

## Report of the Directors

The directors have pleasure in presenting their annual report and statement of accounts for the year ended 30th June 2005.

## Group activities

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries, associated companies and jointly controlled entities are shown in note 39 to the accounts on pages 144 to 152.

## Accounts

The results of the Group for the year ended 30th June 2005 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 104 to 152.

## Dividends

The directors have resolved to recommend a final dividend of HK\$0.03 per share (2004: Nil) for the year ended 30th June 2005 to shareholders whose names appear on the register of members of the Company on 29th November 2005. The proposed final dividend will be paid on or about 21st December 2005 subject to approval at the forthcoming annual general meeting of the Company.

## Share capital

Details of the movements in share capital during the year are set out in note 29 to the accounts.

## Reserves

Details of the movements in reserves are set out in note 30 to the accounts.

## Purchase, sale or redemption of listed securities

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

## Fixed assets

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

## Donations

Donation made by the Group during the year amounted to HK\$3,479,000 (2004: HK\$587,000).

## Directors

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

|                                  |                                  |
|----------------------------------|----------------------------------|
| Dr. Cheng Kar-shun, Henry        |                                  |
| Mr. Doo Wai-hoi, William         |                                  |
| Mr. Cheng Kar-shing, Peter       |                                  |
| Mr. Leung Chi-kin, Stewart       |                                  |
| Mr. Chow Kwai-cheung             |                                  |
| Mr. Chow Yu-chun, Alexander      |                                  |
| Mr. Fong Shing-kwong, Michael    |                                  |
| Mr. Fu Sze-shing                 |                                  |
| Mr. Cheng Wai-chee, Christopher* |                                  |
| Mr. Tien Pei-chun, James*        |                                  |
| Mr. Lee Luen-wai, John*          | (appointed on 7th December 2004) |
| Mr. Chan Wing-tak, Douglas       | (resigned on 13th July 2004)     |
| Mr. Chan Kam-ling                | (resigned on 30th August 2004)   |
| Mr. Lo Hong-sui*                 | (retired on 6th December 2004)   |

\* Independent non-executive directors

In accordance with Article 99 of the Company's Articles of Association, Mr. Lee Luen-wai, John will retire at the forthcoming annual general meeting and being eligible, will offer himself for re-election.

In accordance with Article 116 of the Company's Articles of Association, Dr. Cheng Kar-shun, Henry, Messrs. Doo Wai-hoi, William, Leung Chi-kin, Stewart, Chow Yu-chun, Alexander, Fu Sze-shing and Tien Pei-chun, James will retire by rotation at the forthcoming annual general meeting, and being eligible, will offer themselves for re-election. The remaining current directors continue in office.

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

## Pre-emptive rights

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

## Directors' interest in contracts

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

## Connected transactions

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

### A. Construction services

The Group has appointed certain subsidiaries of New World Development Company Limited, the Company's ultimate holding company ("NWD" and together with its subsidiaries, "NWD Group"), to provide construction services for the Group's property development projects in the People's Republic of China ("PRC") which include construction, piling and foundation, building and property fitting out work as well as the supply of construction and building materials.

As at 30th June 2005, the aggregate accumulated contract fee paid to NWD Group for the provision of the aforesaid construction services which was included as part of the development costs of the property projects was HK\$1,602,665,000 (2004: HK\$1,305,855,000) of which HK\$296,810,000 (2004: HK\$283,614,000) was paid during the year.

With effect from 1st July 2005, the engagement of NWD group to provide construction, engineering and project management services for the Group's property development projects in the PRC will be governed by a master service agreement dated 30th May 2005 entered into between the Company and NWD which is effective for three years ending 30th June 2008. An ordinary resolution approving the master service agreement was passed by the independent shareholders of the Company by way of poll at an extraordinary general meeting of the Company duly held on 28th June 2005. Pursuant to the master service agreement, the fees payable to the NWD Group for provision of the aforesaid services will be determined by reference to the PRC government-prescribed price, failing which, the PRC government-guided prices, failing which, the market price and thereafter will be determined by the relevant parties based on reasonable costs plus reasonable profit margin. Details of the agreement were set out in the announcement of the Company dated 30th May 2005 and in a circular dated 10th June 2005.

### B. Tenancy agreements

- (1) On 30th June 2005, a tenancy agreement was entered into between New World Tower Company Limited ("NWT") as landlord and the Company as tenant for the lease of office premises located at 9/F., New World Tower 1, 18 Queen's Road Central, Hong Kong with gross floor area of 9,375 sq. ft. for a term of two years commencing from 1st July 2005 to 30th June 2007 at a monthly rental of HK\$253,125 together with monthly management fees and air-conditioning charges of HK\$32,813.

On the same day, another tenancy agreement was entered into between NWT as landlord and the Company as tenant for the lease of a portion of 33/F., New World Tower 1, 18 Queen's Road Central, Hong Kong with gross floor area of 1,296 sq.ft. for a term of two years commencing from 1st July 2005 to 30th June 2007 at a monthly rental of HK\$34,992 together with monthly management fees and air-conditioning charges of HK\$4,536. Details of the two tenancy agreements were set out in the announcement of the Company dated 30th June 2005.

- (2) On 15th August 1995, a tenancy agreement ("1995 Tenancy Agreement") was entered into between Shenyang New World Hotel Co., Ltd. ("Shenyang Hotel") as landlord and Shenyang New World Department Store Ltd. ("Shenyang Department Store") as tenant, for lease of the shopping arcade on the first and second floors of the annex building of New World Hotel, Shenyang with an area of 8,320 sq.m. for ten years. Shenyang Hotel was a 70% owned jointly controlled entity of the Group at the date of the 1995 Tenancy Agreement which subsequently became a wholly-owned subsidiary of the Group since the Group acquired an additional 30% interest in Shenyang Hotel on 30th May 2003. Shenyang Department Store is an indirect wholly-owned subsidiary of NWD.

## Connected transactions (continued)

### B. Tenancy agreements (continued)

The annual rental is the higher of (i) RMB8,000,000, RMB9,000,000 and RMB10,000,000 for the years ended 14th August 1996, 14th August 1997 and 14th August 1998 respectively, increasing at a rate of 6% per annum in each of the seven years ending 14th August 2005; and (ii) 4% of the gross sale revenue earned by Shenyang Department Store, after value-added tax, for each of the three years ended 14th August 1998; and 5% of the gross sale revenue for each of seven years ending 14th August 2005. The rental received in aggregate under the 1995 Tenancy Agreement was HK\$13,320,000 for the year ended 30th June 2005 (2004: HK\$12,945,000).

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

The annual rental was RMB987,000 for the first year ended 30th November 2001, increasing at a rate of 6% per annum in each of the four years ending 30th November 2005 with rent-free period from 1st December 2000 to 31st January 2001. The rental received in aggregate under the 2000 Tenancy Agreement was HK\$1,138,000 for the year ended 30th June 2005 (2004: HK\$1,073,000).

- (4) On 15th March 2004, a tenancy agreement (“Tianjin Tenancy Agreement”) was entered into between New World Anderson (Tianjin) Development Co. Ltd. (“New World Anderson”), a wholly-owned subsidiary, as landlord and Tianjin Trendy New World Plaza Co., Ltd. (“Tianjin Trendy”), an indirect wholly-owned subsidiary of NWD, as tenant for lease of the first to fourth floors of Tianjin New World Shopping Centre located in Nankai District, Tianjin, PRC with an area of 31,800 sq.m. for twenty years from 15th March 2004 to 14th March 2024.

The annual rental is the higher of (i) RMB26,375,000 per year from the first year to the tenth year; RMB27,090,000 per year from the eleventh year to the thirteenth year; RMB28,100,000 per year from the fourteenth year to the seventeenth year; RMB30,300,000 per year from the eighteenth year to the twentieth year; and (ii) 5% of the sale revenue of Tianjin Trendy, together with an annual management fee of RMB3,968,700. The rental and management fee received in aggregate was HK\$28,668,000 for the year ended 30th June 2005 (15th March 2004 to 30th June 2004: HK\$8,271,000).

- (5) On 13th December 2003, Dalian New World Plaza International Co., Ltd. (“Dalian Plaza”), a 88% owned subsidiary of the Group, as landlord, entered into a tenancy agreement (“Dalian Tenancy Agreement”) with Dalian New World Department Store Ltd. (“Dalian Department Store”), an indirect wholly-owned subsidiary of NWD, as tenant, for lease of the first to fifth floors and a portion of the sixth to seventh floors as well as the basement one of Dalian New World Plaza located in Tianjin Street, Zhongshan District, Dalian, PRC, with an area of 26,845 sq.m. for twenty years commencing from 18th October 2002 to 17th October 2022.

