

The Directors present their Annual Report and Statement of Accounts for the year ended 30 June 2004.

## **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 38, 39 and 40 to the Accounts on pages 167 to 179.

## **Accounts**

The result of the Group for the year ended 30 June 2004 and the state of the Company's and the Group's affairs at that date are set out in the Accounts on pages 102 to 179.

## **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\$0.02 per share (2003: HK\$0.06 per share) was paid in May 2004 and the Directors have resolved to recommend a final dividend of HK\$0.04 per share (2003: no final dividend was recommended) for the year ended 30 June 2004.

## **Share Capital**

Details of movements in share capital during the year are set out in Note 28 to the Accounts.

## **Reserves and Distributable Reserves**

Details of movements in reserves are set out in Note 29 to the Accounts.

Distributable reserves of the Company at 30 June 2004 amounted to HK\$9,960.2 million (2003: HK\$12,014.0 million).

## **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 182 and 183.

## **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\$11.1 million (2003: HK\$32.8 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 75 to 85.

## **Corporate Governance**

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing Securities on The Stock Exchange (the "Listing Rules") throughout the year covered by this Annual Report.

## **Rule 13.20 and 13.22 of the Listing Rules**

The disclosure pursuant to Rule 13.20 and 13.22 of the Listing Rules is set out on pages 97 and 98.

### **Directors**

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

#### **Executive directors**

Dato' Dr. Cheng Yu-Tung (*Chairman*)

Dr. Cheng Kar-Shun, Henry (*Managing Director*)

Dr. Sin Wai-Kin, David

Mr. Liang Chong-Hou, David

Mr. Leung Chi-Kin, Stewart (*Re-designated from non-executive director on 30 August 2004*)

#### **Non-executive directors**

Mr. Cheng Yue-Pui

Mr. Cheng Kar-Shing, Peter

Mr. Chow Kwai-Cheung

Mr. Chan Kam-Ling (*resigned on 30 August 2004*)

Mr. Ho Hau-Hay, Hamilton (*appointed on 30 August 2004*)

Mr. Liang Cheung-Biu, Thomas (*appointed on 30 August 2004*)

#### **Independent non-executive directors**

The Honourable Lee Quo-Wei (*resigned on 30 August 2004*)

Lord Sandberg, Michael

Dr. Ho Tim (*resigned on 30 August 2004*)

Mr. Ho Hau-Hay, Hamilton (*appointed on 7 January 2004 as alternate director to Dr. Ho Tim and resigned on 30 August 2004*)

Mr. Yeung Ping-Leung, Howard

Dr. Cha Mou-Sing, Payson JP

Mr. Cha Mou-Zing, Victor (*alternate director to Dr. Cha Mou-Sing, Payson*)

Mr. Lee Luen-Wai, John JP (*appointed on 30 August 2004*)

In accordance with Article 103(A) of the Company's Articles of Association, Mr. Cheng Yue-Pui, Mr. Cheng Kar-Shing, Peter, Mr. Leung Chi-Kin, Stewart and Mr. Chow Kwai-Cheung retire by rotation and, being eligible, offer themselves for re-election.

In accordance with Article 94 of the Company's Articles of Association, Mr. Ho Hau-Hay, Hamilton, Mr. Lee Luen-Wai, John JP and Mr. Liang Cheung-Biu, Thomas shall retire from office at the Annual General Meeting and shall be eligible 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 JP, Mr. Yeung Ping-Leung, Howard and Mr. Lee Luen-Wai, John JP. 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 ("CTFHL"), HPI agreed to pay CTFHL 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. CTFHL was paid a fee of US\$10.9 million (HK\$85.2 million) for the year ended 30 June 2004 (2003: US\$9.3 million (HK\$72.2 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 CTFHL.

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 2004, 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 85 to 96.

## Directors' Interests in Competing Businesses

During the year, 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 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
	Lifestyle International Holdings Ltd. group of companies	Department stores operations and 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

## Directors' Interests in Competing Businesses (continued)

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
	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
	Lifestyle International Holdings Ltd. group of companies	Department stores operations and property investment	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
	Long Vacation Investments Limited group of companies	Property investment	Director and Shareholder
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	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
	Flying Dragon Properties Ltd.	Property investment	Director and Shareholder
	Global Agents Ltd.	Investment holding	Director and Shareholder
	Hinkok Development Limited	Property development	Shareholder

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 96.

## Substantial Shareholder's Interests in Shares

As at 30 June 2004, the register kept by the Company under Section 336 of the SFO shows the following parties had interests in 5.0% or more of the issued share capital of the Company.

### Long position in shares

Name	Number of shares			% to the issued share capital
	Beneficial interests	Corporate interests	Total	
Chow Tai Fook Enterprises Limited ("CTF") (Note)	1,093,068,180	126,032,062	1,219,100,242	35.26

Note: CTF together with its subsidiaries.

Save as disclosed above, there is no other interest is recorded in the register that is required to be kept under Section 336 of the SFO as having an interest in 5.0% or more of the issued share capital of the Company as at 30 June 2004.

## Sufficiency of Public Float

According to information that is available to the Company, the percentage of the Company's shares which are in the hands of the public exceeds 25.0% of the Company's total number of issued shares.

## 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.

## Significant Change in Shareholdings of Subsidiaries

On 29 March 2004, a sale and purchase agreement was entered into between New World Telephone Holdings Limited ("NWTHL"), a wholly owned subsidiary of the Company, and Asia Logistics Technologies Limited ("ALT") for the disposal of the entire interest of New World PCS Holdings Limited, a wholly owned subsidiary of NWTHL, by NWTHL to ALT for cash at a consideration of HK\$1,250.0 million.

A subscription agreement was also entered on 29 March 2004 between Power Palace Group Limited ("PPG"), a wholly owned subsidiary of the Company, and ALT pursuant to which PPG agreed to subscribe for (i) 4,166,666,667 new shares of ALT of HK\$0.01 each and (ii) the convertible note in the amount of HK\$1,200.0 million issued to PPG entitling PPG to convert the principal amount into shares of ALT at the initial conversion price of HK\$0.012 per share.

