



Finance

The directors present their report together with the audited consolidated accounts of the Company and its subsidiaries (together the “Group”) for the year ended 30 June 2005.

CHANGE OF FINANCIAL YEAR END DATE

The Company changed its financial year end date from 31 December to 30 June on 10 December 2004 so as to enable the Company to have a coterminous year end with New World Development Company Limited, the controlling shareholder of the Company, and New World PCS Holdings Limited, the principal subsidiary of the Company.

The accounts presented for the Company cover the eighteen months from 1 January 2004 to 30 June 2005 (“Relevant Period”).

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the subsidiary of the Company is set out in note 14 to the accounts.

An analysis of the Group’s performance by business and geographical segments is set out in note 4 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group are set out in the Consolidated Profit and Loss Account on page 43.

No interim dividend was declared and the directors do not recommend the payment of a final dividend for the Relevant Period.

RESERVES

Movements in the reserves of the Group and of the Company are set out in note 26 to the accounts.

DONATIONS

Charitable and other donations made by the Group amounted to HK\$350,000.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 13 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 25 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the company at 30 June 2005, calculated in accordance with statutory provisions applicable in the Cayman Islands, amounted to HK\$203,937,000.

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 rights under the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 83.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Relevant Period.

DIRECTORS

The directors of the Company during the Relevant Period and up to the date of this report are as follows:

Executive directors:

| | |
|--|---|
| Dr. Cheng Kar Shun, Henry (<i>Chairman</i>) | (re-designated from non-executive director to executive director and chairman on 6 July 2004) |
| Mr. Doo Wai Hoi, William, <i>JP</i> (<i>Vice Chairman</i>) | (appointed on 6 July 2004) |
| Dr. Wai Fung Man, Norman (<i>Chief Executive Officer</i>) | (appointed on 6 July 2004) |
| Mr. To Hin Tsun, Gerald | (re-designated from independent non-executive director to executive director on 6 July 2004) |
| Mr. Chow Yu Chun, Alexander | (appointed on 6 July 2004) |
| Mr. Chan Ki | (resigned on 6 July 2004) |
| Mr. Chan Wai Keung, Ringo | (resigned on 6 July 2004) |
| Mr. Yu Ansheng, Ben | (resigned on 6 July 2004) |
| Mr. Lo Lin Kwong | (resigned on 6 July 2004) |
| Mr. Zhao Rui | (resigned on 6 July 2004) |

Non-executive directors:

| | |
|--------------------------|---|
| Mr. Lo Lin Shing, Simon | (re-designated from executive director and chairman to non-executive director on 6 July 2004) |
| Mr. Ho Hau Chong, Norman | |

Independent non-executive directors:

| | |
|-------------------------------------|--|
| Mr. Wei Chi Kuan, Kenny | |
| Mr. Kwong Che Keung, Gordon | (appointed on 6 July 2004) |
| Mr. Hui Chiu Chung, <i>JP</i> | (appointed on 6 April 2005) |
| Mr. Cheng Ming Fun, Paul, <i>JP</i> | (appointed on 28 July 2004 and resigned on 6 April 2005) |

In accordance with article 116 of the Company's articles of association, Dr. Cheng Kar Shun, Henry retires by rotation and, being eligible, offer himself for re-election.

In accordance with article 99 of the Company's articles of association, Mr. Doo Wai Hoi, William, *JP*, Dr. Wai Fung Man, Norman, Mr. Chow Yu Chun, Alexander, Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, *JP* retire at the forthcoming annual general meeting and, being eligible, offers themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 32 to the accounts, no contract of significance in relation to the Group's businesses to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies 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 Relevant Period or at any time during the Relevant Period.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 21 to 24.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

A summary of the directors' and senior management's remuneration is set out in note 8 to this account.

DIRECTORS' RIGHTS TO ACQUIRE SHARE

Save as disclosed under the section headed "DIRECTORS' INTERESTS IN SECURITIES" below, at no time during the Relevant Period was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2005, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under 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 Directors of Listed Companies ("Model Code") were as follows:

(A) Long positions – Interests in shares

As at 30 June 2005, none of the directors of the Company had any interests in the shares of the Company.