The monthly rental is the higher of (i) RMB30 per sq.m. with effect from 1st January 2004, with an addition of 3% of the gross sale revenue (“GSR”) earned by Dalian Department Store with effect from 1st January 2007; and (ii) 5% of the GSR, with rent-free period from 18th October 2002 to 31st December 2003.

On 26th November 2004, a supplemental agreement to the Dalian Tenancy Agreement was entered into between Dalian Plaza and Dalian Department Store whereby both parties agreed to terminate the lease on the seventh floor of Dalian New World Plaza totaling 312 sq.m. and Dalian Department Store shall lease an additional area of 5,501.33 sq.m. on the sixth floor of Dalian New World Plaza. The rental payable in respect of the new leased area is the higher of either (i) basic rental which is RMB20 per sq.m. with effect from 15th March 2005, with an addition of 3% of the GSR arising from the operation of Dalian Department Store in the new leased area with effect from 1st January 2007; or (ii) 5% of the GSR, with rent-free period up to 14th March 2005. Details of the Dalian Tenancy Agreement and the supplemental agreement were published in the Company's announcements dated 13th December 2003 and 26th November 2004.

The rental received in aggregate under the Dalian Tenancy Agreement, as supplemented by the supplemental agreement, for the year ended 30th June 2005 was HK\$9,287,000 (1st January 2004 to 30th June 2004: HK\$4,490,000).

### C. Corporate guarantees

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

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

On 15th December 2004, Shanghai Ramada, then 64.88% owned subsidiary, obtained a multi-currency loan facility up to an aggregate principal amount of HK\$80,000,000 for a term up to 31st July 2007 which will be utilised by Shanghai Ramada to re-finance an existing bank loan facility of HK\$10,000,000 and RMB74,000,000 obtained by Shanghai Mayfair Hotel Co., Ltd. which merged with Shanghai Ramada in June 2004.

At the date of this report, Shanghai Ramada is 99.81% held by Ramada Property Ltd. ("Ramada Property") which in turn is a 75% owned subsidiary of the Company. The other shareholders of Ramada Property had agreed to indemnify the Company in respect of its liability under the guarantees and pay to the Company a guarantee fee of 0.25% per annum on the amount of the loan facilities being utilised by Shanghai Ramada in proportion to their shareholdings in Ramada Property.

Stanley Enterprises Limited ("Stanley"), having 20% interest in Ramada Property, is a connected person of the Company by virtue of its being a substantial shareholder of certain subsidiaries of the Group, and is wholly-owned by a director of the Company, Mr. Doo Wai-hoi, William since 3rd December 2002. The provision of the guarantees by the Company in respect of the loan facilities and payment of the guarantee fee by Stanley constituted connected transactions of the Company and relevant details were published in the Company's announcements dated 25th July 2002, 3rd December 2002, 24th June 2003 and 15th December 2004.

## Connected transactions (continued)

### C. Corporate guarantees (continued)

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

The loan facility was severally guaranteed by the Company and CTF in proportion to their indirect shareholdings in Global Perfect. Since CTF and its subsidiaries have interests in more than one-third of the issued shares of NWD, CTF is deemed to be a connected person of the Company. Accordingly, the provision of the aforesaid guarantee by the Company constituted a connected transaction of the Company.

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

The obligation and liabilities of Fortune Leader Real Estate under the banking facilities were guaranteed by the Company, Mr. Cheng Kar-shing, Peter who is a director of the Company ("Personal Guarantor"), and certain independent shareholders of Dragon Fortune in the proportion of 39.20%, 30.64% and 30.16% respectively on several basis.

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

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

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

Stanley, having 20% interest in Ramada Property, is a connected person of the Company by reason stated in paragraph C(1) above. The provision of the guarantee by the Company in respect of the loan facility and the payment of guarantee fee by Stanley constituted connected transactions of the Company and an announcement dated 19th December 2002 relating to the provision of the guarantee had been published. Repayment of aforesaid facility was financed by a multi-currency loan facility to Shanghai Ramada on 15th December 2004 as stated in paragraph C(1) above.

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

The obligation and liabilities of Fortune Leader Investment under the banking facilities were guaranteed by the Company, the Personal Guarantor and certain independent shareholders of Dragon Fortune in the proportion of 39.84%, 29.50% and 30.66% respectively on several basis.

By reason stated in paragraph C(3) above, the provision of the guarantee by the Company in respect of the banking facilities to Fortune Leader Investment constituted a connected transaction of the Company.

- (6) On 27th November 2003, Guangzhou Xin Yi Development Limited (“Xin Yi”) was granted a 3-year term loan facility of up to RMB200,000,000 by a bank to finance its property development projects in which 90.5% of the loan facility was guaranteed by the Company. Xin Yi is indirectly owned by the Company and CTF as to 90.50% and 9.50% respectively.

As CTF is regarded as a connected person of the Company by reason stated in paragraph C(2) above, the provision of the aforesaid guarantee by the Company constituted a connected transaction of the Company.

#### **D. Property agency agreement**

On 2nd June 2004, Beijing Lingal Real Estates Development Co., Ltd. (“Beijing Lingal”), an indirect wholly-owned subsidiary of the Group, entered into an agreement (“Property Agency Agreement”) with Kiu Lok Property Services (China) Limited (“Kiu Lok”), an indirect wholly-owned subsidiary of NWS Holdings Limited which is a subsidiary of NWD, for the provision of property agency services by Kiu Lok to Beijing Lingal in connection with the promotion, sale and leasing of properties located in Chateau Regalia Beijing for three years commencing from 2nd June 2004 to 1st June 2007 and will continue for successive terms of one year until terminated by either party by not less than three months’ notice. Details of the Property Agency Agreement were set out in the Company’s announcement dated 2nd June 2004.

The agency fee payable to Kiu Lok is calculated at (a) for the provision of property agency services in connection with the sale of properties at Chateau Regalia Beijing: 2% of the actual selling price of each unit sold; and (b) for the provision of property agency services in connection with the leasing of properties at Chateau Regalia Beijing: (i) 8.3333% of the total net rental receivable of each unit leased, subject to the maximum of one month’s average net monthly rental (“ANMR”); or (ii) 50% of the ANMR, if the tenant is introduced by sub-agents and commission payable to the sub-agents is not less than 50% of the ANMR; or (iii) the difference between the ANMR and the commission payable to sub-agents, if the tenant is introduced by sub-agents and the commission payable to the sub-agents is less than 50% of the ANMR and (c) in connection with renewal of lease of properties at Chateau Regalia Beijing: 2.5% of the total net rental receivable during the extended term of tenancy, subject to the maximum of 30% of the ANMR receivable by Beijing Lingal in respect of the relevant premises. The fees paid to Kiu Lok under the Property Agency Agreement for the year ended 30th June 2005 was HK\$5,437,000 (2004: HK\$6,071,000).

## Connected transactions (continued)

### E. Provision of shareholder's loan

On 29th July 2005, New World Development (China) Limited ("NWDC"), a wholly owned subsidiary, entered into a loan agreement with Shanghai Juyi Real Estate Development Co., Ltd. ("Juyi"), a company beneficially owned by NWDC and Stanley as to 70% and 30% respectively. Pursuant to the loan agreement, NWDC, the sole legal owner of Juyi, will provide a shareholder's loan in the principal amount of US\$10,000,000 to Juyi for a term of five years, subject to renewal, at an interest rate of 1.35% above the London Inter-bank Offered Rate per annum for the purpose of financing the development of Shanghai Hong Kong New World Garden located in Luwan District, Shanghai, PRC. The loan amount was provided by NWDC and Stanley in proportion to their beneficial shareholdings in Juyi.

By virtue of the interest of Stanley in Juyi and the fact that Stanley is a connected person of the Company by reason stated in paragraph C(1) above, the provision of the shareholder's loan to Juyi constituted a connected transaction of the Company. Details of the loan agreement were set out in the announcement of the Company dated 29th July 2005.

### F. Acquisition of interests

On 12th September 2005, NWDC entered into an agreement with Shun Hing China Investment Limited ("Shun Hing") whereby NWDC agreed to acquire and Shun Hing agreed to sell 100 shares, representing 10% interest, in the issued share capital of Ramada Property, together with the shareholder's loan in the sum of US\$9,719,074.15 and HK\$16,680,368.89 due and owing by Ramada Property to Shun Hing for a total consideration of US\$12,095,269.62 and HK\$17,014,050.74. After completion of the transaction on 13th September 2005, Ramada Property became a 75% owned subsidiary of the Group.

Ramada Property is an investment holding company having 99.81% interests in Shanghai Ramada, which holds the entire interest in Shanghai Ramada Plaza, a composite building comprising hotel, apartments, shopping arcade and carparks.