Both transactions were completed on 6 July 2004 and the Group held approximately 55.3% in ALT immediate after the completion.

## 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, 15 October 2004

## Connected Transactions

- (1) The Company and CTF, 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 CTFHL, 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 CTF 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 CTF under the Indemnity.

- (2) 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\$6,347.6 million (2003: HK\$6,645.0 million). During the year, no such tax indemnity is effected (2003: Nil).

- (3) On 4 January 2002, a sale and purchase agreement had been entered into between the Company, CTF, 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 CTF 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 CTF 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 CTF or their respective associates through Triple Wise will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

### Connected Transactions (continued)

The Transactions had 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
  - (ii) the aggregate amount of the Transactions was lower than 3.0% of the audited consolidated net tangible assets of the Group which did not exceed the limit as set out in the announcement dated 4 January 2002.
- (4) On 15 May 2002, the Company, CTF 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, CTF 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, CTF 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, CTF 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 CTF is regarded as a connected person of the Company, entering into the Financial Documents by the Company would constitute connected transaction of the Company.

- (5) On 16 July 2002, Guangzhou Xin Yi Development Limited ("Xin Yi") 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 CTF as to 90.5% and 9.5% respectively, in proportion to their indirect shareholdings in Xin Yi.

As CTF is regarded as a connected person of the Group, the provision of the aforesaid guarantee by NWCL constituted connected transaction of the Group. The aforesaid facilities were fully repaid in December 2003.

### Connected Transactions (continued)

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

At the date of the transactions, Ju Yi was beneficially owned as to 80.0% and 20.0% by New World Development (China) Limited ("NWDC"), a wholly owned subsidiary of NWCL, and Stanley Enterprises Limited ("Stanley") respectively. Stanley has agreed to indemnify NWCL in respect of its liabilities under the guarantee in proportion to its shareholding in Ju Yi and pay to NWCL a guarantee fee of 0.25% per annum on the amount of the loan facilities being utilised by Ju Yi. The shareholdings in Ju Yi was subsequently changed to 70.0% and 30.0% as being held by NWDC and Stanley respectively after the transfer of 10.0% participating interest in Ju Yi from NWDC to Stanley on 14 March 2003.

The loans drawn under the RMB Facility and the US\$ Facility were fully repaid in June and December 2003 respectively.

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 aforesaid guarantee and payment of the guarantee fee by Stanley constituted connected transactions of the Group.

- (7) 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, obtained another loan facility of RMB100.0 million from a bank for a term of 5 years to finance the construction cost of its property project. The obligation and liabilities of Shanghai Ramada under the aforesaid loan facility are also guaranteed by 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.



### Connected Transactions (continued)

- (8) 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 CTF respectively.

The loan facility was severally guaranteed by NWCL and CTF in proportion to their indirect shareholdings in Global Perfect. Since CTF is a connected person, the provision of the aforesaid guarantee by NWCL constituted a connected transaction of the Group.

- (9) 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 an additional facility of HK\$40.0 million on 17 July 2003 to finance the development 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, Mr. Cheng Kar-Shing, Peter who is a director of both the Company and NWCL ("Personal Guarantor") and certain independent shareholders of Dragon Fortune in the proportion of 39.2%, 30.6% and 30.2% 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 of the Group.

- (10) 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 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.

### Connected Transactions (continued)

- (11) 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 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 facilities were guaranteed by NWCL, the 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 facilities to Fortune Leader Investment constituted connected transaction of the Group.

- (12) On 19 March 2003, New World First Ferry Services (Macau) Limited ("NWFF (Macau)"), a then subsidiary of the Group, Best Conquer Properties Limited ("Best Conquer"), the registered owners of 8 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 8 separate bareboat charters (the "Bareboat Charters") with the Vessel Owners. Under the Bareboat Charters, NWFF (Macau) chartered the 8 vessels for an initial term of 4 years commencing from the date of the Bareboat Charters. The charter hire payable by NWFF (Macau) to each Vessel Owners each year is equal to 25.0% 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 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 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 2 months after the issue of certificate by auditors upon finalisation 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) was then an indirect wholly owned subsidiary of NWSH. Star Success is an indirect wholly owned subsidiary of CTF. Best Conquer and the Vessel Owners are direct or indirect wholly owned subsidiaries of Star Success and, accordingly, are regarded as connected persons of the Group, the entering into and performance of the Master Charter Agreement constituted connected transactions for the Group. Moreover, given the ongoing nature of the transactions contemplated under the Bareboat Charters, such transactions constituted continuing connected transactions of the Group.

The Company and NWSH had made a joint announcement on 12 August 2004 stating the fact that based on the unaudited profit and loss account of NWFF (Macau) for FY2004, 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\$30.9 million (2003: HK\$8.5 million) for the year ended 30 June 2004.

### Connected Transactions (continued)

Subsequent to the completion of the Share Exchange Agreement (as defined below) on 9 March 2004, NWFF (Macau) was no longer a subsidiary of NWSH. Since then the guarantee provided by CTF for the Vessels Operation Profit of NWFF (Macau) and the transactions contemplated under the Bareboat Charters had ceased to be continuing connected transactions of the Group.

- (13) 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 CTF respectively. CTF had provided full guarantee in respect of the loan facility since 27 March 1997.

The loan drawn under the aforesaid facility was fully repaid in March 2004.

As CTF is regarded as a connected person of the Group, the provision of the aforesaid guarantee by NWCL constituted a connected transaction of the Group.

- (14) On 12 November 2003, Citybus Limited ("Citybus", a then indirect wholly owned subsidiary of CTF) entered into a vehicle supply agreement with New World First Bus Services Limited ("NWFB", a then indirect wholly owned subsidiary of NWSH), whereby Citybus contracted to purchase 10 single-deck buses from NWFB at the aggregate cash price of approximately HK\$1.7 million.

On 8 December 2003, Citybus entered into another vehicle supply agreement with NWFB whereby Citybus contracted to purchase 9 double-deck buses from NWFB at the aggregate cash price of approximately HK\$16.8 million.