The interests of the directors in the shares of associated corporations were as follows:

| | Number of shares/ amount of registered capital | | | Total | Approximate percentage of issued/ registered capital as at 30 June 2005 |
|--|---|--------------------------|---------------------------|------------|--|
| | Personal interests | Family interests | Corporate interests | | |
| New World China Land Limited ("NWCL") | | | | | |
| <i>(Ordinary shares of HK\$0.10 each)</i> | | | | | |
| Dr. Cheng Kar Shun, Henry | – | – | 52,271,200 ⁽¹⁾ | 52,271,200 | 1.39% |
| Mr. Doo Wai Hoi, William, JP | 1,750,000 | – | 45,050,000 ⁽²⁾ | 46,800,000 | 1.24% |
| New World Development Company Limited ("NWD") | | | | | |
| <i>(Ordinary shares of HK\$1.00 each)</i> | | | | | |
| Mr. Kwong Che Keung, Gordon | 30,000 | – | – | 30,000 | 0.00% |
| New World TMT Limited ("NWTMT") | | | | | |
| <i>(Ordinary shares of HK\$1.00 each)</i> | | | | | |
| Dr. Cheng Kar Shun, Henry | – | 1,000,000 ⁽³⁾ | – | 1,000,000 | 0.11% |
| Mr. Doo Wai Hoi, William, JP | – | – | 12,000,000 ⁽²⁾ | 12,000,000 | 1.26% |
| NWS Holdings Limited ("NWSH") | | | | | |
| <i>(Ordinary shares of HK\$1.00 each)</i> | | | | | |
| Dr. Cheng Kar Shun, Henry | 2,000,000 | 587,000 ⁽³⁾ | 8,000,000 ⁽¹⁾ | 10,587,000 | 0.58% |
| Mr. Chow Yu Chun, Alexander | 2,371,337 | – | – | 2,371,337 | 0.13% |
| Mr. Doo Wai Hoi, William, JP | 1,333,333 | – | 826,000 ⁽²⁾ | 2,159,333 | 0.12% |
| Mr. Kwong Che Keung, Gordon | 400,000 | – | – | 400,000 | 0.02% |

| | Number of shares/ amount of registered capital | | | Total | Approximate percentage of issued/ registered capital as at 30 June 2005 |
|--|---|---------------------|----------------------------|-------------|--|
| | Personal interests | Family interests | Corporate interests | | |
| Fung Seng Estate Development (Shanghai) Co., Ltd. | | | | | |
| <i>(Registered capital in US\$)</i> | | | | | |
| Mr. Doo Wai Hoi, William, JP | – | – | 3,000,000 ⁽⁴⁾ | 3,000,000 | 30.00% |
| Master Services Limited | | | | | |
| <i>(Ordinary shares of US\$0.01 each)</i> | | | | | |
| Mr. Chow Yu Chun, Alexander | 16,335 | – | – | 16,335 | 1.63% |
| Ramada Property Ltd. | | | | | |
| <i>(Ordinary shares of US\$1.00 each)</i> | | | | | |
| Mr. Doo Wai Hoi, William, JP | – | – | 200 ⁽²⁾ | 200 | 20.00% |
| Shanghai Ju Yi Real Estate Development Co., Ltd. | | | | | |
| <i>(Registered capital in RMB)</i> | | | | | |
| Mr. Doo Wai Hoi, William, JP | – | – | 105,000,000 ⁽⁴⁾ | 105,000,000 | 30.00% |

Notes:

- (1) These shares are beneficially owned by a company wholly-owned by Dr. Cheng Kar Shun, Henry.
- (2) These shares are beneficially owned by companies wholly-owned by Mr. Doo Wai Hoi, William, JP.
- (3) These shares are held by the spouse of Dr. Cheng Kar Shun, Henry.
- (4) These represent the participating interests held by a company wholly-owned by Mr. Doo Wai Hoi, William, JP.