Shun Hing is a connected person of the Company by virtue of its interest in Ramada Property. Ramada Property is also 20% owned by a company wholly-owned by Mr. Doo Wai-hoi, William, a connected person of the Company. The acquisition therefore constituted a connected transaction of the Company. Relevant details relating to the acquisition was published in the announcement of the Company dated 12th September 2005.

### G. Other connected transactions

In July 1999, a deed of tax indemnity was entered into between NWD and the Group whereby NWD undertakes to indemnify the Group in respect of, inter alia, certain PRC income tax and land appreciation tax payable in consequence of the disposal of certain properties held by the Group as at 31st March 1999. During the year, no such tax indemnity was effected (2004: Nil).

### H. Annual review of the continuing connected transactions

#### (1) **Construction services**

The construction services mentioned in paragraph (A) above constituted continuing connected transactions of the Company under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules").

The independent non-executive directors of the Company had reviewed the transactions for the financial year ended 30th June 2005 and have confirmed that the transactions were:

- (a) entered into in the ordinary and usual course of business of the Group;
- (b) conducted on normal commercial terms and on arm's length basis;

- (c) entered into either in accordance with the terms of the agreements governing the transactions, or where there are no such agreements, on terms no more favourable than terms available to (or from, as appropriate) independent third parties;
- (d) entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (e) within the maximum amounts as agreed with the Stock Exchange, being HK\$450 million and did not exceed 3% of the net tangible asset value of the Group for the year ended 30th June 2005.

(2) **Tenancy agreements**

(i) *Shenyang Tenancy Agreements and Tianjin Tenancy Agreement*

As stated in the Company's announcements dated 10th June 2003 and 15th March 2004, the Company was granted conditional waiver by the Stock Exchange from strict compliance with the disclosure requirement of the Listing Rules in respect of the continuing connected transactions arising from (a) the 1995 Tenancy Agreement and the 2000 Tenancy Agreement (paragraphs B(2) and B(3) above) (together, the "Shenyang Tenancy Agreements") for a period up to 30th November 2005; and (b) the Tianjin Tenancy Agreement (paragraph B(4) above) for a period up to 30th June 2006.

The independent non-executive directors of the Company had reviewed the transactions arising from the Shenyang Tenancy Agreements and the Tianjin Tenancy Agreement (collectively, the "Tenancy Agreements") for the year ended 30th June 2005 and confirmed that the transactions were:

- (a) entered into by the Group in the ordinary and usual course of business;
- (b) conducted on normal commercial terms or (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
- (c) entered into in accordance with the terms of the Tenancy Agreements; and
- (d) within the annual amounts receivable pursuant to each of the Tenancy Agreements and did not exceed 3% of the book value of the consolidated net tangible assets of the Group for the year ended 30th June 2005.

The Company had received a letter from the auditors in respect of the transactions arising from each of the Tenancy Agreements confirming that:

- (a) the transactions had received the approval of the board of directors of the Company;
- (b) the transactions were entered into in accordance with terms of the Tenancy Agreements; and
- (c) the aggregate values of the transactions were within the annual amounts receivable pursuant to each of the Tenancy Agreements and did not exceed 3% of the book value of the consolidated net tangible assets of the Group for the year ended 30th June 2005.

## Connected transactions (continued)

### H. Annual review of the continuing connected transactions (continued)

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

##### (ii) *Dalian Tenancy Agreement*

The independent non-executive directors of the Company had also reviewed the transactions arising from the Dalian Tenancy Agreement (paragraph B(5) above), as supplemented by its supplemental agreement dated 26th November 2004, for the year ended 30th June 2005 and confirmed that the transactions were :

- (a) entered into by the Group in the ordinary and usual course of business;
- (b) conducted on normal commercial terms; and
- (c) entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company had received a letter from the auditors in respect of the transactions arising from the Dalian Tenancy Agreement, as supplemented by the supplemental agreement, confirming that the transactions:

- (a) had received the approval of the board of directors of the Company;
- (b) had been entered into in accordance with the relevant agreement governing the transactions; and
- (c) had not exceeded RMB22,000,000 for the year ended 30th June 2005.

#### (3) **Property agency agreement**

Pursuant to rule 14A.34 of the Listing Rules, the Property Agency Agreement described in paragraph (D) above constituted continuing connected transaction of the Company. The independent non-executive directors of the Company had reviewed the transactions arising from the Property Agency Agreement for the year ended 30th June 2005 and confirmed that the transactions were :

- (a) entered into by the Group in the ordinary and usual course of business;
- (b) conducted on normal commercial terms; and
- (c) entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company had received a letter from the auditors in respect of the transactions arising from the Property Agency Agreement confirming that the transactions:

- (a) had received the approval of the board of directors of the Company;
- (b) had been entered into in accordance with the relevant agreement governing the transactions; and
- (c) had not exceeded HK\$8,800,000 for the year ended 30th June 2005.

Save as disclosed above, a summary of significant related party transactions that do not constitute connected transactions made during the year was disclosed in note 35 to the accounts.

## Directors' rights to acquire shares or debentures

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

## Directors' interests in securities

As at 30th June 2005, the interests of the directors and their associates in shares, registered capital, underlying shares and debentures of the Company and its associated corporations as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

### (A) Long position in shares

|  | Number of shares/<br>amount of registered capital |                     |                        | Total             | Percentage to<br>the relevant<br>issued/<br>registered<br>capital as at<br>30th June 2005 |
|--|---|---------------------|------------------------|-------------------|---|
|  | Personal<br>interests                             | Family<br>interests | Corporate<br>interests |                   |   |
| <b>New World China Land Limited</b>          |   |                     |                        |                   |   |
| (Ordinary shares of HK\$0.1 each)            |   |                     |                        |                   |   |
| Dr. Cheng Kar-shun, Henry                    | —   | —                   | 52,271,200<br>(note 1) | <b>52,271,200</b> | 1.39  |
| Mr. Doo Wai-hoi, William                     | 1,750,000   | —                   | 45,050,000<br>(note 2) | <b>46,800,000</b> | 1.24  |
| Mr. Leung Chi-kin, Stewart                   | 500,000   | —                   | —                      | <b>500,000</b>    | 0.01  |
| Mr. Chow Kwai-cheung                         | 400,126   | —                   | —                      | <b>400,126</b>    | 0.01  |
| Mr. Fong Shing-kwong,<br>Michael             | 600,000   | —                   | —                      | <b>600,000</b>    | 0.02  |
| Mr. Chan Kam-ling (note 12)                  | 300,000   | —                   | —                      | <b>300,000</b>    | 0.01  |
| <b>New World Development Company Limited</b> |   |                     |                        |                   |   |
| (Ordinary shares of HK\$1 each)              |   |                     |                        |                   |   |
| Mr. Leung Chi-kin, Stewart                   | 32,553  | —                   | —                      | <b>32,553</b>     | 0.001   |
| Mr. Chow Kwai-cheung                         | 43,495  | —                   | —                      | <b>43,495</b>     | 0.001   |
| Mr. Chan Kam-ling (note 12)                  | 135,335   | —                   | —                      | <b>135,335</b>    | 0.004   |
| <b>New World Mobile Holdings Limited</b>     |   |                     |                        |                   |   |
| (Ordinary shares of HK\$1 each)              |   |                     |                        |                   |   |
| Mr. Fong Shing-kwong,<br>Michael             | 6,580   | —                   | —                      | <b>6,580</b>      | 0.008   |