CTF is regarded as a connected person of the Group and Citybus was a wholly owned subsidiary of CTF, Citybus was then a connected person of the Group. The transactions under the said vehicle supply agreements constituted connected transactions of the Group under the Listing Rules.

- (15) On 13 November 2003, certain members of the Group entered into 13 separate agreements with 肇慶市公路發展總公司 (unofficial translation being Zhaoqing Highway Development Ltd., "ZHD") for the disposal of all of NWSH's interests in the 13 sino-foreign co-operative joint ventures in the PRC (the "Toll Road Projects", which engaged in the development and operation of certain toll roads and toll bridge in the PRC) to ZHD for an aggregate consideration of approximately HK\$1,168.0 million. These Toll Road Projects include the following joint venture companies:

- (a) Zhaoqing Xinde Bridge Limited
- (b) Zhaoqing Xingao Highways Company, Limited
- (c) Guangdong Xinzhaogao Highways Company, Limited
- (d) Zhaoqing Gaoyao Xinhua Highways Limited
- (e) Guangdong Gaoyao Xinjun Highways Limited
- (f) Guangdong Gaoyao Xinwei Highways Limited
- (g) Zhaoqing Gaoyao Xinshuang Jin Highways Limited
- (h) Zhaoqing Xinhui Highways Company, Limited
- (i) Zhaoqing Xinning Highways Company, Limited
- (j) Zhaoqing Xinjiang Highways Limited
- (k) Zhaoqing Xinde Highways Company, Limited

## Connected Transactions (continued)

- (l) Zhaoqing Xinfeng Highways Company, Limited
- (m) Zhaoqing Deqing Xinyue Highways Limited

Each of the members of the Group participating in the Toll Road Projects is an indirectly wholly owned subsidiary of NWSH and each of the Toll Road Projects was also a subsidiary of NWSH. In addition, ZHD was the substantial shareholder of Zhaoqing Xingao Highways Company, Limited, Guangdong Xinzhaogao Highways Company, Limited, Zhaoqing Xinhui Highways Company, Limited and Zhaoqing Xinning Highways Company, Limited, all being non wholly owned subsidiaries of NWSH, ZHD was a connected person of NWSH. The disposal of the Toll Road Projects as contemplated under the abovesaid agreements constituted connected transaction of the Group.

The transfers of interest in the Toll Road Project as contemplated under the abovesaid agreements were completed in early 2004.

- (16) On 19 November 2003, NWCL executed a corporate guarantee to secure 90.5% of the indebtedness of Xin Yi under a 3-year term loan facility up to RMB200.0 million as granted by a bank to Xin Yi on 27 November 2003 to finance its property development projects. Xin Yi is owned indirectly as to 90.5% and 9.5% by the NWCL and CTF. CTF is a connected person of the Group, the provision of the guarantee by NWCL in respect of the banking facility to Xin Yi constituted a connected transaction of the Group.
- (17) CTF, Merryhill Group Limited ("Merryhill", a then indirect wholly-owned subsidiary of CTF which held, among other investments, the Citybus Group (Citybus Limited and its subsidiaries)) and NWSH entered into a share exchange agreement on 8 December 2003 (the "Share Exchange Agreement") in connection with a proposed share exchange which would place the respective transport and related businesses of CTF and NWSH under Merryhill (the "Proposed Share Exchange").

CTF and NWSH agreed that upon and after completion of the Share Exchange Agreement, each of CTF and NWSH would own 50.0% of the total issued share capital of Merryhill. In this connection, the following steps had been undertaken at completion (in the order stated) to put in place the 50:50 shareholding structure and made up the difference between the equity values of the Merryhill Group (Merryhill and its subsidiaries) and the NWFH Group (New World First Holdings Limited ("NWFH") and its subsidiaries):

- (a) Merryhill declared and paid a dividend in cash in the amount of the lesser of: (i) HK\$102.6 million (being 50.0% of the difference between the equity values of the NWFH Group and the Merryhill Group as at 31 October 2003); and (ii) the full amount of the distributable reserves of Merryhill as at completion to Enrich Group Limited, an indirect wholly owned subsidiary of CTF;
- (b) NWSH capitalised a portion of the inter-company shareholder loans and other advances owed by members of the NWFH Group to the NWSH Group ("NWFH Shareholder Loans") to increase the equity value of the NWFH Group such that the resultant equity value of the NWFH Group would be equal to the equity value of the Merryhill Group;
- (c) NWSH procured the transfer of the entire issued share capital of NWFH, including the new NWFH shares allotted and issued to NWSH pursuant to the capitalisation of a portion of the NWFH Shareholder Loans to Merryhill and assigned the uncapitalised portion of the NWFH Shareholder Loans to Merryhill;

### Connected Transactions (continued)

- (d) the consideration for the transfer and assignment mentioned in step (c) above was satisfied by:
  - (i) Merryhill issuing and allotting certain new Merryhill shares as consideration for the entire issued share capital of NWFH as well as the capitalised portion of the NWFH Shareholder Loans at face value; and
  - (ii) Merryhill paying, on a dollar-for-dollar basis, an amount in cash as consideration for the uncapitalised portion of the NWFH Shareholder Loans at face value,in each case, to NWSH or its nominee(s); and
- (e) Merryhill repaid a part of the inter-company shareholder loans owed by members of the Merryhill Group to the CTF and its subsidiaries, excluding the Merryhill Group to CTF and issued and allotted certain new Merryhill shares to CTF for the purpose of capitalising the remaining balance of these loans.

As CTF is a connected person of the Company under the Listing Rules, the Proposed Share Exchange constituted a connected transaction for the Company under the Listing Rules and therefore required the approval of the independent shareholders of the Company. The transactions contemplated under the Proposed Share Exchange were approved by the independent shareholders at the extraordinary general meeting of the Company on 8 January 2004 and the Proposed Share Exchange was completed on 9 March 2004.

