

# Report of the Directors

The Directors present their annual report and financial statements for the year ended 30 June 2006.

## Group activities

The principal activities of the Company remain investment holding and property investment. The principal activities of the principal subsidiaries, associated companies and jointly controlled entities are shown in Notes 50, 51 and 52 to the financial statements on pages 168 to 180.

## Financial statements

The result of the Group for the year ended 30 June 2006 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 97 to 180.

## Dividends

The Directors have resolved to recommend a final dividend for the year ended 30 June 2006 of HK\$0.20 per share (2005: HK\$0.20 per share) comprising a cash dividend of HK\$0.01 per share (which is being paid in order to ensure that the shares of the Company continue to qualify as Authorised Investments for the purpose of the Trustee Ordinance of Hong Kong) and a scrip dividend by way of an issue of new shares equivalent to HK\$0.19 per share with a cash option to shareholders registered on 24 November 2006. Together with the interim dividend of HK\$0.13 per share paid in July 2006, total distribution for the year ended 30 June 2006 would thus be HK\$0.33 per share (2005: HK\$0.30 per share).

## Share capital

Details of movements in share capital during the year are set out in Note 36 to the financial statements.

## Reserves

Details of movements in reserves are set out in Note 37 to the financial statements.

Distributable reserves of the Company at 30 June 2006 amounted to HK\$11,837.1 million (2005: HK\$10,836.8 million).

## Five-year financial summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 181 and 182.

## Purchase, sale or redemption of listed securities

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

## Donations

The Group made charitable and other donations during the year amounting to HK\$12.5 million (2005: HK\$15.6 million).

## Property, plant and equipment

Details of movements in property, plant and equipment during the year are set out in Note 18 to the financial statements.

## Connected transactions

Connected transactions of the Company during the year and up to the date of this report are set out on pages 73 to 78.

# Report of the Directors

## Rule 13.20 and 13.22 of the Listing Rules

The disclosure pursuant to Rule 13.20 and 13.22 of the Listing Rules is set out on page 94.

## Directors

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

### Executive Directors

Dato' Dr. Cheng Yu-Tung (Chairman)  
Dr. Cheng Kar-Shun, Henry (Managing Director)  
Dr. Sin Wai-Kin, David  
Mr. Liang Chong-Hou, David  
Mr. Leung Chi-Kin, Stewart

### Non-executive Directors

Mr. Cheng Yue-Pui  
Mr. Cheng Kar-Shing, Peter  
Mr. Chow Kwai-Cheung  
Mr. Ho Hau-Hay, Hamilton  
Mr. Liang Cheung-Biu, Thomas

### Independent Non-executive Directors

Lord Sandberg, Michael  
Mr. Yeung Ping-Leung, Howard  
Dr. Cha Mou-Sing, Payson JP  
Mr. Cha Mou-Zing, Victor (alternate director to Dr. Cha Mou-Sing, Payson)  
Mr. Lee Luen-Wai, John JP

In accordance with Article 103(A) of the Company's Articles of Association, Dr. Cheng Kar-Shun, Henry, Mr. Leung Chi-Kin, Stewart, Mr. Cheng Kar-Shing, Peter, Lord Sandberg, Michael and Dr. Cha Mou-Sing, Payson retire by rotation and, being eligible, offer themselves for re-election.

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

## Audit committee

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

## Directors' interests in contracts

Pursuant to an agreement dated 5 August 1993 (the "Agreement") made between Hotel Property Investments (B.V.I.) Limited ("HPI") and Renaissance Hotel Holdings (B.V.I.) Limited ("Renaissance"), both being former subsidiaries of the Group, and CTF Holdings Limited ("CTFHL"), HPI agreed to pay CTFHL an annual fee in accordance with the terms of the Agreement. This Agreement was assigned to New World Hotels (Holdings) Limited ("NWHH"), a subsidiary of the Group, on 25 July 1997. CTFHL was paid a fee of US\$11.0 million (HK\$85.0 million) for the year ended 30 June 2006 (2005: US\$11.2 million (HK\$87.5 million)). Dr. Cheng Kar-Shun, Henry, Director of the Company and Mr. Doo Wai-Hoi, William ("Mr. Doo"), a director of certain subsidiaries of the Group, are interested in this transaction to the extent that they have beneficial interests in CTFHL.

# Report of the Directors

## Directors' interests in contracts *(continued)*

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

## Directors' interests in shares, underlying shares and debentures

As at 30 June 2006, interests of the Directors and their associates in shares, underlying shares and debentures of the Company and its associated corporations which were recorded in the register to be kept by the Company under Section 352 of the Securities and Futures Ordinance ("SFO") are set out on pages 79 to 93.

## Directors' interests in competing businesses

During the year, the following Directors have interests in the following businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors of the Company were appointed as Directors to represent the interests of the Company and/or the Group pursuant to the Listing Rules:

Name of Director	Businesses which are considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of businesses	
Dr. Cheng Yu-Tung	Shun Tak Holdings Limited ("Shun Tak") group of companies	Property investment and development, ferry services and hotel related services	Director
	Chow Tai Fook Enterprises Limited ("CTF") group of companies	Property investment and development and transport	Director
	Melbourne Enterprises Limited ("Melbourne") group of companies	Property investment	Director
	Lifestyle International Holdings Ltd. ("Lifestyle") group of companies	Department stores operations and property investment	Director
Dr. Cheng Kar-Shun, Henry	Shun Tak group of companies	Property investment and development, ferry services and hotel related services	Director
	CTF group of companies	Property investment and development and transport	Director
	HKR International Limited group of companies	Property investment and development and property management	Director
	Lifestyle group of companies	Department stores operations and property investment	Director
Dr. Sin Wai-Kin, David	Miramar Hotel & Investment Company Limited ("Miramar") group of companies	Property investment and hotel operation	Director
Mr. Cheng Yue-Pui	CTF group of companies	Property investment and development and transport	Director
	Melbourne group of companies	Property investment	Director

