreement and the execution of the employment contracts with the Secondees respectively.

## Practice Note 19 of the Listing Rules

As at 30 June 2003, the amount of financial assistance provided by way of shareholders' loans / advances to and guarantees in respect of facilities for the benefits of affiliated companies of the Group were about HK\$4,586.8 million in aggregate and represented about 51% of the consolidated net tangible assets of the Group. The following information is disclosed in compliance with the continuing disclosure requirement of Practice Note 19 ("PN19"):

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

As at 30 June 2003, the Company and its subsidiary companies had advanced an aggregate of HK\$2,347.4 million to affiliated companies (included in amounts disclosed in Notes 15, 16 and 19 to the accounts), guaranteed bank loans and other borrowing facilities for the benefit of the affiliated companies in the amount of HK\$2,211.1 million (included in the amounts disclosed in Note 33 to the accounts) and contracted to provide an aggregate amount of approximately HK\$28.3 million in capital and loans to affiliated companies. The advances are unsecured, interest free and have no definite repayment terms except for an aggregate amount of HK\$486.6 million which carry interest ranging from 2% to 15% per annum, an amount of HK\$13.7 million which carries interest at 3 month HIBOR per annum and an amount of HK\$4.0 million which carries interest at Hong Kong prime rate per annum, and an amount of HK\$665.7 million which is repayable on or before 2013. Contracted capital and loan contributions to affiliated companies would be funded by borrowings or internal resources of the Group.

In addition to the above, a subsidiary company and certain jointly controlled entities of the Group are parties to agreement with third parties regarding the joint development of Container Terminal No. 9 in Hong Kong, the related berth swap arrangement and the funding therefor. The Company has given certain guarantees in respect of the obligations of the subsidiary companies and jointly controlled entities to provide additional funds. If the Company is required to perform its obligations under the guarantees, the maximum amount of the Company's share of the liability under the guarantees will be about HK\$5,120.0 million. Pursuant to the terms of a subscription agreement dated 11 October 2001, which was entered into between the Group and an associated company in respect of the disposal of an effective interest of 13% in one of the jointly controlled entities, the associated company has agreed to counter-indemnify the Group in respect of such guarantees for a maximum amount of approximately HK\$3,022.0 million.

In accordance with the requirements under paragraph 3.10 of PN19, the Company is required to include in its annual report a pro forma 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 PN19, 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 30 June 2003, based on the financial statements of the respective affiliated companies of the Group, these affiliated companies had outstanding borrowings of about HK\$16,815.9 million, comprising secured bank loans of about HK\$6,361.4 million, unsecured bank loans of about HK\$4,652.4 million and other loans of about HK\$5,802.1 million. The total commitments for capital expenditure of the affiliated companies amounted to about HK\$1,385.5 million and total contingent liabilities amounted to about HK\$1,263.8 million as at 30 June 2003.

## → Report of the Directors

### Practice Note 19 of the Listing Rules (Continued)

#### (b) Specific performance of the controlling shareholder

Under the facility agreement dated 17 December 2002 for the HK\$7.0 billion bridging loan facility entered into by the Company, NWD is required to own more than 50% (whether directly or indirectly) of the voting share capital of the Company. The bridging loan facility was drawn in full (HK\$7.0 billion) on 29 January 2003 at completion of the Reorganization to part finance the purchase price payable thereunder. The final maturity date of the bridging loan is 17 December 2003.

### Compliance with the Code of Best Practice

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules (the “Code of Best Practice”) during the year, except that the Non-executive Directors and the Independent Non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company.

### Audit Committee

The Company has established an audit committee (the “Audit Committee”) in accordance with paragraph 14 of the Code of Best Practice which currently comprises Mr. Kwong Che Keung, Gordon (Chairman of the Audit Committee), Mr. Cheng Wai Chee, Christopher and Mr. Dominic Lai, all of them are Independent Non-executive Directors of the Company.

The Audit Committee meets at least twice a year for review of the audited accounts and unaudited interim accounts. Matters considered included the Group’s financial reporting, the nature and scope of audit reviews, systems of internal control and compliance and financial risk management.

### Auditors

The accounts for the year ended 30 June 2003 have been audited by PricewaterhouseCoopers, who will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Dr. Cheng Kar Shun, Henry**

*Chairman*

Hong Kong, 16 October 2003