- (18) On 29 March 2004, a sale and purchase agreement ("the S&P Agreement") was entered into between New World Telephone Holdings Limited ("NWTHL"), a wholly owned subsidiary of the Company, and Asia Logistics Technologies Limited ("ALT"), pursuant to which ALT agreed to purchase and NWTHL agreed to dispose of its entire interest in New World PCS Holdings Limited ("the Sale Shares"). The aggregate consideration for the Sale Shares amounted to HK\$1,250.0 million which would be satisfied in cash upon the completion of the S&P Agreement. The S&P Agreement was conditional upon, among other conditions, the completion of the Subscription Agreement (as defined below).

A subscription agreement ("the Subscription Agreement") was also entered into on 29 March 2004 between Power Palace Group Limited ("PPG"), a wholly owned subsidiary of the Company, and ALT, pursuant to which PPG agreed to subscribe for: (i) 4,166,666,667 new shares of HK\$0.01 each in share of ALT (or 41,666,666 shares of HK\$1.00 each immediately following the ALT capital reduction and consolidation of every 100 issued and unissued existing ALT's shares of HK\$0.01 each into one consolidated ALT share of HK\$1.00 each) to be allotted and issued at HK\$0.012 per share (or HK\$1.20 per consolidated ALT share) to PPG pursuant to the Subscription Agreement, represented a discount of 72.7% to HK\$0.044, being the closing price on the last trading day of the existing ALT shares prior to the suspension of trading of the ALT's shares on 26 March 2004; and (ii) the convertible note in the principal amount of HK\$1,200.0 million to be issued to PPG pursuant to the Subscription Agreement entitling the holder to convert the principal amount into new ALT shares (or new consolidated ALT shares) at the initial conversion price of HK\$0.012 per ALT shares (or HK\$1.20 per consolidated ALT share).

The S&P Agreement and the Subscription Agreement were completed on 6 July 2004.

### Connected Transactions (continued)

Since Mr. Simon Lo, the controlling shareholder of ALT, was the director of certain subsidiaries of the Group for the past twelve months prior to the date of the S&P Agreement and the Subscription Agreement, each of the S&P Agreement and the Subscription Agreement constituted connected transaction of the Company under the Listing Rules.

- (19) On 20 May 2004, Merryhill and NWSH entered into a master services agreement (the "Master Services Agreement") under which Merryhill agreed to, and procured that members of the Merryhill Group engage relevant members of the Group to provide operational services, which includes construction services, electrical and mechanical engineering services, facility management services, security and guarding services, cleaning and landscaping services, financial services and property management services and such other types of services as Merryhill and NWSH may agree upon from time to time in writing, to the Merryhill Group during the term of the Master Services Agreement. Moreover, under the Master Services Agreement, Merryhill also agreed and undertook that it shall procure the relevant members of the Merryhill Group to rent or otherwise license spare office, commercial, storage and car-parking spaces in the depots of the relevant members of the Merryhill Group to members of the NWSH Group.

The transactions contemplated under the Master Services Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the NWSH Group. As CTF is a connected person of the Company and Merryhill is an associate of CTF, the Master Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions of the Group under the Listing Rules.

Before the completion of the Proposed Share Exchange, members of the NWSH Group entered into transactions on a recurring basis with members of the NWFH Group as well as the Citybus Group (which, upon completion, became members of the Merryhill Group) regarding the provision of the said operational services and the rental or licensing of spaces for the daily operation of the relevant parties. These transactions became continuing connected transactions of the Group under the Listing Rules upon completion of the Proposed Share Exchange.

As at 30 June 2004, an aggregate consideration of approximately HK\$3.1 million had been received by the NWSH Group in respect of the services provided to the Merryhill Group while an aggregate rental of approximately HK\$0.1 million had been paid by the NWSH Group to the Merryhill Group.

- (20) 北京信通傳之媒文化發展有限公司 (Beijing Xintong Media & Cultural Development Co. Ltd.) ("Beijing Xintong") was 51.0% owned by New World Infrastructure (China) Investment Limited ("NWIC", a wholly owned subsidiary of New World TMT Limited ("NWTMT") (formerly New World Infrastructure Limited)), 30.0% owned by Mr. Tian Tao ("Mr. Tian") and 19.0% owned by 海南曉越文化發展有限公司 (Hainan Xiao Yue Cultural Development Co. Ltd.) ("Hainan Company").

On 5 July 2004, NWIC entered into:

- (i) a share transfer agreement (the "Tian's Agreement") with Mr. Tian regarding the purchase of 0.1% interest in the registered capital of Beijing Xintong from Mr. Tian at a consideration at RMB30,000 (approximately HK\$28,000);

### Connected Transactions (continued)

- (ii) a share transfer agreement (the "Hainan Agreement") with Hainan Company regarding the purchase of 19.0% interest in the registered capital of Beijing Xintong from Hainan Company at a consideration of RMB21.0 million (approximately HK\$19.6 million); and
- (iii) a capital increase agreement (the "Capital Increase Agreement") with Mr. Tian pursuant to which the registered capital of Beijing Xintong will, conditional upon the completion of the Tian's Agreement and the Hainan Agreement, be increased by RMB70.0 million (approximately HK\$65.4 million). Such increment will be contributed as to RMB49.1 million (approximately HK\$45.9 million) by NWIC and as to RMB20.9 million (approximately HK\$19.6 million) by Mr. Tian and is in proportion to the then percentage of shareholding in Beijing Xintong held by NWIC and Mr. Tian.

Mr. Tian, being a substantial shareholder of Beijing Xintong and director of most of the subsidiaries of Beijing Xintong, is a connected person of the Group. Hainan Company, which is owned by Mr. Tian's spouse and son, is an associate of Mr. Tian under the Listing Rules. Accordingly, the above transactions constitute connected transactions of the Group.

At the date of this annual report, the Tian's Agreement, the Hainan Agreement and the Capital Increase Agreement were not yet completed.