# Report of the Directors

## Directors' interests in competing businesses *(continued)*

Name of Director	Businesses which are considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of businesses	
Mr. Cheng Kar-Shing, Peter	CTF group of companies	Property investment and development and transport	Director
	Long Vocation Investments Limited group of companies	Property investment	Director and Shareholder
Mr. Chow Kwai-Cheung	Flying Dragon Properties Ltd.	Property investment	Director and Shareholder
	Global Agents Ltd.	Investment holding	Director and Shareholder
Mr. Ho Hau-Hay, Hamilton	CITIC Pacific Limited	Property development and investment, telecommunications, and operation of power station and tunnel and financial services	Director
	Honorway Investments Limited	Property development and investment	Director and Shareholder
	Tak Hung (Holding) Company Limited	Property development and investment	Director and Shareholder
Mr. Liang Cheung- Bui, Thomas	Bermuda Investments Limited	Property investment	Director
	Greenwich Investors Limited	Property investment	Director
	Lambda Enterprises Limited	Property management	Director
	Miramar group of companies	Property investment and hotel operation	Director
	Notting Hill Development Limited	Property investment	Director
	Ramadon Company Limited	Property investment	Director
	Roundtree Property Company Limited	Property investment	Director

As the Board of Directors of the Company is independent of the boards of the above-mentioned entities and none of the above Directors can control the Board of the Company, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from the businesses of these entities.

## Management contracts

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

## Directors' rights to acquire shares or debentures

Save as disclosed under the section headed "Share Option Schemes" below, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company or chief executive or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

# Report of the Directors

## Share option schemes

Share option schemes of the Group are set out on pages 81 to 93.

## Substantial shareholders' interests in securities

As at 30 June 2006, the interests or short positions of substantial shareholders (as defined in the Listing Rules) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

### Long positions in shares

Name	Number of shares held			Approximate % of shareholding
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited ("CYTFH") <sup>(1)</sup>	–	1,274,061,712	1,274,061,712	35.01
Centennial Success Limited ("Centennial") <sup>(2)</sup>	–	1,274,061,712	1,274,061,712	35.01
CTF <sup>(3)</sup>	1,143,548,446	130,513,266	1,274,061,712	35.01

Notes:

- (1) CYTFH holds 51% direct interest in Centennial and is accordingly deemed to have an interest in the shares deemed to be interested by Centennial.
- (2) Centennial holds 100% direct interest in CTF and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF.
- (3) CTF together with its subsidiaries.

Save as disclosed above, no other person was recorded in the register kept pursuant to Section 336 of the SFO as having an interest in 10% or more of the issued share capital of the Company as at 30 June 2006.

# Report of the Directors

## Other persons' interests in securities

As at 30 June 2006, the interests or short positions of persons (other than Directors or chief executive or substantial shareholders (as defined in the Listing Rules)) in the shares and underlying shares of the Company as recorded in the register as required to be kept under Section 336 of the SFO were as follows:

### Long positions in the shares and underlying shares of the Company

Name	Capacity	Number of shares held	Number of underlying shares held	Total	Approximate % of shareholding
Marathon Asset Management Ltd	Investment manager	208,191,948	–	208,191,948	5.72
Timothy R. Barakett <sup>(1)</sup>	Interest of controlled corporations	166,629,068	63,701,740	230,330,808	6.33
Atticus Management LLC <sup>(2)</sup>	Investment manager	166,629,068	63,701,740	230,330,808	6.33
Atticus Capital LP	Investment manager	166,629,068	63,701,740	230,330,808	6.33

### Short positions in the underlying shares of the Company

Name	Capacity	Number of underlying shares held	Approximate % of Shareholding
Timothy R. Barakett <sup>(1)</sup>	Interest of controlled corporations	127,403,000	3.5
Atticus Management LLC <sup>(2)</sup>	Investment manager	127,403,000	3.5
Atticus Capital LP	Investment manager	127,403,000	3.5

Notes:

(1) *Atticus Management LLC is wholly owned by Mr Timothy R. Barakett who is deemed to have interests in the shares and underlying shares deemed to be interested by Atticus Management LLC.*

(2) *Atticus Capital LP is a wholly owned subsidiary of Atticus Management LLC. Atticus Management LLC is deemed to be interested in the shares and underlying shares interested by Atticus Capital LP.*

Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 336 of the SFO as at 30 June 2006.

## Sufficiency of public float

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

# Report of the Directors

## Major customers and suppliers

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

## Significant change in shareholdings of subsidiaries

- (a) On 21 October 2005, New World Mobile Holdings Limited ("NWMH") acquired from New World CyberBase Limited the entire issued share capital of New World CyberBase Solutions (BVI) Limited and its subsidiaries for a consideration of HK\$21.0 million. The purchase consideration was satisfied by the issuance of 16,153,846 shares of NWMH at HK\$1.30 each. Following the issuance of shares in NWMH, the Group's interest in NWMH reduced by 14.4% to approximately 58.0%.
- (b) On 1 November 2005, the Company requested the board of directors of New World TMT Limited ("NWTMT") to put forward a proposal to the shareholders of NWTMT other than the New World Development Group ("the Scheme Shareholders") regarding a proposed privatisation of NWTMT by way of a scheme of arrangement ("the Scheme") under Section 86 of the Companies Law of the Cayman Islands. The shares in the share capital of NWTMT held by the Scheme Shareholders would all be cancelled in exchange for HK\$0.75 in cash for each share.