## Directors' interests in securities (continued)

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

|   | Number of shares/<br>amount of registered capital |                     |                        | Total             | Percentage to<br>the relevant<br>issued/<br>registered<br>capital as at<br>30th June 2005 |
|---|---|---------------------|------------------------|-------------------|---|
|   | Personal<br>interests                             | Family<br>interests | Corporate<br>interests |                   |   |
| <b>New World TMT Limited</b>            |   |                     |                        |                   |   |
| (Ordinary shares of HK\$1 each)         |   |                     |                        |                   |   |
| Dr. Cheng Kar-shun, Henry               | —   | 1,000,000           | —                      | <b>1,000,000</b>  | 0.11  |
| Mr. Doo Wai-hoi, William                | —   | —                   | 12,000,000<br>(note 2) | <b>12,000,000</b> | 1.26  |
| Mr. Chan Kam-ling (note 12)             | 6,800   | —                   | —                      | <b>6,800</b>      | 0.0007  |
| Mr. Chan Wing-tak, Douglas<br>(note 13) | 1,300,000   | 400,000             | —                      | <b>1,700,000</b>  | 0.18  |
| <b>NWS Holdings Limited</b>             |   |                     |                        |                   |   |
| (Ordinary shares of HK\$1 each)         |   |                     |                        |                   |   |
| Dr. Cheng Kar-shun, Henry               | 2,000,000   | 587,000             | 8,000,000<br>(note 1)  | <b>10,587,000</b> | 0.58  |
| Mr. Doo Wai-hoi, William                | 1,333,333   | —                   | 826,000<br>(note 2)    | <b>2,159,333</b>  | 0.12  |
| Mr. Cheng Kar-shing, Peter              | 333,333   | —                   | 2,659,700<br>(note 3)  | <b>2,993,033</b>  | 0.16  |
| Mr. Leung Chi-kin, Stewart              | 3,526,630   | —                   | 84,607<br>(note 4)     | <b>3,611,237</b>  | 0.20  |
| Mr. Chow Kwai-cheung                    | 2,264,652   | —                   | —                      | <b>2,264,652</b>  | 0.12  |
| Mr. Chow Yu-chun,<br>Alexander          | 2,371,337   | —                   | —                      | <b>2,371,337</b>  | 0.13  |
| Mr. Fong Shing-kwong,<br>Michael        | 2,197,373   | —                   | —                      | <b>2,197,373</b>  | 0.12  |
| Mr. Cheng Wai-chee,<br>Christopher      | 406,866   | —                   | —                      | <b>406,866</b>    | 0.02  |
| Mr. Chan Kam-ling<br>(note 12)          | 670,657   | —                   | 10,254,321<br>(note 5) | <b>10,924,978</b> | 0.60  |
| Mr. Chan Wing-tak, Douglas<br>(note 13) | 410,900   | —                   | —                      | <b>410,900</b>    | 0.02  |

|  | Number of shares/<br>amount of registered capital |                     |                        | Total            | Percentage to<br>the relevant<br>issued/<br>registered<br>capital as at<br>30th June 2005 |
|--|---|---------------------|------------------------|------------------|---|
|  | Personal<br>interests                             | Family<br>interests | Corporate<br>interests |                  |   |
| <b>Dragon Fortune Limited</b>                            |   |                     |                        |                  |   |
| (Ordinary shares of US\$1 each)                          |   |                     |                        |                  |   |
| Mr. Cheng Kar-shing, Peter                               | —   | —                   | 15,869<br>(note 6)     | <b>15,869</b>    | 27.41   |
| <b>Faith Yard Property Limited</b>                       |   |                     |                        |                  |   |
| (Ordinary shares of US\$1 each)                          |   |                     |                        |                  |   |
| Mr. Doo Wai-hoi, William                                 | —   | —                   | 1<br>(note 2)          | <b>1</b>         | 50.00   |
| <b>Fortune Star Worldwide Limited</b>                    |   |                     |                        |                  |   |
| (Ordinary shares of US\$1 each)                          |   |                     |                        |                  |   |
| Mr. Doo Wai-hoi, William                                 | —   | —                   | 60<br>(note 2)         | <b>60</b>        | 60.00   |
| <b>Fung Seng Estate Development (Shanghai) Co., Ltd.</b> |   |                     |                        |                  |   |
| (Registered capital in US\$)                             |   |                     |                        |                  |   |
| Mr. Doo Wai-hoi, William                                 | —   | —                   | 3,000,000<br>(note 7)  | <b>3,000,000</b> | 30.00   |
| <b>Grand Make International Limited</b>                  |   |                     |                        |                  |   |
| (Ordinary shares of US\$1 each)                          |   |                     |                        |                  |   |
| Mr. Doo Wai-hoi, William                                 | —   | —                   | 10<br>(note 2)         | <b>10</b>        | 10.00   |
| <b>HH Holdings Corporation</b>                           |   |                     |                        |                  |   |
| (Ordinary shares of HK\$1 each)                          |   |                     |                        |                  |   |
| Mr. Chan Kam-ling (note 12)                              | 15,000  | —                   | —                      | <b>15,000</b>    | 2.50  |

## Directors' interests in securities (continued)

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

|  | Number of shares/<br>amount of registered capital |                     |                         | Total              | Percentage to<br>the relevant<br>issued/<br>registered<br>capital as at<br>30th June 2005 |
|--|---|---------------------|-------------------------|--------------------|---|
|  | Personal<br>interests                             | Family<br>interests | Corporate<br>interests  |                    |   |
| <b>Master Services Limited</b>                         |   |                     |                         |                    |   |
| (Ordinary shares of US\$0.01 each)                     |   |                     |                         |                    |   |
| Mr. Leung Chi-kin, Stewart                             | 16,335  | —                   | —                       | <b>16,335</b>      | 1.63  |
| Mr. Chow Kwai-cheung                                   | 16,335  | —                   | —                       | <b>16,335</b>      | 1.63  |
| Mr. Chow Yu-chun,<br>Alexander                         | 16,335  | —                   | —                       | <b>16,335</b>      | 1.63  |
| Mr. Chan Kam-ling (note 12)                            | 16,335  | —                   | —                       | <b>16,335</b>      | 1.63  |
| <b>Ramada Property Ltd.</b>                            |   |                     |                         |                    |   |
| (Ordinary shares of US\$1 each)                        |   |                     |                         |                    |   |
| Mr. Doo Wai-hoi, William                               | —   | —                   | 200<br>(note 2)         | <b>200</b>         | 20.00   |
| <b>Shanghai Juyi Real Estate Development Co., Ltd.</b> |   |                     |                         |                    |   |
| (Registered capital in RMB)                            |   |                     |                         |                    |   |
| Mr. Doo Wai-hoi, William                               | —   | —                   | 105,000,000<br>(note 7) | <b>105,000,000</b> | 30.00   |
| <b>Shanghai Trio Property Development Co. Ltd.</b>     |   |                     |                         |                    |   |
| (Registered capital in US\$)                           |   |                     |                         |                    |   |
| Mr. Doo Wai-hoi, William                               | —   | —                   | 28,350,000<br>(note 8)  | <b>28,350,000</b>  | 52.50   |
| <b>Sun City Holdings Limited</b>                       |   |                     |                         |                    |   |
| (Ordinary shares of HK\$1 each)                        |   |                     |                         |                    |   |
| Mr. Cheng Kar-shing, Peter                             | —   | 80,000              | 3,570,000<br>(note 9)   | <b>3,650,000</b>   | 45.63   |
| <b>Sun Legend Investments Limited</b>                  |   |                     |                         |                    |   |
| (Ordinary shares of HK\$1 each)                        |   |                     |                         |                    |   |
| Mr. Cheng Kar-shing, Peter                             | —   | —                   | 500<br>(note 9)         | <b>500</b>         | 50.00   |

|  | Number of shares/<br>amount of registered capital |                     |                        | Total            | Percentage to<br>the relevant<br>issued/<br>registered<br>capital as at<br>30th June 2005 |
|--|---|---------------------|------------------------|------------------|---|
|  | Personal<br>interests                             | Family<br>interests | Corporate<br>interests |                  |   |
| <b>YE Holdings Limited</b>                                     |   |                     |                        |                  |   |
| (Ordinary shares of HK\$1 each)                                |   |                     |                        |                  |   |
| Mr. Leung Chi-kin, Stewart                                     | 37,500  | —                   | —                      | <b>37,500</b>    | 1.50  |
| <b>Zhaoqing New World<br/>Property Development<br/>Limited</b> |   |                     |                        |                  |   |
| (Registered capital in US\$)                                   |   |                     |                        |                  |   |
| Mr. Doo Wai-hoi, William                                       | —   | —                   | 8,250,000<br>(note 11) | <b>8,250,000</b> | 60.00   |
| <b>Zhaoqing New World<br/>Property Management<br/>Limited</b>  |   |                     |                        |                  |   |
| (Registered capital in HK\$)                                   |   |                     |                        |                  |   |
| Mr. Doo Wai-hoi, William                                       | —   | —                   | 300,000<br>(note 11)   | <b>300,000</b>   | 60.00   |

## 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.
- (3) These shares are beneficially owned by a company wholly-owned by Mr. Cheng Kar-shing, Peter.
- (4) These shares are beneficially owned by a company of which Mr. Leung Chi-kin, Stewart has a direct interest of 55%.
- (5) These shares are beneficially owned by a company of which Mr. Chan Kam-ling has a direct interest of 50%.
- (6) 4,102 shares are held by a company wholly-owned by Mr. Cheng Kar-shing, Peter and 11,767 shares are held by Sun City Holdings Limited ("Sun City"), of which Mr. Cheng is deemed to be interested in 45.63% of its issued share capital.
- (7) These represent the participating interests held by a company wholly-owned by Mr. Doo Wai-hoi, William.
- (8) These include 50% direct interests and 2.5% participating interests in the registered capital of Shanghai Trio Property Development Co. Ltd. being held by companies wholly-owned by Mr. Doo Wai-hoi, William.
- (9) These shares are held by a company of which Mr. Cheng Kar-shing, Peter owns an indirect interest of 48.18%.
- (10) Mr. Cheng Kar-shing, Peter is deemed to be interested in the shares of Sun Legend Investments Limited by virtue of his interests in Sun City.
- (11) Mr. Doo Wai-hoi, William is deemed to be interested in the registered capitals of these companies by virtue of his interest in Fortune Star Worldwide Limited, of which Mr. Doo Wai-hoi, William owns an indirect interest of 60%.
- (12) Mr. Chan Kam-ling resigned as an executive director of the Company with effect from 30th August 2004 and the closing balance of his interests refers to the balance as at his resignation date.
- (13) Mr. Chan Wing-tak, Douglas resigned as an executive director of the Company with effect from 13th July 2004 and the closing balance of his interests refers to the balance as at his resignation date.