- (21) On 5 August 2004, an agreement was entered into between 四川犍為電力(集團)股份有限公司 (unofficial translation being Sichuan Qianwei Power (Group) Share Co., Ltd., "Qianwei Power Group") and Lucrative Rich Limited, an indirect wholly owned subsidiary of NWSH, for the disposal of all the NWSH Group's interest in 四川犍為大立電力有限公司 (unofficial translation being Sichuan Qianwei Dali Power Company Limited, "Qianwei") at a consideration of RMB48.0 million. The consideration is payable by Qianwei Power Group in cash by two instalments. The first instalment of RMB26.0 million was paid on the date of signing of the agreement and the second instalment of RMB22.0 million is payable on or before 30 December 2004. Completion will take place upon fulfillment of all the condition precedents as set out in the agreement and on the date when the full amount of the consideration has been settled.

Qianwei Power Group, by virtue of its substantial shareholding in Qianwei, was a connected person of NWSH. The disposal of interest in Qianwei as contemplated under the abovesaid agreement constituted connected transactions for the Group under the Listing Rules.

- (22) The Company had advanced an aggregate of HK\$654.3 million (2003: 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 2004. The advance is unsecured and carries interest at 3.0% above one-month Hong Kong Interbank Offered Rate ("HIBOR"). The Company had received a total interest payment of HK\$22.2 million (2003: 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.

## Connected Transactions (continued)

- (23) New World Finance Company Limited ("NWF") and Saxon Enterprises Limited, wholly owned subsidiaries of the Group, had advanced HK\$3,249.9 million (2003: HK\$2,484.2 million) in aggregate to NWCL as at 30 June 2004. These loans are unsecured and carry interest ranging from 0.5% above 3 months HIBOR to 0.5% to 1.0% above 1-month London Interbank Offered Rate ("LIBOR") per annum, and are repayable from June 2005 to June 2007. The interest charged by these subsidiaries of the Group to NWCL for the year ended 30 June 2004 in respect of these loans amounted to HK\$18.2 million (2003: HK\$39.2 million).
- (24) NWF had advanced HK\$1,107.9 million and US\$40.7 million to NWTMT as at 30 June 2004. These loans are unsecured and carry interest at 1.5% over 3-month HIBOR and 1.5% over 3-month LIBOR per annum respectively and are no fixed repayment terms. The interest charged to NWTMT for the year ended 30 June 2004 amounted to HK\$15.2 million and US\$0.7 million respectively.

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 2004, 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 the SFO were as follows:

### (A) Long position in shares

	Number of shares				Total	Approximate % of shareholding
	Personal interests	Spouse interests	Corporate interests	Other interests		
New World Development Company Limited (Ordinary shares of HK\$1.00 each)						
The Honourable Lee Quo-Wei	—	—	5,132,211 <sup>(1)</sup>	354,649 <sup>(2)</sup>	5,486,860	0.16
Dr. Ho Tim	2,528,137	—	—	—	2,528,137	0.07
Dr. Sin Wai-Kin, David	4,708,708	47,098	—	—	4,755,806	0.14
Mr. Leung Chi-Kin, Stewart	32,553	—	—	—	32,553	—
Mr. Chan Kam-Ling	135,335	—	—	—	135,335	—
Mr. Chow Kwai-Cheung	43,000	—	—	—	43,000	—
Dragon Fortune Limited (Ordinary shares of US\$1.00 each)						
Mr. Cheng Kar-Shing, Peter	—	—	15,869 <sup>(3)</sup>	—	15,869	27.41
HH Holdings Corporation (Ordinary shares of HK\$1.00 each)						
Dr. Sin Wai-Kin, David	42,000	—	—	—	42,000	7.00
Mr. Chan Kam-Ling	15,000	—	—	—	15,000	2.50
Master Services Limited (Ordinary shares of US\$0.01 each)						
Mr. Leung Chi-Kin, Stewart	16,335	—	—	—	16,335	1.63
Mr. Chan Kam-Ling	16,335	—	—	—	16,335	1.63
Mr. Chow Kwai-Cheung	16,335	—	—	—	16,335	1.63
New World China Land Limited (Ordinary shares of HK\$0.10 each)						
Mr. Chan Kam-Ling	100,000	—	—	—	100,000	0.05
Mr. Chow Kwai-Cheung	126	—	—	—	126	—



**Directors' Interests in Shares, Underlying Shares and Debentures (continued)**
**(A) Long position in shares (continued)**

	Number of shares				Total	Approximate % of shareholding
	Personal interests	Spouse interests	Corporate interests	Other interests		
New World TMT Limited (formerly New World Infrastructure Limited) (Ordinary shares of HK\$1.00 each)						
Dr. Cheng Kar-Shun, Henry	–	1,000,000	–	–	1,000,000	0.11
Dr. Ho Tim	148	–	–	–	148	–
Dr. Sin Wai-Kin, David	5,594	53	–	–	5,647	–
Mr. Liang Chong-Hou, David	262	–	–	–	262	–
Mr. Chan Kam-Ling	6,800	–	–	–	6,800	–
NWS Holdings Limited (Ordinary shares of HK\$1.00 each)						
Dr. Cheng Kar-Shun, Henry	1,000,000	587,000	–	–	1,587,000	0.09
Dr. Ho Tim	86	–	–	–	86	–
Dr. Sin Wai-Kin, David	–	–	32,224,060 <sup>(4)</sup>	–	32,224,060	1.80
Mr. Cheng Kar-Shing, Peter	166,666	–	2,939,700 <sup>(5)</sup>	–	3,106,366	0.17
Mr. Liang Chong-Hou, David	153	–	–	–	153	–
Mr. Leung Chi-Kin, Stewart	3,760,630	–	221,607 <sup>(6)</sup>	–	3,982,237	0.22
Mr. Chan Kam-Ling	670,657	–	10,254,321 <sup>(7)</sup>	–	10,924,978	0.61
Mr. Chow Kwai-Cheung	2,264,652	–	–	–	2,264,652	0.13
Sun City Holdings Limited (Ordinary shares of HK\$1.00 each)						
Mr. Cheng Kar-Shing, Peter	–	80,000	3,570,000 <sup>(8)</sup>	–	3,650,000	45.63
Sun Legend Investment Limited (Ordinary shares of HK\$1.00 each)						
Mr. Cheng Kar-Shing, Peter	–	–	500 <sup>(9)</sup>	–	500	50.00
YE Holding Limited (Ordinary shares of HK\$1.00 each)						
Mr. Leung Chi-Kin, Stewart	37,500	–	–	–	37,500	1.50