The Scheme was approved by the Scheme Shareholders at the Court Meeting and an Extraordinary General Meeting. The Scheme became effective on 21 February 2006 and the amount of approximately HK\$326.7 million was paid to the Scheme Shareholders on 2 March 2006. Accordingly, NWTMT became a wholly owned subsidiary of the Company.

- (c) On 8 December 2005, NWMH entered into a Merger Agreement with Telstra CSL Limited ("Telstra CSL") and Telstra Holdings (Bermuda) No. 2 Limited, pursuant to which Telstra CSL has agreed to issue and allot and NWMH has agreed to procure Upper Start Holdings Limited, a wholly owned subsidiary of NWMH, to subscribe for new shares in Telstra CSL, which will represent 23.6% of the enlarged share capital of Telstra CSL upon completion, in exchange for the transfer of all of NWMH's interest in New World PCS Limited, a wholly owned subsidiary of NWMH, to Telstra CSL and a cash payment of HK\$244.0 million by NWMH to Telstra CSL. The Merger Agreement was approved by the shareholders of NWMH at the extraordinary general meeting held on 24 March 2006.

## Auditors

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

On Behalf of the Board

### Dr. Cheng Yu-Tung

Chairman

Hong Kong, 10 October 2006

# Report of the Directors

## Connected Transactions

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

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

- (2) In July 1999, a deed of tax indemnity was entered into between the Company and New World China Land Limited (“NWCL”) whereby the Company undertakes to indemnify NWCL in respect of, inter alia, certain PRC income tax (“IT”) and land appreciation tax (“LAT”) in The People’s Republic of China (“PRC”) payable in consequence of the disposal of certain properties held by NWCL as at 31 March 1999 and in respect of which the aggregate amount of LAT and IT is estimated at approximately HK\$6,782.8 million (2005: HK\$6,172.9 million). During the year, tax indemnity amounted to HK\$34.8 million was effected (2005: Nil).

- (3) On 15 May 2002, the Company, CTF and Wee Investments (Pte.) Limited (“Wee”), an independent third party property development company, entered into a funding agreement, a performance and completion undertaking and a deed of guarantee entered into by the Company (“Financing Documents”), in favour of the agent for the lenders in respect of HK\$1,300.0 million term loan facility granted by a syndicate of banks to Jade Gain Enterprises Limited (“Jade Gain”), which is the developer of Tseung Kwan O Town Lot No. 75 Area 55b development site (“the Project”). The Company, CTF and Wee have direct or indirect shareholdings of 45.0%, 30.0% and 25.0% respectively in Jade Gain. The financial obligations of the Company, CTF and Wee under the Financing Documents are several and are in proportion to each shareholder’s respective shareholding percentage in Jade Gain. However the financial obligations of the Company, CTF and Wee under the Financing Documents might be adjusted if one of the party defaulted under the development agreement of the Project dated 6 February 2002. Under such circumstances, the non-defaulting parties would have to assume the financial obligations of the defaulting party under the Financing Documents on a pro rata basis amongst the non-defaulting parties so that a party might have to assume the financing obligations under the Financing Documents greater than the proportion to each shareholders’ respective shareholder’s percentage in Jade Gain.

As CTF is regarded as a connected person of the Company, entering into the Financial Documents by the Company constituted connected transaction of the Company under the Listing Rules.

On 28 April 2006, the HK\$1,300.0 million term loan facility was fully repaid and the obligations of the Company, CTF and Wee under the Financing Documents were released/discharged.

- (4) On 25 July 2002, Shanghai Ramada Plaza Ltd. (“Shanghai Ramada”), then 57.0% owned subsidiary of NWCL, was granted loan facilities of US\$10.0 million and RMB300.0 million by two banks for terms of 5 years to finance the construction of its property project and as general working capital. Upon granting of the loan facilities, NWCL provided guarantees in respect of the full obligation and liabilities of Shanghai Ramada under the loan facilities as well as the completion of Shanghai Ramada Plaza and undertook that the funding requirement relating to the completion of its construction would be fulfilled. The aforesaid loan facility was extended for further 3 years up to 30 June 2010.

On 24 June 2003, Shanghai Ramada, then 61.8% owned subsidiary of NWCL, obtained another loan facility of RMB100.0 million from a bank for a term of 5 years to finance the construction cost of its property project. The obligation and liabilities of Shanghai Ramada under the aforesaid loan facility are also guaranteed by NWCL.

On 15 December 2004, Shanghai Ramada, then 64.9% owned subsidiary of NWCL obtained a multi-currency loan facility up to an aggregate principal amount of HK\$80.0 million for a term up to 31 July 2007 which will be utilised by Shanghai Ramada to re-finance an existing bank loan facility of HK\$10.0 million and RMB74.0 million obtained by Shanghai Mayfair Hotel Co., Ltd. which merged with Shanghai Ramada in June 2004.



# Report of the Directors

## Connected Transactions *(continued)*

At the date of this report, Shanghai Ramada is 99.8% owned by Ramada Property Ltd. (“Ramada Property”) which in turn is a 75.0% owned subsidiary of NWCL. The other shareholders of Ramada Property had agreed to indemnify NWCL in respect of its liability under the guarantees and pay to NWCL a guarantee fee of 0.25% per annum on the amount of the loan facilities being utilised by Shanghai Ramada in proportion to their shareholdings in Ramada Property.

Stanley Enterprises Limited (“Stanley”), having 20.0% interest in Ramada Property, is a connected person of NWCL by virtue of its being a substantial shareholder of certain subsidiaries of the NWCL group, and is wholly owned by a director of NWCL, Mr. Doo, since 3 December 2002. The provision of the guarantees by NWCL in respect of the loan facilities and payment of the guarantee fee by Stanley constituted connected transactions for the Company under the Listing Rules.