## Directors' interests in securities (continued)

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

#### (1) *The Company*

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

| Name of director                 | Date of grant         | Exercisable period<br>(note 1)        | Number of share options     |                                      |                           |                                      | Balance as at<br>30th June<br>2005 | Exercise price per share<br>(note 2) |
|----------------------------------|-----------------------|---------------------------------------|-----------------------------|--------------------------------------|---------------------------|--------------------------------------|------------------------------------|--------------------------------------|
|                                  |                       |                                       | Balance as at 1st July 2004 | Adjusted during the year<br>(note 2) | Exercised during the year | Lapsed/re-classified during the year |                                    |                                      |
| Dr. Cheng Kar-shun,<br>Henry     | 7th February<br>2001  | 8th March 2001 to<br>7th March 2006   | 5,000,000                   | (5,000,000)                          | —                         | —                                    | —                                  | HK\$<br>1.955                        |
|                                  |                       |                                       | —                           | 12,500,000                           | —                         | —                                    | <b>12,500,000</b>                  | 1.782                                |
| Mr. Doo Wai-hoi, William         | 8th February<br>2001  | 9th March 2002 to<br>8th March 2006   | 2,800,000                   | (2,800,000)                          | —                         | —                                    | —                                  | 1.955                                |
|                                  |                       |                                       | —                           | 7,000,000                            | —                         | —                                    | <b>7,000,000</b>                   | 1.782                                |
| Mr. Cheng Kar-shing,<br>Peter    | 9th February<br>2001  | 10th March 2001 to<br>9th March 2006  | 2,500,000                   | (1,500,000)                          | (1,000,000)               | —                                    | —                                  | 1.955                                |
|                                  |                       |                                       | —                           | 3,750,000                            | (200,000)                 | —                                    | <b>3,550,000</b>                   | 1.782                                |
| Mr. Chow Yu-chun,<br>Alexander   | 8th February<br>2001  | 9th March 2001 to<br>8th March 2006   | 2,500,000                   | (2,500,000)                          | —                         | —                                    | —                                  | 1.955                                |
|                                  |                       |                                       | —                           | 6,250,000                            | —                         | —                                    | <b>6,250,000</b>                   | 1.782                                |
| Mr. Leung Chi-kin,<br>Stewart    | 7th February<br>2001  | 8th March 2001 to<br>7th March 2006   | 500,000                     | —                                    | (500,000)                 | —                                    | —                                  | 1.955                                |
|                                  |                       |                                       | —                           | —                                    | (note 5)                  | —                                    | —                                  | —                                    |
| Mr. Chow Kwai-cheung             | 9th February<br>2001  | 10th March 2001 to<br>9th March 2006  | 500,000                     | (100,000)                            | (400,000)                 | —                                    | —                                  | 1.955                                |
|                                  |                       |                                       | —                           | 250,000                              | —                         | —                                    | <b>250,000</b>                     | 1.782                                |
| Mr. Fong Shing-kwong,<br>Michael | 17th February<br>2001 | 18th March 2004 to<br>17th March 2006 | 400,000                     | (400,000)                            | —                         | —                                    | —                                  | 1.955                                |
|                                  |                       |                                       | —                           | 1,000,000                            | —                         | —                                    | <b>1,000,000</b>                   | 1.782                                |
| Mr. Chan Kam-ling                | 9th February<br>2001  | 10th March 2002 to<br>9th March 2006  | 400,000                     | —                                    | (200,000)                 | (200,000)                            | —                                  | 1.955                                |
|                                  |                       |                                       |                             |                                      | (note 7)                  | (note 8)                             |                                    |                                      |
| Mr. Chan Wing-tak,<br>Douglas    | 12th February<br>2001 | 13th March 2001 to<br>12th March 2006 | 500,000                     | —                                    | —                         | (500,000)                            | —                                  | 1.955                                |
|                                  |                       |                                       |                             |                                      |                           | (note 9)                             |                                    |                                      |
| Total                            |                       |                                       | 15,100,000                  | 18,450,000                           | (2,300,000)               | (700,000)                            | <b>30,550,000</b>                  |                                      |

#### Notes:

- The share options are exercisable within five years commencing from one month after the dates of grant, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total share options granted together with any unexercised share options carried forward from the previous anniversary years.
- Pursuant to the share option scheme of the Company, the number of share options and exercise price are subject to adjustment in case of alteration in the Company's capital structure. Accordingly, the rights issue as announced by the Company on 18th February 2005 constitutes an event giving rise to an adjustment to the exercise price and number of outstanding share options in accordance with the share option scheme. The exercise price per share of the share options has been adjusted from HK\$1.955 to HK\$1.782 with effect from 9th April 2005.
- The exercise dates were 25th October 2004 and 12th November 2004 for options representing 500,000 shares each. On 21st October 2004 and 11th November 2004, being the trading dates immediately before the share options were exercised, the closing price per share was HK\$2.70 and HK\$2.90 respectively.

- (4) The exercise date was 6th May 2005. On 5th May 2005, being the trading day immediately before the share options were exercised, the closing price per share was HK\$2.90.
- (5) The exercise date was 4th April 2005. On 1st April 2005, being the trading date immediately before the share options were exercised, the closing price per share was HK\$2.80.
- (6) The exercise date was 3rd February 2005. On 2nd February 2005, being the trading date immediately before the share options were exercised, the closing price per share was HK\$3.675.
- (7) The exercise date was 24th August 2004. On 23rd August 2004, being the trading date immediately before the share options were exercised, the closing price per share was HK\$2.125.
- (8) The interests of Mr. Chan Kam-ling in the share options were re-classified as employee's interests due to his resignation as a director of the Company on 30th August 2004. Mr. Chan Kam-ling remains to act as a director of certain subsidiaries of the Group.
- (9) The share options held by Mr. Chan Wing-tak, Douglas lapsed due to his resignation as a director of the Company on 13th July 2004.
- (10) The cash consideration paid by each director for each grant of the share options is HK\$10.

## Directors' interests in securities (continued)

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

#### (2) *New World Mobile Holdings Limited*

Under the share option scheme of a fellow subsidiary, New World Mobile Holdings Limited (“NWMH”), the following directors have personal interests in share options to subscribe for shares in NWMH and are accordingly regarded as interested in the underlying shares of NWMH. Details of the share options of NWMH granted to them are as follows:

| Name of director            | Date of grant     | Exercise price per share | Exercisable period | Number of shares entitled to subscribe under the share options as at 30th June 2005 |
|-----------------------------|-------------------|--------------------------|--------------------|---|
|                             |                   | HK\$                     |                    |   |
| Dr. Cheng Kar-shun, Henry   | 28th January 2005 | 1.26                     | (note)             | 780,000   |
| Mr. Doo Wai-hoi, William    | 28th January 2005 | 1.26                     | (note)             | 300,000   |
| Mr. Chow Yu-chun, Alexander | 28th January 2005 | 1.26                     | (note)             | 482,000   |

Note: Exercisable from 28th January 2005 to 31st December 2010.

During the year, no share options were exercised by the above directors under the share option scheme of NWMH. The cash consideration paid by the director for grant of the share options is HK\$1.00.

#### (3) *New World TMT Limited*

Under the share option scheme of a fellow subsidiary, New World TMT Limited (“NWTMT”) adopted on 3rd October 1997, the following director, who is also a director of NWTMT, was granted share options to subscribe for shares in NWTMT and accordingly, he is regarded as interested in the underlying shares of NWTMT. Details of the share options of NWTMT granted to him are as follows:

| Name of director | Date of grant       | Share options with exercise price per share of HK\$10.20 (note 1) |                              | Share options with exercise price per share of HK\$12.00 (note 2) |                              |
|------------------|---------------------|---|------------------------------|---|------------------------------|
|                  |                     | Balance as at 1st July 2004                                       | Balance as at 30th June 2005 | Balance as at 1st July 2004                                       | Balance as at 30th June 2005 |
| Mr. Fu Sze-shing | 23rd September 1999 | 240,000   | —                            | 960,000   | —                            |

Notes:

- (1) Exercisable from 1st July 2000 to 1st June 2005.
- (2) Divided into 3 tranches exercisable from 1st July 2001, 2002 and 2003 to 1st June 2005 respectively.
- (3) The share options lapsed on 2nd June 2005.
- (4) The cash consideration paid by the director for grant of the share options is HK\$10.