(B) Long positions – Interests in underlying shares – share options*(i) The Company*

As at 30 June 2005, the following directors had personal interest in options to subscribe for shares of the Company granted under the share option schemes of the Company:

| Name of director | Date of grant | Number of share options | | | | | Balance as at 30 June 2005 | Exercise Price HK\$ | Exercise period | Closing price immediately before the date of grant HK\$ |
|---|-------------------------|------------------------------|---------------------------|-----------------------------|--------------------------|-----------------------------|----------------------------|------------------------|-------------------------|--|
| | | Balance as at 1 January 2004 | Granted during the period | Exercised during the period | Lapsed during the period | Adjusted during the period | | | | |
| Dr. Cheng Kar Shun, Henry | 28.1.2005 | - | 780,000 | - | - | - | 780,000 | 1.260 | 28.1.2005 to 31.12.2010 | 1.260 |
| Mr. Cheng Ming Fun, Paul ⁽¹⁾ | 28.1.2005 | - | 78,000 | - | - | - | 78,000 | 1.260 | 28.1.2005 to 31.12.2010 | 1.260 |
| Mr. Chow Yu Chun, Alexander | 28.1.2005 | - | 482,000 | - | - | - | 482,000 | 1.260 | 28.1.2005 to 31.12.2010 | 1.260 |
| Mr. Doo Wai Hoi, William, JP | 28.1.2005 | - | 300,000 | - | - | - | 300,000 | 1.260 | 28.1.2005 to 31.12.2010 | 1.260 |
| Mr. Ho Hau Chong, Norman | 28.1.2005 | - | 78,000 | - | - | - | 78,000 | 1.260 | 28.1.2005 to 31.12.2010 | 1.260 |
| Mr. Hui Chiu Chung, Stephen | 8.4.2005 | - | 78,000 | - | - | - | 78,000 | 1.276 | 8.4.2005 to 31.12.2010 | 1.240 |
| Mr. Kwong Che Keung, Gordon | 28.1.2005 | - | 78,000 | - | - | - | 78,000 | 1.260 | 28.1.2005 to 31.12.2010 | 1.260 |
| Mr. Lo Lin Shing, Simon | 8.2.2002 ⁽²⁾ | 20,000,000 | - | - | - | (19,800,000) ⁽²⁾ | 200,000 | 2.440 ⁽²⁾ | 9.2.2002 to 8.2.2008 | N/A |
| | 28.1.2005 | - | 78,000 | - | - | - | 78,000 | 1.260 | 28.1.2005 to 31.12.2010 | 1.260 |
| Mr. To Hin Tsun, Gerald | 28.1.2005 | - | 482,000 | - | - | - | 482,000 | 1.260 | 28.1.2005 to 31.12.2010 | 1.260 |
| Dr. Wai Fung Man, Norman | 28.1.2005 | - | 482,000 | - | - | - | 482,000 | 1.260 | 28.1.2005 to 31.12.2010 | 1.260 |
| Mr. Wei Chi Kuan, Kenny | 28.1.2005 | - | 78,000 | - | - | - | 78,000 | 1.260 | 28.1.2005 to 31.12.2010 | 1.260 |
| | | 20,000,000 | 2,994,000 | - | - | (19,800,000) | 3,194,000 | | | |

Notes:

- (1) Mr. Cheng Ming Fun, Paul resigned as director of the Company on 6 April 2005. As such, the share options granted to him lapsed on 6 July 2005 pursuant to the share option scheme.
- (2) These share options were granted under the share option scheme adopted by the Company on 11 September 1998.

- (3) The number as well as the exercise price of these share options were adjusted on 28 July 2004 as a result of the completion of the subscription agreement dated 29 March 2004 and the consolidation of the Company's shares from every 100 issued or unissued ordinary shares of HK\$0.01 each into 1 consolidated ordinary share of HK\$1.00 each.
- (4) Save for note (2) above, all share options were granted under the share option scheme adopted by the Company on 28 May 2002.