- (5) On 29 July 2002, Shunde Shunxing Real Estate Co., Ltd. (“Shunde Shunxing”) was granted a 3-year term loan facility of RMB50.0 million from a bank to finance a property development project. Shunde Shunxing was owned by Global Perfect Development Limited (“Global Perfect”) and an independent third party as to 70.0% and 30.0% respectively. Global Perfect is indirectly owned as to 50.0% and 50.0% by NWCL and CTF respectively.

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

- (6) Fortune Leader Overseas Chinese (Daiyawan) Real Estate Development Co., Ltd. (“Fortune Leader Real Estate”) was granted a 4-year banking facility with principal amount of up to HK\$30.0 million on 6 September 2002 and additional facility of HK\$40.0 million on 17 July 2003 to finance the development cost of its property projects.

On 16 December 2005, Fortune Leader Real Estate was further granted a 4-year loan facility with principal amount of up to HK\$25.0 million to finance its working capital requirement.

At the date of this report, Fortune Leader Real Estate is 80% owned by Dragon Fortune Limited (“Dragon Fortune”) and 20% owned by a wholly-owned subsidiary of NWCL. Dragon Fortune is owned by NWCL, Potassium Corp. (“Potassium”), a wholly owned company of Mr. Cheng Kar-Shing, Peter, a director of both the Company and NWCL, Sun City Holdings Limited (“Sun City”), a 30.625% owned associated company of NWCL, and independent third parties as to 42.54%, 7.09%, 20.33% and 30.04%, respectively. Effectively, NWCL owns Dragon Fortune as to 48.77%.

The obligation and liabilities of Fortune Leader Real Estate under the banking facilities were guaranteed by NWCL, Mr. Cheng Kar-Shing, Peter and certain independent shareholders of Dragon Fortune in the proportion of 39.20%, 30.64% and 30.16% respectively on several basis.

Sun City is a 30.6% owned associated company of NWCL and is also a connected person of NWCL by virtue of the deemed interest of Mr. Cheng Kar-Shing, Peter in more than one-third of its issued share capital. Accordingly, the provision of the guarantees by NWCL in respect of the banking facilities to Fortune Leader Real Estate constituted connected transactions for the Company.

- (7) On 8 January 2003, Fortune Leader Overseas Chinese (Daiyawan) Investment Co., Ltd. (“Fortune Leader Investment”) was granted a 4-year banking facility with principal amount of up to HK\$50.0 million to finance the development of its property projects. Fortune Leader Investment was 80% owned by Dragon Fortune. The obligation and liabilities of Fortune Leader Investment under the facility were guaranteed by NWCL, Mr. Cheng Kar-Shing, Peter and certain independent shareholders of Dragon Fortune in the proportion of 39.84%, 29.5% and 30.66% respectively on several basis.

On 16 December 2005, Fortune Leader Investment was further granted a 4-year loan facility with principal amount of up to HK\$5.0 million (“HK\$5.0 million Facility”) to finance its working capital requirement. The obligation and liabilities of Fortune Leader Investment under the HK\$5.0 million Facility were guaranteed by NWCL, Mr. Cheng Kar-Shing, Peter and certain independent shareholders of Dragon Fortune in the proportion of 39.20%, 30.64% and 30.16% respectively on several basis.

# Report of the Directors

## Connected Transactions *(continued)*

By reason stated in paragraph (6) above, the provision of the guarantees by NWCL in respect of the banking facilities to Fortune Leader Investment constituted connected transactions for the Company.

- (8) On 27 November 2003, NWCL executed a corporate guarantee to secure 90.5% of the indebtedness of Guangzhou Xin Yi Development Limited (“Xin Yi”) under a 3-year term loan facility up to RMB200.0 million as granted by a bank to Xin Yi on 27 November 2003 to finance its property development projects. Xin Yi is owned indirectly as to 90.5% and 9.5% by NWCL and CTF. CTF is a connected person of the Company, the provision of the guarantee by NWCL in respect of the banking facility to Xin Yi constituted a connected transaction for the Company.
- (9) On 20 May 2004, Merryhill Group Limited (now known as NWS Transport Services Limited (“NWST”) and NWSH entered into a master services agreement (the “NWST Master Services Agreement”) under which NWST agreed to, and procured that members of the NWST Group (“NWST and its subsidiaries”) engage relevant members of the NWSH Group to provide operational services, which includes construction services, electrical and mechanical engineering services, facility management services, security and guarding services, cleaning and landscaping services, financial services and property management services and such other types of services as NWST and NWSH may agree upon from time to time in writing, to NWST and/or members of the NWST Group during the term of the NWST Master Services Agreement. Moreover, under the NWST Master Services Agreement, NWST also agreed and undertook that it shall procure the relevant members of the NWST Group to rent or otherwise license spare office, commercial, storage and car-parking spaces in the depots of the relevant members of the NWST Group to members of the NWSH Group.

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

The aggregate amount of services contracted by the NWST Group during the year under the NWST Master Services Agreement amounted to HK\$25.6 million and the total amount of annual cap for the NWST Master Services Agreement amounted to HK\$92.7 million.

- (10) On 5 August 2004, an agreement (the “Agreement”) was entered into between 四川犍為電力(集團)股份有限公司 (unofficial translation being Sichuan Qianwei Power (Group) Share Co., Ltd., “Qianwei Power Group”) and Lucrative Rich Limited, an indirect wholly owned subsidiary of NWSH, for the disposal of all the NWSH Group’s interest in 四川犍為大電力有限公司 ((unofficial translation being Sichuan Qianwei Dali Power Company Limited, “Qianwei”) at a consideration of RMB48.0 million.