**Notes:**

- (1) These shares were beneficially owned by a company in which the relevant director is deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.
- (2) Interests held by a charitable foundation of which the Honourable Lee Quo-Wei and his spouse are members of its board of trustees.
- (3) 4,102 shares are held by a company wholly owned by Mr. Cheng Kar-Shing, Peter and 11,767 shares are held by Sun City Holdings Limited ("Sun City"), of which Mr. Cheng Kar-Shing, Peter is deemed to be interested in 45.63% of its issued share capital.
- (4) These shares are beneficially owned by a company which is jointly owned by Dr. Sin Wai-Kin, David and his spouse.
- (5) These shares are beneficially owned by a company which is wholly owned by Mr. Cheng Kar-Shing, Peter.
- (6) These shares are beneficially owned by a company of which Mr. Leung Chi-Kin, Stewart has a direct interest of 55%.
- (7) These shares are beneficially owned by a company of which Mr. Chan Kam-Ling has a direct interest of 50%.
- (8) These shares are held by a company of which Mr. Cheng Kar-Shing, Peter has an indirect interest of 48.18%.
- (9) Mr. Cheng Kar-Shing, Peter is deemed to be interested in the shares of Sun Legend Investments Limited by virtue of his interest in Sun City.

**(B) Long position in underlying shares – share options**

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

## Share Option Schemes of NWCL

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

A summary of 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 Group.	To provide an opportunity for the full-time or part-time employees, including directors, of NWCL Group to participate in the equity of NWCL as well as to motivate them to optimise their performance.
Participants of the schemes	Full-time employees, including any directors, of NWCL Group.	Full-time or part-time employees, including directors, of NWCL Group
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 4.41% 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 6,660,400 shares of NWCL under the 2002 Share Option Scheme. NWCL may further grant share options to subscribe for 141,534,029 shares of NWCL, representing approximately 9.50% 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 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
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.

## Share Option Schemes of NWCL (continued)

	2000 Share Option Scheme	2002 Share Option Scheme
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 Hong Kong Stock Exchange ("HKEx") as stated in the HKEx'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 HKEx'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 HKEx'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

## 2000 Share Option Scheme

Name of Director	Date of grant	Exercisable period	Number of share options with exercise price of HK\$1.955 per share	
			Balance at 1 July 2003	Balance at 30 June 2004
Dr. Cheng Kar-Shun, Henry	7 February 2001	8 March 2001 to 7 March 2006	5,000,000	5,000,000 <sup>(1)</sup>
Mr. Cheng Kar-Shing, Peter	9 February 2001	10 March 2001 to 9 March 2006	2,500,000	2,500,000 <sup>(1)</sup>
Mr. Leung Chi-Kin, Stewart	7 February 2001	8 March 2001 to 7 March 2006	500,000	500,000 <sup>(1)</sup>
Mr. Chan Kam-Ling	9 February 2001	10 March 2002 to 9 March 2006 <sup>(2)</sup>	400,000	400,000 <sup>(1)</sup>
Mr. Chow Kwai-Cheung	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.

(3) The cash consideration paid by each Director for each grant of the share option is HK\$10.0.

## Share Option Schemes of NWCL (continued)

### Share options granted to employees

#### 2000 Share Option Scheme

Date of grant	Number of share options				Balance at 30 June 2004	Exercise price per share HK\$
	Balance at 1 July 2003	Granted during the year	Exercised during the year <sup>(5)</sup>	Lapsed during the year		
5 February 2001 to 2 March 2001	32,373,600	—	(5,062,400)	(1,972,800)	25,338,400	1.955
8 February 2001 to 17 February 2001	3,600,000	—	(400,000)	—	3,200,000 <sup>(2)</sup>	1.955
2 May 2001 to 29 May 2001	458,400	—	(56,400)	—	402,000	2.605
29 June 2001 to 26 July 2001	2,328,000	—	—	(230,800)	2,097,200	3.192
31 August 2001 to 27 September 2001	2,130,000	—	(339,200)	(1,200,800)	590,000	2.380
26 March 2002 to 22 April 2002	1,543,200	—	(128,000)	(554,000)	861,200	2.265
	42,433,200	—	(5,986,000)	(3,958,400)	32,488,800	

#### 2002 Share Option Scheme

Date of grant	Number of share options				Balance at 30 June 2004	Exercise price per share HK\$
	Balance at 1 July 2003	Granted during the year <sup>(4)</sup>	Exercised during the year <sup>(6)</sup>	Lapsed during the year		
3 January 2003 to 30 January 2003	1,344,000	—	(472,400)	(194,800)	676,800	1.33
12 May 2003 to 6 June 2003	2,214,400	—	(431,600)	(238,800)	1,544,000	1.00
28 October 2003 to 22 November 2003	—	265,600	(28,000)	—	237,600	1.81
18 December 2003 to 14 January 2004	—	1,300,000	—	—	1,300,000 <sup>(3)</sup>	1.83
25 March 2004 to 21 April 2004	—	976,000	—	—	976,000	2.47
	3,558,400	2,541,600	(932,000)	(433,600)	4,734,400	

- (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, except otherwise specified in notes 2 and 3.
- (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.
- (3) The share options are exercisable during a period of two 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 50.0% of the total number of the share options granted together with any unexercised share options carried forward from the previous year.
- (4) The closing prices per share immediately before 28 October 2003, 18 December 2003 and 25 March 2004, the dates of grant, were HK\$1.78, HK\$1.80 and HK\$2.475 respectively.
- (5) The weighted average closing price of the shares immediately before the dates on which share options were exercised under the 2000 Share Option Scheme was HK\$2.61.
- (6) The weighted average closing price of the shares immediately before the dates on which share options were exercised under the 2002 Share Option Scheme was HK\$2.27.
- (7) The cash consideration paid by each employee for each grant of the share option is HK\$10.0.