(ii) *NWCL*

Under the share option scheme of NWCL, a fellow subsidiary of the Company, the following directors of the Company were granted share options to subscribe for shares in NWCL:

| Name of director | Date of grant | Exercise period ⁽²⁾ | Number of share options with exercise price per share of HK\$1.782 ⁽⁴⁾ | | | |
|------------------------------|---------------|-------------------------------------|---|-----------------------------|----------------------------|----------------------------|
| | | | Balance as at 6 July 2004 ⁽¹⁾ | Exercised during the period | Adjusted during the period | Balance as at 30 June 2005 |
| Dr. Cheng Kar Shun, Henry | 7.2.2001 | 8.3.2001 to 7.3.2006 | 5,000,000 | – | 7,500,000 ⁽⁴⁾ | 12,500,000 |
| Mr. Chow Yu Chun, Alexander | 8.2.2001 | 9.3.2001 to 8.3.2006 | 2,500,000 | – | 3,750,000 ⁽⁴⁾ | 6,250,000 |
| Mr. Doo Wai Hoi, William, JP | 8.2.2001 | 9.3.2002 to 8.3.2006 ⁽³⁾ | 2,800,000 | – | 4,200,000 ⁽⁴⁾ | 7,000,000 |

Notes:

- (1) This is the date on which NWCL became an associated corporation of the Company upon completion of the subscription agreement dated 29 March 2004.
- (2) The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of each grant when the offers of share options were accepted, provided that the maximum number of share options that can be exercised during a year is 20% of the total number of the share options granted together with any unexercised share options carried forward from the previous years, unless otherwise specified in note (3).
- (3) 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 together with any unexercised share options carried forward from the previous years.
- (4) The number as well as the exercise price of these share options were adjusted on 9 April 2005 as a result of the rights issue of NWCL during the period.

(iii) NWSH

Under the share option scheme of NWSH, a fellow subsidiary of the Company, the following directors of the Company were granted share options to subscribe for shares in NWSH:

| Name of director | Date of grant | Exercise period | Number of share options with exercise price per share of HK\$3.719 ⁽²⁾ | | | |
|------------------------------|---------------|-----------------|---|-----------------------------|----------------------------|----------------------------|
| | | | Balance as at 6 July 2004 ⁽¹⁾ | Exercised during the period | Adjusted during the period | Balance as at 30 June 2005 |
| Dr. Cheng Kar Shun, Henry | 21.7.2003 | (3) | 2,000,000 | (1,000,000) | 9,849 ⁽²⁾ | 1,009,849 |
| Mr. Chow Yu Chun, Alexander | 21.7.2003 | (3) | 133,334 | – | 1,313 ⁽²⁾ | 134,647 |
| Mr. Doo Wai Hoi, William, JP | 21.7.2003 | (3) | 1,333,334 | (666,667) | 6,566 ⁽²⁾ | 673,233 |
| Mr. Kwong Che Keung, Gordon | 21.7.2003 | (3) | 400,000 | (200,000) | 1,969 ⁽²⁾ | 201,969 |
| Mr. To Hin Tsun, Gerald | 21.7.2003 | (3) | 400,000 | (200,000) | 1,969 ⁽²⁾ | 201,969 |

Notes:

- (1) This is the date on which NWSH became an associated corporation of the Company upon completion of the subscription agreement dated 29 March 2004.
- (2) The number as well as the exercise price of these share options were adjusted on 30 June 2005 as a result of the interim scrip dividend declared by NWSH during the period.
- (3) This is divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 respectively to 20 July 2008, both dates inclusive.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Insofar as is known to the directors of the Company, as at 30 June 2005, the following parties (other than the directors or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO as being interested or deemed to be interested in 5% or more in the shares or underlying shares of the Company:

Long positions – Interests in the shares or underlying shares of the Company

| Name | Capacity | Number of shares/underlying shares | | | Approximate percentage of issued capital as at 30 June 2005 |
|--|--------------------------------------|------------------------------------|---|---------------|---|
| | | Interests in shares | Interests in physically settled unlisted equity derivatives | Total | |
| New World CyberBase Nominee Limited ("NWCBN") | Beneficial owner | 2,100,000 | 23,185,245 ⁽¹⁾ | 25,285,245 | 31.93% |
| New World Telephone Holdings Limited ("NWTHL") | Interest of a controlled corporation | 2,100,000 ⁽²⁾ | 23,185,245 ⁽²⁾ | 25,285,245 | 31.93% |
| Power Palace Group Limited ("PPG") | Beneficial owner | 55,236,666 | 1,000,000,000 ⁽³⁾ | 1,055,236,666 | 1,332.67% |
| NWD | Interest of controlled corporations | 57,336,666 ⁽⁴⁾ | 1,023,185,245 ⁽⁴⁾ | 1,080,521,911 | 1,364.60% |
| Chow Tai Fook Enterprises Limited ("CTF") | Interest of a controlled corporation | 57,336,666 ⁽⁵⁾ | 1,023,185,245 ⁽⁵⁾ | 1,080,521,911 | 1,364.60% |