The consideration was payable by Qianwei Power Group in cash by two instalments. The first instalment of RMB26.0 million was paid on the date of signing of the Agreement and the remaining balance was paid in December 2004. Completion took place upon fulfilment of all the condition precedents as set out in the Agreement and on the date when the full amount of the consideration has been settled.

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

NWSH further announced on 13 December 2004 that due to the internal corporate restructuring of Qianwei Power Group, Lucrative Rich Limited entered into two sale and purchase agreements on 13 December 2004 both with Qianwei Power Group for the transfer of its 35.0% interest in Qianwei to Qianwei Power Group, and its remaining 25.0% interest in Qianwei to Qianwei Power Group or its nominee, in replacement of the Agreement. The consideration for such disposal remains unchanged and the material terms of the Agreement remain substantially unchanged. Transfers of interests were completed during the year.

# Report of the Directors

## Connected Transactions *(continued)*

- (11) On 24 February 2005, Hong Kong Island Development Limited (“Hong Kong Island”), a wholly owned subsidiary of the Company as Lessor, and Sogo Hong Kong Company Limited (“Sogo HK”) as Lessee entered into a lease agreement (“Lease Agreement”), pursuant to which the Lessee will lease the portion of Ground Floor, Portion of P1 and the entire P2 of the Amazon, 12 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong (“the Premises”) from the Lessor for a fixed term of fifteen years at a monthly rent to be calculated in accordance with the following schedule:

Year 1 to 10 of the term: 6.0% of the monthly gross turnover from the operation of any trade in from and/or upon the Premises

Year 11 to 15 of the term: 7.0% of the monthly gross turnover from the operation of any trade in from and/or upon the Premises

The Premises, the subject of the Lease Agreement, is owned by Hong Kong Island. Sogo HK is an indirect non-wholly owned subsidiary of Real Reward Limited, a jointly controlled entity owned by Go Create Limited, a wholly owned subsidiary of CTF. Sogo HK is, accordingly, a connected person of the Company and the entering into of the Lease Agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

The total rental received from Sogo HK during the period from 29 September 2005 (the lease commencement date) to 30 June 2006 under the Lease Agreement amounted to HK\$28.5 million which is within the annual cap of HK\$75 million.

- (12) On 29 July 2005, New World Development (China) Limited (“NWDC”), a wholly owned subsidiary of NWCL, entered into a loan agreement with Shanghai Juyi Real Estate Development Co., Ltd. (“Juyi”) under which a shareholder’s loan in the principal amount of US\$10.0 million will be provided by NWDC, the sole legal owner, 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. Pursuant to a participation agreement dated 28 June 1995 and a supplemental agreement dated 14 March 2003, Stanley has a beneficial interest of 30% in Juyi and the loan amount under the loan agreement will be provided as to US\$7.0 million by NWDC and US\$3.0 million by Stanley in proportion to their respective beneficial interest in Juyi.

On 12 June 2006, NWDC entered into a capital contribution agreement with Stanley in respect of the increase in registered capital of Juyi from RMB350.0 million to RMB765.0 million, whereby NWDC and Stanley agreed to make the capital contribution to Juyi in proportion to their respective beneficial interest in Juyi. Accordingly, Stanley agreed to contribute, through payment to NWDC, RMB124.5 million, being 30% of the increased amount of the registered capital of Juyi, upon demand and at the instructions of NWDC from time to time.

The amount of loan and capital raised by Juyi under the aforesaid loan agreement and capital contribution agreement will be utilized to finance the development of Shanghai Hong Kong New World Garden located in Luwan District, Shanghai, the PRC.

By virtue of the interest of Stanley in Juyi and the fact that Stanley is a connected person of NWCL by reason stated in paragraph (4) above, the provision of the shareholder’s loan and capital to Juyi constituted connected transactions for the Company under the Listing Rules.

- (13) On 12 September 2005, NWDC entered into an agreement with Shun Hing China Investment Limited (“Shun Hing”) whereby NWDC agreed to acquire and Shun Shing agreed to sell 100 shares, representing 10.0% interest, in the issued share capital of Ramada Property, together with the shareholder’s loan in the sum of US\$9.7 million and HK\$16.7 million due and owing by Ramada Property to Shun Hing for a total consideration of US\$12.1 million and HK\$17.0 million. The transaction was completed on 13 September 2005.

Ramada Property was an investment holding company having 99.8% interests in Shanghai Ramada, which holds the entire interest in Shanghai Ramada Plaza, a composite building comprising hotel, apartments, shopping arcade and car parks.

# Report of the Directors

## Connected Transactions *(continued)*

Shun Hing was a connected person of the NWCL by virtue of its interest in Ramada Property. Ramada Property is also 20.0% owned by a company wholly owned by Mr. Doo, a connected person of NWCL. The acquisition therefore constituted a connected transaction for the Company under the Listing Rules.

- (14) On 29 September 2005, Melowell Investment Limited (“Melowell”), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Winteam Holdings Limited (“Winteam”), Mr. Yeung Sai-Hong and Mr. Yeung Kwok-Sang whereby Winteam conditionally agreed to sell and Melowell conditionally agreed to purchase 70.0% of the entire issued share capital of China Step Limited (“China Step”) and 70.0% of all amounts, including principal and interest, owing by China Step to Winteam at a total consideration of HK\$614.6 million (subject to adjustments) upon the terms and conditions therein contained.

Winteam is beneficially and substantially owned by Mr. Yeung Sai-Hong, who is a substantial shareholder and a director of certain non-wholly owned subsidiaries of the Company. Accordingly, the transaction constituted a connected transaction for the Company under the Listing Rules. The transaction was completed on 25 November 2005.