(4) *NWS Holdings Limited*

Under the share option schemes of a fellow subsidiary, NWS Holdings Limited (“NWS”), the following directors of the Company have personal interests in share options to subscribe for shares in NWS and are accordingly regarded as interested in the underlying shares of NWS. Details of the share options of NWS granted to them are as follows:

| Name of director                    | Date of grant  | Exercisable period | Number of share options     |                                   |                           | Balance as at 30th June 2005 | Exercise price per share (note 1) |
|-------------------------------------|----------------|--------------------|-----------------------------|-----------------------------------|---------------------------|------------------------------|-----------------------------------|
|                                     |                |                    | Balance as at 1st July 2004 | Adjusted during the year (note 1) | Exercised during the year |                              |                                   |
| Dr. Cheng Kar-shun, Henry           | 21st July 2003 | (note 2)           | 2,000,000                   | (1,000,000)                       | (1,000,000)               | —                            | HK\$ 3.725                        |
|                                     |                |                    | —                           | 1,009,849                         | —                         | <b>1,009,849</b>             | 3.719                             |
| Mr. Doo Wai-hoi, William            | 21st July 2003 | (note 2)           | 1,333,334                   | (666,667)                         | (666,667)                 | —                            | 3.725                             |
|                                     |                |                    | —                           | 673,233                           | —                         | <b>673,233</b>               | 3.719                             |
| Mr. Cheng Kar-shing, Peter          | 21st July 2003 | (note 2)           | 333,334                     | (166,667)                         | (166,667)                 | —                            | 3.725                             |
|                                     |                |                    | —                           | 168,308                           | —                         | <b>168,308</b>               | 3.719                             |
| Mr. Leung Chi-kin, Stewart          | 21st July 2003 | (note 3)           | 134,000                     | (68,000)                          | (66,000)                  | —                            | 3.725                             |
|                                     |                |                    | —                           | 68,669                            | —                         | <b>68,669</b>                | 3.719                             |
| Mr. Chow Yu-chun, Alexander         | 21st July 2003 | (note 2)           | 133,334                     | (133,334)                         | —                         | —                            | 3.725                             |
|                                     |                |                    | —                           | 134,647                           | —                         | <b>134,647</b>               | 3.719                             |
| Mr. Fong Shing-kwong, Michael       | 21st July 2003 | (note 2)           | 333,334                     | (166,667)                         | (166,667)                 | —                            | 3.725                             |
|                                     |                |                    | —                           | 168,308                           | —                         | <b>168,308</b>               | 3.719                             |
| Mr. Cheng Wai-chee, Christopher     | 21st July 2003 | (note 3)           | 600,000                     | (200,000)                         | (400,000)                 | —                            | 3.725                             |
|                                     |                |                    | —                           | 201,969                           | —                         | <b>201,969</b>               | 3.719                             |
| Mr. Chan Kam-ling (note 5)          | 21st July 2003 | (note 2)           | 1,333,334                   | —                                 | —                         | <b>1,333,334</b>             | 3.725                             |
| Mr. Chan Wing-tak, Douglas (note 6) | 11th May 1999  | (note 4)           | 1,000,000                   | —                                 | —                         | <b>1,000,000</b>             | 6.930                             |

## Notes:

- (1) The number of share options and exercise price were adjusted by NWS on 30th June 2005 as a result of the issue of shares by NWS to its shareholders who have elected to receive shares in lieu of cash for their entitlement of interim dividend as declared and paid by NWS during the year. The exercise price per share of the share options has been adjusted from HK\$3.725 to HK\$3.719 with effect from 30th June 2005.
- (2) Divided into 2 tranches exercisable from 21st July 2004 and 21st July 2005 to 20th July 2008, respectively.
- (3) Divided into 3 tranches exercisable from 21st January 2004, 21st July 2004 and 21st July 2005 to 20th July 2008, respectively.
- (4) Divided into 4 tranches exercisable from 5th November 1999, 5th May 2001, 5th May 2002, 5th May 2003 to 4th November 2004 respectively.
- (5) Mr. Chan Kam-ling resigned as an executive director of the Company with effect from 30th August 2004 and the closing balance of his interests refers to the balance as at his resignation date.
- (6) Mr. Chan Wing-tak, Douglas resigned as an executive director of the Company with effect from 13th July 2004 and the closing balance of his interests refers to the balance as at his resignation date.
- (7) The cash consideration paid by the director for each grant of the share options is HK\$10.

## Directors' interests in securities (continued)

Save as disclosed above, as at 30th June 2005, none of the directors, chief executives or any of their associates had or deemed to have any interest 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 Model Code for Securities Transactions by Directors of Listed Companies.

## Directors' interests in competing business

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

| <b>Name of director</b>                          | <b>Name of entity with competing business</b>       | <b>Business activity of the entity</b> | <b>Nature of interest of director in the entity</b> |
|--|---|--|---|
| Dr. Cheng Kar-shun, Henry                        | Beijing Jiang Guang Development Limited             | Hotel operation in Beijing             | Director  |
|  | Huizhou New World Enterprises Development Co., Ltd. | Property development in Huizhou        | Director  |
|  | Qingyuan New World Housing Development Ltd.         | Property development in Qingyuan       | Director  |
|  | Tianjin Tianzheng Property & Merchants Co., Ltd.    | Land improvement in Tianjin            | Director  |
|  | Wuhan New Eagle Development Co., Ltd.               | Property investment in Wuhan           | Director  |
|  | Wuxi Ramada Hotel Company Limited                   | Hotel operation in Wuxi                | Director  |
|  | Mr. Doo Wai-hoi, William                            | New Bei Fang Hotel Ltd.                | Property investment                                 |
| Tianjin Tianzheng Property & Merchants Co., Ltd. |   | Land improvement in Tianjin            | Director  |
| Mr. Cheng Kar-shing, Peter                       | Qingyuan New World Housing Development Ltd.         | Property development in Qingyuan       | Director  |
|  | Wuhan New Eagle Development Co., Ltd.               | Property investment in Wuhan           | Director  |
| Mr. Chow Kwai-cheung                             | 北京市天竺花園別墅發展有限公司                                     | Property development in Beijing        | Director  |
|  | Tianjin Tianzheng Property & Merchants Co., Ltd.    | Land improvement in Tianjin            | Director  |
|  | 廣州金湖住宅發展有限公司  | Property development in Guangzhou      | Director  |
|  | 廣州紅丰房地產有限公司   | Property development in Guangzhou      | Director  |
|  | 增城永裕房地產有限公司   | Property development in Guangzhou      | Director  |

| <b>Name of director</b>       | <b>Name of entity with competing business</b>        | <b>Business activity of the entity</b> | <b>Nature of interest of director in the entity</b> |
|-------------------------------|--|--|---|
| Mr. Chow Yu-chun, Alexander   | Beijing Fu Wah Real Estates Development Co., Ltd.    | Property development in Beijing        | Director  |
|                               | Beijing Niceline Real Estates Development Co., Ltd.  | Property development in Beijing        | Director  |
|                               | Grand New World Hotel Company Limited                | Hotel operation in Xian                | Director  |
|                               | Guangzhou Metropolitan Properties Co., Ltd.          | Property development in Guangzhou      | Director  |
|                               | Guangzhou New World Properties Development Co., Ltd. | Property development in Guangzhou      | Director  |
|                               | Huizhou New World Enterprises Development Co., Ltd.  | Property development in Huizhou        | Director  |
|                               | New Bei Fang Hotel Ltd.                              | Property investment                    | Director  |
|                               | Qingyuan New World Housing Development Ltd.          | Property development in Qingyuan       | Director  |
|                               | Wuhan New Eagle Development Co., Ltd.                | Property investment in Wuhan           | Director  |
| Mr. Fong Shing-kwong, Michael | Beijing Jiang Guang Centre Co., Ltd.                 | Hotel operation in Beijing             | Director  |
|                               | Beijing Fu Wah Real Estates Development Co., Ltd.    | Property development in Beijing        | Director  |
|                               | Beijing Niceline Real Estates Development Co., Ltd.  | Property development in Beijing        | Director  |
|                               | Grand New World Hotel Company Limited                | Hotel operation in Xian                | Director  |
|                               | Wuxi New City Development Co., Ltd.                  | Hotel operation in Wuxi                | Director  |