Notes:

- (1) These 23,185,245 underlying shares represent the shares which may be issued upon the exercise of any of the conversion rights attaching to the outstanding convertible note in the principal amount of HK\$28,286,000 issued to NWCBN on 2 November 2001.
- (2) NWCBN is a wholly-owned subsidiary of NWTHL. Accordingly, NWTHL is deemed to be interested in the shares/underlying shares held by NWCBN.
- (3) These 1,000,000,000 underlying shares represent the shares which may be issued upon the exercise of any of the conversion rights attaching to the convertible note in the principal amount of HK\$1,200 million issued to PPG on 6 July 2004.
- (4) Each of PPG and NWTHL is a wholly-owned subsidiary of NWD. Accordingly, NWD is deemed to have an interest in the shares/underlying shares held by PPG and in the shares/underlying shares deemed to be interested by NWTHL.
- (5) CTF and its subsidiaries have interests in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares/underlying shares deemed to be interested by NWD.

SHARE OPTION SCHEME

At an extraordinary general meeting of the Company held on 28 May 2002, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 11 September 1998 (the "1998 Share Option Scheme") and the adoption of a new share option scheme (the "2002 Share Option Scheme") in compliance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Upon termination of the 1998 Share Option Scheme, no further options could be granted under the 1998 Share Option Scheme. However, the outstanding share options granted thereunder would continue to be valid and exercisable in accordance with the provisions of the 1998 Share Option Scheme.

The following is a summary of the terms of the 2002 Share Option Scheme:

1. Purpose

The purpose of the 2002 Share Option Scheme is to enable the Company to grant options to the participants as incentive or rewards for their contributions to the Group.

2. Participants

The participants of the 2002 Share Option Scheme include any director, employee, consultant, agent, supplier, customer or shareholder of the Group or any entity in which the Group holds any equity interest.

3. Number of shares available for issue

The total number of shares available for issue under the 2002 Share Option Scheme is 3,341,555 shares (adjusted as a result of the share consolidation on 7 July 2004) which represents 4.22% of the issued share capital of the Company as at the date of this report.

4. Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue unless separately approved by the shareholders in general meeting.

5. Option period

An option may be exercised in accordance with the terms of the 2002 Share Option Scheme at any time during the period as the board of directors in its absolute discretion determine and in any event such period of time shall not be more than 10 years from the date upon which the offer of the option is made to the grantee.

6. Vesting period

The directors may, if consider appropriate, determine the minimum period for which an option must be held before it can be exercised.

7. Amount payable on acceptance of option

Upon acceptance of the offer for an option, the grantee shall pay HK\$1.00 as consideration for the grant.

8. Subscription price

The subscription price for a share in respect of any option granted shall be a price determined by the board of directors in its absolute discretion but shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business day immediately preceding the date of grant; and (iii) the nominal value of a share.

9. Life of the scheme

The 2002 Share Option Scheme is valid and effective for a term of 10 years commencing 28 May 2002.

Movements of the share options granted under the 1998 Share Option Scheme and the 2002 Share Option Scheme during the Relevant Period were as follows:

(a) Share options to directors

Options had been granted to directors of the Company during the Relevant Period under the 2002 Share Option Scheme. Details of which are disclosed under the section headed "DIRECTORS' INTERESTS IN SECURITIES" above.

The directors consider that it is not appropriate to state the value of the options granted to the directors of the Company during the Relevant Period since there are some limitations in generally accepted methodologies (including the Black-Scholes option pricing model and the binomial model) in the valuation of the options. Furthermore, since a number of variables which are crucial to the calculation of the value of the options cannot be reasonably determined, the directors believe that any valuation of the options granted during the Relevant Period based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders.