- (15) On 23 December 2005, Fu Hong Investments Limited (“Fu Hong”), a wholly owned subsidiary of NWCL, entered into an agreement (“the Agreement”) with Stand Way Estate Limited (“Stand Way”) and 廣州勝賢投資有限公司 (Guangzhou Sheng-xian Investments Co., Ltd., “Guangzhou Sheng-xian”) relating to the acquisition of 50% equity interest in 廣州榮和房地產有限公司 (Guangzhou Ronghe Real Estate Co., Ltd., “Guangzhou Ronghe”) by Fu Hong from Stand Way at a consideration of RMB100.0 million, which is payable by instalments in accordance with the terms and conditions set out in the Agreement. Upon completion of the registration procedures to effect the transfer, Guangzhou Ronghe will be owned as to 50%, 45% and 5% by Fu Hong, Stand Way and Guangzhou Sheng-xian respectively.

Stand Way is beneficially owned by Mr. Fu Sze-Yin, a brother of Mr. Fu Sze-Shing who is a non-executive director of NWCL. Guangzhou Sheng-xian is beneficially owned as to 50% by Mr. Fu Sze-Yin and 50% by Mr. Fu Sze-Shing. By virtue of the interest of Mr. Fu Sze-Yin in Stand Way, the entering into of the Agreement constituted a connected transaction for the Company under the Listing Rules.

- (16) On 8 May 2006, NWDC and 華美財富(北京)科技有限公司 (Huamei Wealth (Beijing) Technology Co., Ltd., “Huamei Technology”), both wholly owned subsidiaries of NWCL, entered into a cooperation agreement (“Cooperation Agreement”) with 華美財富(北京)國際置業有限公司 (Huamei Wealth (Beijing) International Property Investment Co., Ltd., “Huamei International”), Mr. Zhang Chang-Qing (“Mr. Zhang”) and 北京東方華美房地產開發有限公司 (Beijing Dongfang Huamei Real Estate Development Co., Ltd., “Beijing Huamei”) for the purposes of governing the relationship between NWDC, Huamei Technology, Huamei International and Mr. Zhang in respect of, among other things, their involvement in Beijing Huamei for the development of the property situated in the Shunyi District, Beijing, the PRC.

As at the date of the Cooperation Agreement, Beijing Huamei was owned as to 75% and 25% by Huamei Technology and Huamei International respectively, and therefore Huamei International was a connected person of the Company. Accordingly, the entering into of the Cooperation Agreement constituted a connected transaction for the Company under the Listing Rules.

- (17) On 8 May 2006, 新世界(中國)地產投資有限公司 (New World China Land Investments Company Limited, “NWCI”), a wholly owned subsidiary of NWCL, entered into an equity transfer agreement (“Equity Transfer Agreement”) with 海南中泓投資有限公司 (Hainan Zhonghong Investments Company Limited, “Hainan Zhonghong”), 湖南成功開發投資有限公司 (Hunan Success Development Investment Company Limited, “Hunan Development”), Mr. Lan Guang-Ming (“Mr. Lan”) and Mr. Yan-Chao (“Mr. Yan”) whereby NWCI and Hainan Zhonghong agreed to purchase 100% of the equity interest in 湖南成功新世紀投資有限公司 (Hunan Success New Century Investment Company Limited, “Hunan Success”) from Hunan Development, Mr. Lan and Mr. Yan at an aggregate consideration of RMB724.7 million (approximately HK\$696.9 million), of which 90% to be payable by NWCI and 10% by Hainan Zhonghong. Upon completion of the Equity Transfer Agreement, Hunan Success would be owned as to 90% and 10% by NWCI and Hainan Zhonghong respectively.

# Report of the Directors

## Connected Transactions *(continued)*

At the date of the Equity Transfer Agreement, Hainan Zhonghong was a connected person of the Company by virtue of its holding of 20% equity interest in a subsidiary of NWCL. Accordingly, the entering into of the Equity Transfer Agreement constituted a connected transaction for the Company under the Listing Rules.

- (18) On 27 June 2006, NWS Service Management Limited (“NWSS”), an indirect wholly owned subsidiary of NWSH, entered into a shareholder’s loan agreement (the “Shareholder’s Loan Agreement”) with NWS Transport Services Limited (“NWST”) whereby NWSS agreed to lend to NWST a shareholder loan (“Shareholder Loan”) in the sum of HK\$100 million for a period from the date of granting the Shareholder Loan to 8 March 2009 or for such other period mutually agreed by both parties. Subject to the terms of the Shareholder’s Loan Agreement, interest shall accrue on any outstanding amount of the Shareholder Loan at a rate of HIBOR plus 0.6% per annum.

Each of CTF and NWSH indirectly owns 50% of the total issued share capital of NWST. The shareholders’ loans offered by the CTF Group and the NWSH Group are in proportion to their respective shareholding in NWST. NWST is a connected person of the Company by virtue of its being an associate of CTF and the entering into of the Shareholder’s Loan Agreement constituted a connected transaction for the Company under the Listing Rules.

The continuing connected transactions mentioned in paragraphs (9) and (11) above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

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

The Company has received from the auditors a letter reporting that the continuing connected transactions stated in paragraphs (9) and (11) above:

- (a) have been approved by the Executive Committee of the Company;
- (b) have been entered into in accordance with the relevant agreements governing such transactions; and
- (c) have not exceeded the caps disclosed in the relevant press announcements.

Save as disclosed above, a summary of significant related party transactions that did not constitute connected transactions made during the year was disclosed in Note 46 to the financial statements.