### Share Option Schemes of NWCL (continued)

The fair values of the share options granted during the year with exercise prices per share of HK\$1.81, HK\$1.83 and HK\$2.47 are estimated at HK\$1.23, HK\$1.25 and HK\$1.15, respectively, using the Black-Scholes option pricing model. Values are estimated based on the risk-free rate of 0.717% per annum with reference to the rate prevailing on the Exchange Fund Notes, a one-year period historical volatility of 0.8, 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 NWTMT

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"), NWTMT may grant options to Directors and employees of NWTMT or its subsidiaries ("NWTMT Group") to subscribe for shares in NWTMT. No option had been granted under the 2001 Share Option Scheme since its adoption.

Summary of share option schemes of NWTMT 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 NWTMT Group.	To provide an opportunity for employees (including any Director) of NWTMT Group to participate in the equity of NWTMT as well as to motivate them to optimise their performance.
Participants of the schemes	Full time employees (including any Director) of NWTMT Group.	Full time employees (including any Director) of NWTMT Group.
Total number of shares available for issue under the schemes and percentage of issued share capital as at the date of NWTMT's annual report	1,200,000 shares (approximately 0.13% of the issued share capital as at the date of NWTMT'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 NWTMT 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 8.98% of the issued share capital as at the date of NWTMT's annual report. The 10.0% Limit may be refreshed with the approval of shareholders of NWTMT. 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 NWTMT's shareholders in general meeting.

## Share Option Schemes of NWTMT (continued)

	1997 Share Option Scheme	2001 Share Option Scheme
The period within which the shares must be taken up under an option	At any time during a period to be notified by NWTMT'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 NWTMT'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
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 NWTMT'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 HKEx as stated in the HKEx'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 NWTMT'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 HKEx'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 HKEx'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

### 1997 Share Option Scheme

Name of Director	Date of grant	Number of share options			Exercise price per share HK\$
		Balance at 1 July 2003	Lapsed during the year	Balance at 30 June 2004	
Dr. Cheng Kar-Shun, Henry	2 December 1998	600,000	(600,000)	—	10.20
	2 December 1998	2,400,000	(2,400,000)	—	12.00
		3,000,000	(3,000,000)	—	

The cash consideration paid by the Director for each grant of the share option is HK\$10.0.

**Share Option Schemes of NWTMT (continued)****Share options granted to employees**

## 1997 Share Option Scheme

Date of grant	Number of share options			Exercise price per share HK\$
	Balance at 1 July 2003	Lapsed during the year	Balance at 30 June 2004	
18 November 1998 to 16 December 1998	362,800	(362,800)	—	10.20
18 November 1998 to 16 December 1998	1,790,000	(1,790,000)	—	12.00
23 September 1999	240,000	—	240,000 <sup>(1)</sup>	10.20
23 September 1999	960,000	—	960,000 <sup>(2)</sup>	12.00
	3,352,800	(2,152,800)	1,200,000	

(1) Exercisable from 1 July 2000 to 1 June 2005.

(2) Divided into 3 tranches exercisable from 1 July 2001, 1 July 2002 and 1 July 2003 respectively to 1 June 2005.

(3) No share options under the 1997 Share Option Scheme of NWTMT were exercised by the Directors and employees of NWTMT.

(4) The cash consideration paid by each employee for each grant of the share option is HK\$10.0.

**Share Option Schemes of NWSH**

On 11 April 1997, a share option scheme was adopted by NWSH (the "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 its subsidiaries ("NWSH Group") to 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 "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 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.

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 Group	To reward directors and employees of NWSH Group 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 Group and to foster a sense of corporate identity.

## Share Option Schemes of NWSH (continued)

	1997 Share Option Scheme	2001 Share Option Scheme
Participants of the schemes	Executive directors or full-time employees of NWSH Group	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 Group 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 Group or any Invested Entity;</li> <li>(iv) any customer of any member of NWSH Group or any Invested Entity;</li> <li>(v) any person or entity that provides research, development or other technological support to NWSH Group or any Invested Entity;</li> <li>(vi) any shareholder of any member of NWSH Group or any invested entity or any holder of any securities issued by any member of NWSH 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 NWSH Group or any Invested Entity; and</li> <li>(viii) any joint venture partner or business alliance that co-operates with any member of NWSH Group or any Invested Entity in any area of business operation or development.</li> </ul>
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.	<p>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.</p> <p>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 7.59% of NWSH's issued share capital as at the date of NWSH's report.</p>



Share Option Schemes of NWSH (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 25.0% of the total number of shares for which share options may be granted.	Unless approved by shareholders of NWSH, 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 1.0% of the 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 shares or a price not less than 80.0% of the average of the closing prices per share as stated in the daily quotations sheets issued by the HKEx 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 shares as stated in the HKEx's daily quotations sheet on the date of grant or the average closing price of the shares as stated in the HKEx's daily quotations sheets for the 5 business days immediately preceding the date of grant.
The remaining life of the schemes	The 1997 Share Option Scheme was expired on 11 April 2000.	The 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)**  
**Long position in underlying share of NWSH – share options**  
 Share Options granted to Directors

2001 Share Option Scheme

Name of Director	Date of grant	Number of share options with exercise price of HK\$3.725 per share			
		Balance at 1 July 2003	Granted during the year <sup>(3)</sup>	Exercised during the year <sup>(4)</sup>	Balance at 30 June 2004
Dr. Cheng Kar-Shun, Henry	21 July 2003	–	3,000,000	(1,000,000)	2,000,000 <sup>(1)</sup>
Mr. Cheng Kar-Shing, Peter	21 July 2003	–	500,000	(166,666)	333,334 <sup>(2)</sup>
Mr. Leung Chi-Kin, Stewart	21 July 2003	–	200,000	(66,000)	134,000 <sup>(2)</sup>
Mr. Chan Kam-Ling	21 July 2003	–	2,000,000	(666,666)	1,333,334 <sup>(1)</sup>
		–	5,700,000	(1,899,332)	3,800,668

- (1) Divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 respectively to 20 July 2008.
- (2) Divided into 3 tranches exercisable from 21 January 2004, 21 July 2004 and 21 July 2005 respectively to 20 July 2008.
- (3) The closing price per share immediately before 21 July 2003, the date of grant was HK\$3.60.
- (4) The weighted average closing price of the shares immediately before the date on which share options were exercised under the 2001 Share Option Scheme was HK\$9.47.
- (5) The cash consideration paid by each Director for each grant of the share options is HK\$10.0.