(b) Share options to employees

No share options were granted to employees of the Company under the 2002 Share Option Scheme.

Movements of the share options granted under the 1998 Share Option Scheme during the Relevant Period were as follows:

| Date of grant | Number of share options | | | | | Balance as at 30 June 2005 | Exercise Price HK\$ | Exercise period |
|---------------|---------------------------------------|---------------------------------|-----------------------------------|--------------------------------|----------------------------------|-------------------------------------|---------------------------|--------------------|
| | Balance as at 1 January 2004 | Granted during the period | Exercised during the period | Lapsed during the period | Adjusted during the period | | | |
| | 8.2.2002 | 25,000,000 | - | - | (250,000) ⁽¹⁾ | | | |

Note:

- (1) The number as well as the exercise price of these share options were adjusted on 28 July 2004 as a result of the completion of the subscription agreement dated 29 March 2004 and the consolidation of the Company's shares from every 100 issued or unissued ordinary shares of HK\$0.01 each into 1 consolidated ordinary share of HK\$1.00 each.

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 Relevant Period.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year ended 30 June 2005 attributable to the Group's major suppliers and customers are as follows:

Purchases

- the largest supplier 22%
- five largest suppliers combined 57%

Sales

- the largest customer 2%
- five largest customers combined 5%

Save as disclosed in note 32 to the accounts, none of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 30 June 2005 which do not constitute connected transactions under the Listing Rules are disclosed in note 32 to the accounts.

Other related party transactions, which also constitute continuing connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules, are as follows:

- (i) In the joint announcement of the Company and NWD dated 2 June 2004 ("Joint Announcement"), the Company announced that members of the Post-Completion NWD Group (as defined in the Joint Announcement) had entered into certain agreements with members of the NWPCS Group (as defined in the Joint Announcement) in respect of:
 - (a) leasing and licensing of certain properties and sharing of common facilities;
 - (b) licensing of cell sites;
 - (c) interconnection, transmission, traffic routing and other related services; and
 - (d) dealership, value transfer arrangement and provision of miscellaneous services.

Details of the agreement and the transactions contemplated therein were set out in the Joint Announcement.

Immediately upon completion of the acquisition of NWPCS Group by the Company on 6 July 2004, NWD, the holding company of the Post-Completion NWD Group, became the controlling shareholder of the Company and is currently holding approximately 72.41% of the issued share capital of the Company. As such, the transactions contemplated under the aforesaid agreements constituted continuing connected transactions for the Company pursuant to the Listing Rules.

On 6 September 2005, the Company further announced that additional cell sites were licensed from the Post-Completion NWD Group and the aggregate licence fees for all cell sites licensed from the Post-Completion NWD Group for the year ended 30 June 2005 amounted to approximately HK\$3.7 million.

- (ii) On 1 November 2004, an Agreement for Provision of Transmission Links was entered into between New World PCS Limited ("NWPCS"), a wholly-owned subsidiary of the Company, and New World Telecommunications Limited ("NWT"), a wholly-owned subsidiary of NWD, in relation to the provision of E1 transmission links by NWT to NWPCS for the purpose of inter-connecting the switches in the NWPCS network between any two exchanges.
- (iii) On 19 May 2005, a Master Agreement for Telecommunications and Interconnection Services was entered into between NWPCS and NWT for the provision by NWT to NWPCS of interconnection, transmission, traffic routing and other related services such as wholesale international direct dial services, local and international transmission links services at various transmission speed, and porting and dipping service for mobile number portability from a term of three years from 1 June 2005 to 31 May 2008.
- (iv) On 21 June 2005, a Call Centre Management Services Agreement was entered into between NWPCS and Shenzhen Xiang Long Communication Co., Ltd. ("XLC") pursuant to which XLC would provide call centre facilities and management services to NWPCS for a term of 25 months from 1 June 2005 to 30 June 2007.

XLC is a wholly-owned subsidiary of New World TMT Limited ("NWTMT") which in turn is a non-wholly owned subsidiary of NWD. As such, the entering into of the Call Centre Management Services Agreement constituted a continuing connected transaction for the Company.