# Report of the Directors

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

As at 30 June 2006, the interests of the Directors and their associates in shares, underlying shares and debentures of the Company or any of its associated corporations which were recorded in the register required to be kept by the Company under Section 352 of the SFO were as follows:

### (A) Long position in shares

	Number of shares			Total	Approximate % of shareholding
	Personal interests	Spouse interests	Corporate interests		
New World Development Company Limited (Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	–	300,000	–	300,000	0.01
Dr. Sin Wai-Kin, David	4,708,708	47,098	–	4,755,806	0.13
Mr. Leung Chi-Kin, Stewart	32,553	–	–	32,553	0.00
Mr. Chow Kwai-Cheung	44,527	–	–	44,527	0.00
Mr. Ho Hau-Hay, Hamilton	–	–	439,177 <sup>(1)</sup>	439,177	0.01
Mr. Liang Cheung-Biu, Thomas	5,215	–	–	5,215	0.00
Dragon Fortune Limited (Ordinary shares of US\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	–	–	15,869 <sup>(2)</sup>	15,869	27.41
HH Holdings Corporation (Ordinary shares of HK\$1.00 each)					
Dr. Sin Wai-Kin, David	42,000	–	–	42,000	7.00
Master Services Limited (Ordinary shares of US\$0.01 each)					
Mr. Leung Chi-Kin, Stewart	16,335	–	–	16,335	1.63
Mr. Chow Kwai-Cheung	16,335	–	–	16,335	1.63
NWCL (Ordinary shares of HK\$0.10 each)					
Dr. Cheng Kar-Shun, Henry	12,500,000	–	52,271,200 <sup>(3)</sup>	64,771,200	1.69
Mr. Leung Chi-Kin, Stewart	500,000	–	–	500,000	0.01
Mr. Chow Kwai-Cheung	650,126	–	–	650,126	0.02
NWSH (Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	3,179,199	587,000	8,000,000 <sup>(3)</sup>	11,766,199	0.61
Dr. Sin Wai-Kin, David	3,281	31	32,220,745 <sup>(4)</sup>	32,224,057	1.66
Mr. Cheng Kar-Shing, Peter	180,308	–	2,659,700 <sup>(5)</sup>	2,840,008	0.15
Mr. Liang Chong-Hou, David	163	–	–	163	0.00
Mr. Leung Chi-Kin, Stewart	3,526,630	–	–	3,526,630	0.18
Mr. Chow Kwai-Cheung	507,000	–	–	507,000	0.03
Sun City Holdings Limited (Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	–	80,000	3,570,000 <sup>(6)</sup>	3,650,000	45.63

# Report of the Directors

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

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

	Number of shares			Total	Approximate % of shareholding
	Personal interests	Spouse interests	Corporate interests		
Sun Legend Investments Limited (Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	–	–	500 <sup>(7)</sup>	500	50.00
YE Holdings Corporation (Ordinary shares of HK\$1.00 each)					
Mr. Leung Chi-Kin, Stewart	37,500	–	–	37,500	1.50

#### Notes:

- (1) These shares were beneficially owned by a company in which Mr. Ho Hau-Hay, Hamilton owns 40.0% of its issued share capital.
- (2) 4,102 shares are held by a company wholly owned by Mr. Cheng Kar-Shing, Peter and 11,767 shares are held by Sun City Holdings Limited ("Sun City"), of which Mr. Cheng Kar-Shing, Peter is deemed to be interested in 45.63% of its issued share capital.
- (3) These shares are beneficially owned by a company which is wholly owned by Dr. Cheng Kar-Shun, Henry.
- (4) These shares are beneficially owned by a company which is jointly owned by Dr. Sin Wai-Kin, David and his spouse.
- (5) These shares are beneficially owned by a company which is wholly owned by Mr. Cheng Kar-Shing, Peter.
- (6) These shares are held by a company of which Mr. Cheng Kar-Shing, Peter has an indirect interest of 48.18%.
- (7) Mr. Cheng Kar-Shing, Peter is deemed to be interested in the shares of Sun Legend Investments Limited by virtue of his interest in Sun City.

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

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

# Report of the Directors

## Directors' Interests in Shares, Underlying Shares and Debentures *(continued)* Share Option Schemes of NWCL

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

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

	2000 Share Option Scheme	2002 Share Option Scheme
Purpose of the schemes	As incentive to employees, including executive directors of NWCL Group.	To provide an opportunity for the full-time or part-time employees, including directors, of NWCL Group to participate in the equity of NWCL as well as to motivate them to optimise their performance.
Participants of the schemes	Full-time employees, including any directors, of NWCL Group.	Full-time or part-time employees, including directors, of NWCL Group
Total number of shares available for issue under the schemes and percentage of issued share capital of NWCL as at the date of this report	NWCL had granted share options representing the rights to subscribe for 65,745,200 shares of NWCL under the 2000 Share Option Scheme, together with share options representing 38,158,200 shares by way of adjustment on the number of share options as a result of NWCL's issue of rights shares becoming unconditional on 8 April 2005.  No further options will be granted under the 2000 Share Option Scheme.	NWCL had granted share options representing the rights to subscribe for 13,873,200 shares of NWCL under the 2002 Share Option Scheme up to the date of this reports, together with 6,465,900 shares by way of adjustment on the number of share options as a result of NWCL's issue of rights shares becoming unconditional on 8 April 2005. NWCL may further grant share options to subscribe for 91,850,329 shares of NWCL, representing approximately 2.40% of the total issued share capital of NWCL as at the date of this report.
Maximum entitlement of each participant under the schemes	25.0% of the aggregate number of shares for the time being issued and issuable under the scheme.	The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1.0% of the shares in issue unless the same is approved by NWCL's shareholders in general meeting.
The period within which the shares must be taken up under an option	At any time during a period to be notified by NWCL's directors, which period not to exceed 5 years commencing on the expiry of 1 month after the date on which the option is accepted and expiring on the last day of the 5-year period.	At any time during a period to be notified by NWCL's directors, which period not to exceed 5 years commencing on the expiry of 1 month after the date on which the option is accepted and expiring on a date not later than the last day of the 5-year period.