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

## Substantial shareholders' interests in shares

As at 30th June 2005, the register of substantial shareholders maintained under Section 336 of the SFO showed that the following parties had interests in 5% or more of the issued share capital of the Company:

| Name   | Number of shares     |                     | Number of shares comprised in derivatives (note 3) |                     | Total                | Percentage to the issued share capital as at 30th June 2005 |
|--|----------------------|---------------------|--|---------------------|----------------------|---|
|  | Beneficial interests | Corporate Interests | Beneficial interests                               | Corporate Interests |                      |   |
| Chow Tai Fook Enterprises Limited (note 1)             | —                    | 2,714,858,780       | —  | 262,000,000         | <b>2,976,858,780</b> | 79.00   |
| New World Development Company Limited ("NWD") (note 2) | 2,537,632,731        | 177,226,049         | —  | 262,000,000         | <b>2,976,858,780</b> | 79.00   |
| Easywin Enterprises Corporation Limited ("Easywin")    | 113,351,879          | —                   | 262,000,000  | —                   | <b>375,351,879</b>   | 9.96  |

Notes:

- (1) Chow Tai Fook Enterprises Limited and its subsidiaries have interests in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares in which NWD is interested or deemed to be interested.
- (2) NWD holds 100% in Easywin and is accordingly deemed to have an interest in the shares held by Easywin in the Company. NWD is also deemed to be interested in 22,508,064 shares held by Great Worth Holdings Limited, its 59% owned subsidiary and 41,366,106 shares held by High Earnings Holdings Limited, its 54% owned subsidiary.
- (3) Pursuant to certain option agreements all dated 30th May 2005, Easywin granted put options in respect of 262,000,000 shares of the Company to independent third parties which are exercisable at an initial exercise price of HK\$2.90 per share (subject to adjustment) on 25th May 2007 (subject to certain accelerating events as provided therein).

All the interests stated above represent long position. Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 336 of the SFO as at 30th June 2005.

## Share option schemes

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

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

|  | <b>2000 Share Option Scheme</b>   | <b>2002 Share Option Scheme</b>   |
|--|---|---|
| Purpose of the schemes   | As incentive to employees, including executive directors, of the Company or its subsidiaries  | To provide an opportunity for the full-time or part-time employees, including directors, of the Group to participate in the equity of the Company as well as to motivate them to optimize their performance   |
| Participants of the schemes  | Full-time employees, including any directors, of the Company or its subsidiaries  | Full-time or part-time employees, including directors, of the Company or its subsidiaries   |
| Total number of shares available for issue under the schemes and percentage of issued share capital as at the date of this annual report | The Company had granted share options representing the rights to subscribe for 65,745,200 shares of the Company under the 2000 Share Option Scheme, together with 38,158,200 shares by way of adjustment on the number of share options as a result of the Company’s issue of rights shares which became unconditional on 8th April 2005. No further options will be granted under the 2000 Share Option Scheme | The Company had granted share options representing the rights to subscribe for 9,697,200 shares under the 2002 Share Option Scheme up to the date of this report, together with 6,465,900 shares by way of adjustment on the number of share options as a result of the Company’s issue of rights shares which became unconditional on 8th April 2005. The Company may further grant share options to subscribe for 49,242,529 shares of the Company, representing approximately 1.30% of the total issued share capital of the Company as at the date of this report |
| Maximum entitlement of each participant under the schemes  | 25% of the aggregate number of shares for the time being issued and issuable under the scheme   | The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless the same is approved by shareholders in general meeting   |

## Share option schemes (continued)

|   | <b>2000 Share Option Scheme</b>   | <b>2002 Share Option Scheme</b>  |
|---|---|--|
| The period within which the shares must be taken up under an option   | At any time during a period to be notified by the Directors, which period not to exceed 5 years commencing on the expiry of 1 month after the date on which the option is accepted and expiring on the last day of the 5-year period  | At any time during a period to be notified by the Directors, which period not to exceed 5 years commencing on the expiry of 1 month after the date on which the option is accepted and expiring on a date not later than the last day of the 5-year period   |
| The minimum period for which an option must be held before it can be exercised  | 1 month   | 1 month  |
| The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid | HK\$10 is to be paid as consideration for the grant of option within 28 days from the date of offer   | HK\$10 is to be paid as consideration for the grant of option within 28 days from the date of offer  |
| The basis of determining the exercise price   | <p>The exercise price shall be determined by the Directors, being the higher of:</p> <p>(a) not less than 80% of the average closing price of shares on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of offer; or</p> <p>(b) the nominal value of a share</p> | <p>The exercise price shall be determined by the Directors, being at least the higher of:</p> <p>(a) the closing price of shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of offer, which must be a business day; and</p> <p>(b) the average closing price of shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of offer</p> |
| The remaining life of the schemes   | The 2000 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 18th December 2000  | The 2002 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 26th November 2002   |

During the year ended 30th June 2005, movement of share options granted to the directors and employees of the Group under the 2000 Share Option Scheme and the 2002 Share Option Scheme was as follows:

- (A) Movement of share options to directors was disclosed under the heading "Directors' interests in securities" above.
- (B) Movement of share option to employees was as follows:

*Under the 2000 Share Option Scheme*

| Date of grant                           | Number of share options (note 1) |   |                                   |                                    |                        | Outstanding as at 30th June 2005 | Exercise price per share (note 3) |
|---|----------------------------------|---|-----------------------------------|------------------------------------|------------------------|----------------------------------|-----------------------------------|
|   | Balance as at 1st July 2004      | Re-classified as employee's interests during the year | Adjusted during the year (note 3) | Exercised during the year (note 5) | Lapsed during the year |                                  |                                   |
| 5th February 2001 to 2nd March 2001     | 22,338,400                       | 200,000   | (10,350,800)                      | (11,589,600)                       | (598,000)              | —                                | HK\$ 1.955                        |
|   | —                                | —   | 25,877,000                        | (6,384,600)                        | —                      | <b>19,492,400</b>                | 1.782*                            |
| 2nd May 2001 to 29th May 2001           | 402,000                          | —   | (383,200)                         | (18,800)                           | —                      | —                                | 2.605                             |
|   | —                                | —   | 958,000                           | (398,000)                          | —                      | <b>560,000</b>                   | 2.375*                            |
| 29th June 2001 to 26th July 2001        | 2,097,200                        | —   | (1,371,600)                       | (572,000)                          | (153,600)              | —                                | 3.192                             |
|   | —                                | —   | 3,429,000                         | —                                  | (234,000)              | <b>3,195,000</b>                 | 2.910*                            |
| 31st August 2001 to 27th September 2001 | 590,000                          | —   | (478,000)                         | (100,000)                          | (12,000)               | —                                | 2.380                             |
|   | —                                | —   | 1,195,000                         | (248,000)                          | —                      | <b>947,000</b>                   | 2.170*                            |
| 26th March 2002 to 22nd April 2002      | 861,200                          | —   | (555,200)                         | (306,000)                          | —                      | —                                | 2.265                             |
|   | —                                | —   | 1,388,000                         | (633,400)                          | (12,600)               | <b>742,000</b>                   | 2.065*                            |
| <b>Total</b>                            | <b>26,288,800</b>                | <b>200,000</b>  | <b>19,708,200</b>                 | <b>(20,250,400)</b>                | <b>(1,010,200)</b>     | <b>24,936,400</b>                |                                   |