Share options granted to other eligible persons

(a) 1997 Share Option Scheme

Date of grant	Number of share options with exercise price of HK\$6.93 per share		
	Balance at 1 July 2003	Exercised during the year	Balance at 30 June 2004
11 May 1999	1,900,000	–	1,900,000 <sup>(1)</sup>
11 May 1999	100,000	(70,000) <sup>(3)</sup>	30,000 <sup>(2)</sup>
	2,000,000	(70,000)	1,930,000

- (1) Divided into 4 tranches exercisable from 5 November 1999, 5 May 2001, 5 May 2002 and 5 May 2003 respectively to 4 November 2004.
- (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.
- (3) The weighted average closing price of the shares immediately before the date on which share options were exercised was HK\$7.75.
- (4) No cash consideration paid by each eligible person for each grant of the share option.

## Share Option Schemes of NWSH (continued)

## (b) 2001 Share Option Scheme

Date of grant	Number of share options with exercise price of HK\$3.725 per share				Balance at 30 June 2004
	Balance at 1 July 2003	Granted during the year <sup>(3)</sup>	Exercised during the year <sup>(4)</sup>	Lapsed during the year	
21 July 2003	—	7,200,000	(2,399,998)	—	4,800,002 <sup>(1)</sup>
21 July 2003	—	28,597,000	(7,325,985)	(1,036,347)	20,234,668 <sup>(2)</sup>
	—	35,797,000	(9,725,983)	(1,036,347)	25,034,670

(1) Divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 respectively to 20 July 2008.

(2) Divided into 3 tranches exercisable from 21 January 2004, 21 July 2004 and 21 July 2005 respectively to 20 July 2008.

(3) The closing price per share immediately before 21 July 2003, the date of grant, was HK\$3.60.

(4) The weighted average closing price of the shares immediately before the date on which share options were exercised was HK\$8.49.

(5) The cash consideration paid by each eligible person for each grant of the share option is HK\$10.0.

The fair value of the share options granted during the year with exercise price per share of HK\$3.725 is estimated at HK\$4.91 using the Black-Scholes option pricing model. The fair value is estimated based on the risk-free rate of 4.598% per annum with reference to the rate prevailing on the Exchange Fund Notes, a one-year period historical volatility of 56.72%, assuming a dividend yield of approximately 5.0% per annum and an expected option life of 4 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 necessarily provide a reliable measure of the fair value of the share options.

Save as disclosed above, as at 30 June 2004, none of the directors, chief executive or any of their associates had or deemed to have any interests or short positions in the shares, registered capital, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Mode Code for Securities Transactions by Directors of Listed Companies.

## Disclosure Pursuant to Rules 13.20 and 13.22 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:

	2004 HK\$m	2003 HK\$m
Amounts due by affiliated companies	18,457.7	18,184.5
Guarantees given for affiliated companies in respect of banking and other credit facilities	5,561.0	6,118.3
Commitments to capital injections and loan contributions	1,570.6	1,337.4
	<b>25,589.3</b>	<b>25,640.2</b>

- (a) The financial assistance, in aggregate, represents approximately 132.2% of the Company's market capitalisation as at 30 June 2004.
- (b) The advances are unsecured and are interest free except for an aggregate amount of HK\$8,417.2 million (2003: HK\$7,084.9 million) which carry interest ranging from 0.6% above 3-month HIBOR to 14.0% per annum (2003: 3-month HIBOR to 15.0% per annum). Other than an amount of HK\$311.5 million (2003: 336.5 million) which is repayable by instalments up to December 2016, the advances have no fixed repayment terms.
- (c) In accordance with the requirements under Rule 13.20 of the Listing Rules, the Directors of the Company reported below details of advances made by the Group to the following entities (included in the amounts due by and guarantees given for affiliated companies disclosed above) which individually exceeded 8.0% of the Company's market capitalisation as at 30 June 2004, as follows:

Names of affiliated companies	Attributable Interest held by the Group %	Advances as at 30 June 2004		Interest rate per annum %	Guarantee given HK\$m	Total HK\$m
		Interest bearing HK\$m	Non-interest bearing HK\$m			
<b>Jointly controlled entities</b>						
Beijing Chong Wen-New World Properties Co., Ltd.	49	1,414.7	–	8.5	467.3	1,882.0
Beijing Chong Yu Real Estate Development Co., Ltd.	49	1,132.7	–	8.5	981.3	2,114.0
First Star Development Limited	27	–	543.5	–	1,029.0	1,572.5
		2,547.4	543.5		2,477.6	5,568.5

These loans have been provided by the Group to the abovenamed entities as shareholders' loans which are unsecured and have no specific repayment terms.

### **Disclosure Pursuant to Rules 13.20 and 13.22 of the Listing Rules** (continued)

- (d) In addition, in accordance with the requirements under rule 13.22 of the Listing Rules, the Company is required to include in its annual report a proforma combined balance sheet of its affiliated companies which should include significant balance sheet classifications and state the attributable interest of the Company in the affiliated companies. The Company has numerous affiliated companies and is of the opinion that it is not practical nor meaningful to prepare a proforma combined balance sheet and such information may be misleading. Pursuant to Rule 13.22 of the Listing Rules, the Company made an application to, and has received a waiver from, the Stock Exchange as an alternative to provide the following statement.

At 30 June 2004, the combined indebtedness including amounts owing to the Group, capital commitments and contingent liabilities as reported by the affiliated companies amounted to HK\$59,198.5 million, HK\$3,406.9 million and HK\$1,302.0 million (2003: HK\$60,719.0 million, HK\$3,654.9 million and HK\$1,309.4 million) respectively.