The values of the transactions for the year ended 30 June 2005 were as follows:

| Nature of transactions | Amount paid/to be paid by the NWPCS Group <i>HK\$'000</i> |
|--|---|
| Leasing and licensing of properties | 19,877 |
| Licensing of cell sites | 3,665 |
| Interconnection, transmission, traffic routing and other related services | 38,271 |
| Dealership, value transfer arrangement and provision of miscellaneous services | 1,412 |
| Call centre services | 1,334 |

| Nature of transactions | Amount received/to be received by the NWPCS Group <i>HK\$'000</i> |
|--|---|
| Licensing of properties and sharing of common facilities | 313 |

The directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive directors of the Company have confirmed that the above-mentioned continuing connected transactions were entered into: (i) in the ordinary and usual course of the Group's business; (ii) in accordance with the terms of the respective agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole; and (iii) either on normal commercial terms or on terms no less favourable to the Group than those available to or from independent third parties.

Furthermore, the auditors of the Company have confirmed to the board of directors in writing that the above-mentioned continuing connected transactions:

- (i) have received the approval of the Company's board of directors;
- (ii) have been entered into in accordance with the relevant agreements governing the transactions;
- (iii) have not exceeded the cap disclosed in the previous announcements dated 2 June 2004, 1 November 2004, 19 May 2005 and 21 June 2005 and 6 September 2005; and
- (iv) are in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Set out below is information disclosed pursuant to paragraph 8.10(2) of the Listing Rules:

| Name of director | Name of entity which business is considered to compete or likely to compete with the businesses of the Group | Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group | Nature of interest of the director in the entity |
|----------------------------|---|---|---|
| Mr. Lo Lin Shing, Simon | NWC | Provision of mobile Internet services such as multimedia messaging services to the mobile Internet market in the PRC | Executive Director of NWC |
| Mr. To Hin Tsun, Gerald | NWC | Provision of mobile Internet services such as multimedia messaging services to the mobile Internet market in the PRC | Non-executive Director of NWC |
| Mr. Wei Chi Kuan, Kenny | NWC | Provision of mobile Internet services such as multimedia messaging services to the mobile Internet market in the PRC | Independent non-executive director of NWC |

AUDIT COMMITTEE

The audit committee, which comprises the three independent non-executive directors of the Company namely Mr. Hui Chiu Chung, *JP*, Mr. Kwong Che Keung, Gordon and Mr. Wei Chi Kuan, Kenny, has reviewed the audited consolidated accounts of the Group for the year ended 30 June 2005.

REMUNERATION COMMITTEE

The Remuneration Committee was established in June 2005. The majority members are independent. The Committee is chaired by Dr. Wai Fung Man, Norman and the other members are Mr. Hui Chi Chung, *JP* and Wai Chi Kuan, Kenny.

The Remuneration Committee is responsible for formulating and recommending remuneration policy to the board and determining the remuneration of executive directors and members of senior management, as well as reviewing and making recommendations on the Group's share option scheme, bonus structure, provident fund and other compensation-related issues.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance section on pages 15 to 20.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained a sufficient public float throughout the period.

SUBSEQUENT EVENT

Details of the significant event occurring after the balance sheet date are set out in note 33 to the accounts.

AUDITORS

Ernst & Young were auditors of the Company for the four financial years ended 31 December 2002. During the year ended 31 December 2003, Ernst & Young resigned and PricewaterhouseCoopers had been appointed as auditors of the Company.

The accounts for the financial year ended 30 June 2005 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

BOARD MEMBERS

As at the date of this report, the Board of the Company comprises (i) five executive directors namely Dr. Cheng Kar Shun, Henry (Chairman), Mr. Doo Wai Hoi, William, *JP*, Dr. Wai Fung Man, Norman (Chief Executive Officer), Mr. To Hin Tsun, Gerald and Mr. Chow Yu Chun, Alexander; (ii) two non-executive directors namely Mr. Lo Lin Shing, Simon and Mr. Ho Hau Chong, Norman; and (iii) three independent non-executive directors namely Mr. Wei Chi Kuan, Kenny, Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, *JP*.

On behalf of the Board

Dr. Cheng Kar Shun, Henry

Chairman

Hong Kong, 5 October 2005