## Share option schemes (continued)

### Under the 2002 Share Option Scheme

| Date of grant                           | Number of share options (note 1) |                                  |                                   |                                    | Outstanding as at 30th June 2005 | Exercise price per share (note 3) |
|---|----------------------------------|----------------------------------|-----------------------------------|------------------------------------|----------------------------------|-----------------------------------|
|   | Balance as at 1st July 2004      | Granted during the year (note 4) | Adjusted during the year (note 3) | Exercised during the year (note 6) |                                  |                                   |
| 3rd January 2003 to 30th January 2003   | 676,800<br>—                     | —<br>—                           | (501,600)<br>1,254,000            | (175,200)<br>(43,800)              | —<br>—                           | HK\$<br>1.330<br>1.212*           |
| 12th May 2003 to 6th June 2003          | 1,544,000<br>—                   | —<br>—                           | (1,064,200)<br>2,660,500          | (275,000)<br>(800)                 | (204,800)<br>—                   | —<br>1.000<br>0.912*              |
| 28th October 2003 to 22nd November 2003 | 237,600<br>—                     | —<br>—                           | (27,600)<br>69,000                | (9,200)<br>—                       | (200,800)<br>—                   | —<br>1.810<br>1.650*              |
| 18th December 2003 to 14th January 2004 | 1,300,000<br>(note 2)<br>—       | —<br>—                           | (750,000)<br>1,875,000            | (550,000)<br>(250,000)             | —<br>—                           | 1.830<br>1.668*                   |
| 25th March 2004 to 21st April 2004      | 976,000<br>—                     | —<br>—                           | (818,800)<br>2,047,000            | (84,000)<br>(54,800)               | (73,200)<br>—                    | —<br>2.470<br>2.252*              |
| 18th June 2004 to 15th July 2004        | —<br>—                           | 560,400<br>—                     | (353,200)<br>883,000              | (74,400)<br>—                      | (132,800)<br>—                   | —<br>1.810<br>1.650*              |
| 4th November 2004 to 1st December 2004  | —<br>—                           | 282,800<br>—                     | (282,800)<br>707,000              | —<br>—                             | —<br>—                           | 2.725<br>2.484*                   |
| 22nd December 2004 to 18th January 2005 | —<br>—                           | 536,400<br>—                     | (512,400)<br>1,281,000            | (24,000)<br>(400)                  | —<br>(46,600)                    | 2.950<br>2.689*                   |
| <b>Total</b>                            | <b>4,734,400</b>                 | <b>1,379,600</b>                 | <b>6,465,900</b>                  | <b>(1,541,600)</b>                 | <b>(658,200)</b>                 | <b>10,380,100</b>                 |

## Notes:

- (1) The share options are exercisable within five years commencing from one month after the dates of grant, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total share options granted together with any unexercised share options carried forward from the previous anniversary years, except otherwise specified in note 2.
- (2) The share options are exercisable within two years commencing from one month after the dates of grant, provided that the maximum number of share options that can be exercised during each anniversary year is 50% of the total share options granted together with any unexercised share options carried forward from the previous anniversary year.
- (3) Pursuant to the share option schemes of the Company, the number of share options and exercise price are subject to adjustment in case of alteration in the Company's capital structure. Accordingly, the rights issue as announced by the Company on 18th February 2005 constitutes an event giving rise to an adjustment to the exercise price and number of outstanding share options in accordance with the share option schemes. The adjusted exercise prices are identified with asterisks.
- (4) The closing prices per share immediately before 18th June 2004, 4th November 2004 and 22nd December 2004, the dates of grant, were HK\$1.820, HK\$2.675 and HK\$2.975 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\$2.870.
- (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\$2.859.

The fair values of the share options granted during the year with subscription prices per share of HK\$1.810, HK\$2.725 and HK\$2.950 (adjusted to HK\$1.650, HK\$2.484 and HK\$2.689 respectively) are estimated at HK\$0.40, HK\$0.56 and HK\$0.61 respectively using the Binomial pricing model. Values are estimated based on the risk-free rate ranging from 2.59% to 3.59% per annum with reference to the rate prevailing on the Exchange Fund Notes, a one-year period historical volatility of 0.22, assuming no dividends and an expected option life of 5 years.

The Binomial pricing model required input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

## Management contracts

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

## Major customers and suppliers

During the year, less than 30% of the Group's turnover and less than 30% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

## Continuing obligations under Chapter 13 of the Listing Rules

### (A) Advance to entities

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 which individually exceeded 8% of the Company's market capitalisation as at 30th June 2005, as follows:

| Names of affiliated companies    | Attributable interest held by the Group | Advances as at 30th June 2005 |                          | Interest rate per annum | Guarantee given (C) | Total (A+B+C)  |
|----------------------------------|---|-------------------------------|--------------------------|-------------------------|---------------------|----------------|
|                                  |   | Interest bearing (A)          | Non-interest bearing (B) |                         |                     |                |
|                                  |   | HK\$'000                      | HK\$'000                 |                         | HK'000              | HK'000         |
| <b>Associated companies</b>      |   |                               |                          |                         |                     |                |
| Grand Make International Limited | 45%                                     | —                             | 435,375                  | —                       | 461,738             | 897,113        |
| <b>Sub-total (D)</b>             |   | <b>—</b>                      | <b>435,375</b>           |                         | <b>461,738</b>      | <b>897,113</b> |

## Continuing obligations under Chapter 13 of the Listing Rules (continued)

### (A) Advance to entities (continued)

| Names of affiliated companies                                | Attributable interest held by the Group | Advances as at 30th June 2005 |                          | Interest rate per annum | Guarantee given (C) | Total (A+B+C)    |
|--|---|-------------------------------|--------------------------|-------------------------|---------------------|------------------|
|  |   | Interest bearing (A)          | Non-interest bearing (B) |                         |                     |                  |
|  |   | HK\$'000                      | HK\$'000                 |                         | HK'000              | HK'000           |
| <b>Jointly controlled entities</b>                           |   |                               |                          |                         |                     |                  |
| Beijing Chong Wen-New World Properties Development Co., Ltd. | 70%                                     | 1,471,936                     | —                        | 8.5%                    | 467,290             | 1,939,226        |
| Beijing Chong Yu Real Estate Development Co., Ltd.           | 70%                                     | 1,200,939                     | —                        | 8.5%                    | 467,290             | 1,668,229        |
| China New World Electronic Ltd.                              | 70%                                     | 1,149,427                     | —                        | HK prime rate           | 46,729              | 1,196,156        |
| <b>Sub-total (E)</b>   |   | <b>3,822,302</b>              | <b>—</b>                 |                         | <b>981,309</b>      | <b>4,803,611</b> |
| <b>Total (D+E)</b>   |   | <b>3,822,302</b>              | <b>435,375</b>           |                         | <b>1,443,047</b>    | <b>5,700,724</b> |

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

Note: The market capitalisation of the Company as at 30th June 2005 amounted to HK\$9,891,653,184 based on the total number of 3,768,248,832 shares of the Company in issue on 30th June 2005 and the average closing price per share of HK\$2.625 for the five business days immediately preceding 30th June 2005.

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

As at 30th June 2005, the Group had made loans and advances totalling HK\$9,137,742,000 to affiliated companies, guaranteed bank loans and other borrowing facilities for the benefit of affiliated companies in the amount of HK\$2,057,808,000. These amounts in aggregate exceed 8% of the Company's market capitalisation as at 30th June 2005. In accordance with the requirements under rule 13.22 of the Listing Rules, a proforma combined balance sheet of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 30th June 2005 are presented below:

|                                  | Proforma combined balance sheet | Group's attributable interests |
|----------------------------------|---------------------------------|--------------------------------|
|                                  | HK\$'000                        | HK\$'000                       |
| Non-current assets               | 15,373,962                      | 8,939,848                      |
| Current assets                   | 7,047,200                       | 4,538,013                      |
| Current liabilities              | (5,625,156)                     | (3,485,796)                    |
| Non-current liabilities          | (3,841,572)                     | (2,274,884)                    |
| Shareholders' loans and advances | (9,421,006)                     | (9,137,742)                    |
|                                  | <b>3,533,428</b>                | <b>(1,420,561)</b>             |

**(C) Banking facilities with covenants relating to specific performance of the controlling shareholder**

In accordance with the requirements under rule 13.21 of the Listing Rules, the directors of the Company reported below details of loan facilities, which exist at any time during the year and include conditions relating to specific performance of the controlling shareholder of the Company.

On 24th March 2005, Beijing Lingal Real Estates Development Co., Ltd. (“Beijing Lingal”), an indirect wholly-owned subsidiary of the Company, was granted a 2-year term loan facility of up to RMB200,000,000. Upon the granting of the loan facility, the Company undertook to the lender that New World Development Company Limited would retain an interest of at least 51% in the issued share capital of the Company throughout the term of the facility. Failure to perform the undertaking which continues for a period of 7 days next following the date of notice given by the lender requiring the same to be remedied will constitute an event of default which will render the outstanding liability of Beijing Lingal under the loan facility to become immediately due and payable and the loan facility to be terminated.

## Model code for securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the “Model Code”) as the code of conduct regarding directors’ securities transactions. The Company has confirmed with the Directors that they have complied with the standard set out in the Model Code in the fiscal year.

## Code of best practice

During the year under review, the Company has complied with the Code of Best Practice as set forth in Appendix 14 of the Listing Rules which was in force prior to 1st January 2005, which remains applicable to disclosure in annual reports in respect of accounting periods commencing before 1st January 2005 under the transitional arrangement, save that non-executive Directors are not appointed for specific terms as they are subject to retirement by rotation at the annual general meeting of the Company at least once every three years in accordance with the articles of association of the Company.

## Statement of public float sufficiency

Based on information publicly available to the Company and within the knowledge of the directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

## Auditors

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

On behalf of the Board

**Dr. Cheng Kar-shun, Henry**

*Chairman and Managing Director*

Hong Kong, 6th October 2005