# Report of the Directors

## Directors' Interests in Shares, Underlying Shares and Debentures *(continued)* Share Option Schemes of NWCL *(continued)*

	2000 Share Option Scheme	2002 Share Option Scheme
The minimum period for which an option must be held before it can be exercised	1 month	1 month
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK\$10.0 is to be paid as consideration for the grant of option within 28 days from the date of offer.	HK\$10.0 is to be paid as consideration for the grant of option within 28 days from the date of offer.
The basis of determining the exercise price	<p>The exercise price shall be determined by NWCL's directors, being the higher of:</p> <p>(a) not less than 80.0% of the average closing price of shares on the Hong Kong Stock Exchange ("HKEx") as stated in the HKEx's daily quotations sheets for the 5 trading days immediately preceding the date of offer; or</p> <p>(b) the nominal value of a share.</p>	<p>The exercise price shall be determined by NWCL's directors, being at least the higher of:</p> <p>(a) the closing price of shares as stated in the HKEx's daily quotations sheet on the date of offer, which must be a business day; and</p> <p>(b) the average closing price of shares as stated in the HKEx's daily quotations sheets for the 5 business days immediately preceding the date of offer.</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. 18 December 2000.	The 2002 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 26 November 2002.

# Report of the Directors

## Directors' Interests in Shares, Underlying Shares and Debentures *(continued)* Share Option Schemes of NWCL *(continued)*

### Share options granted to Directors

#### 2000 Share Option Scheme

Name of Director	Date of grant	Exercisable period	Number of share option <sup>(1)</sup>			Exercise price per share HK\$
			Balance as at 1 July 2005	Exercised during the year	Balance as at 30 June 2006	
Dr. Cheng Kar-Shun, Henry	7 February 2001	8 March 2001 to 7 March 2006	12,500,000	(12,500,000) <sup>(2)</sup>	–	1.782
Mr. Cheng Kar-Shing, Peter	9 February 2001	10 March 2003 to 9 March 2006	3,550,000	(3,550,000) <sup>(3)</sup>	–	1.782
Mr. Chow Kwai-Cheung	9 February 2001	10 March 2005 to 9 March 2006	250,000	(250,000) <sup>(4)</sup>	–	1.782
			16,300,000	(16,300,000)	–	

#### Notes:

- (1) The share options are exercisable within 5 years commencing from the expiry of 1 month after the dates of each grant, provided that the maximum number of share options that can be exercised during each anniversary year is 20.0% of the total number of the share options granted together with any unexercised share options carried forward from the previous anniversary years.
- (2) The exercise date was 17 February 2006. On the trading day immediately before the exercise date, the closing price per share was HK\$3.375.
- (3) The exercise dates were 15 July 2005, 29 July 2005, 11 August 2005 and 23 November 2005 for options representing 350,000 shares, 350,000 shares, 500,000 shares and 2,350,000 shares respectively. The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$2.841.
- (4) The exercise date was 20 February 2006. On the trading day immediately before the aforesaid exercise date, the closing price per share was HK\$3.375.
- (5) The cash consideration paid by each Director for each grant of the share option is HK\$10.0.

# Report of the Directors

## Directors' Interests in Shares, Underlying Shares and Debentures *(continued)* Share Option Schemes of NWCL *(continued)*

### Share options granted to employees

2000 Share Option Scheme

Date of grant	Number of share options <sup>(1)</sup>			Balance as at 30 June 2006	Exercise price per share HK\$
	Balance as at 1 July 2005	Exercised during the year <sup>(4)</sup>	Lapsed during the the year		
5 February 2001 to 2 March 2001	19,492,400	(19,196,800)	(295,600)	–	1.782
8 February 2001 to 17 February 2001	14,250,000	(14,250,000)	–	–	1.782
2 May 2001 to 29 May 2001	560,000	(560,000)	–	–	2.375
29 June 2001 to 26 July 2001	3,195,000	(1,918,000)	–	1,277,000	2.910
31 August 2001 to 27 September 2001	947,000	(906,000)	–	41,000	2.170
26 March 2002 to 22 April 2002	742,000	(295,600)	(112,400)	334,000	2.065
	39,186,400	(37,126,400)	(408,000)	1,652,000	

# Report of the Directors

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

### Share Option Schemes of NWCL *(continued)*

#### Share options granted to employees *(continued)*

##### 2002 Share Option Scheme

Date of grant	Number of share options <sup>(1)</sup>				Balance as at 30 June 2006	Exercise price per share HK\$
	Balance as at 1 July 2005	Granted during the year <sup>(3)</sup>	Exercised during the year <sup>(5)</sup>	Lapsed during the year		
3 January 2003 to 30 January 2003	1,210,200	–	(480,000)	–	730,200	1.212
12 May 2003 to 6 June 2003	2,659,700	–	(557,800)	(105,000)	1,996,900	0.912
28 October 2003 to 22 November 2003	69,000	–	–	–	69,000	1.650
18 December 2003 to 14 January 2004	1,625,000 <sup>(2)</sup>	–	(1,625,000)	–	–	1.668
25 March 2004 to 21 April 2004	1,992,200	–	(158,200)	(294,800)	1,539,200	2.252
18 June 2004 to 15 July 2004	883,000	–	(290,800)	(277,800)	314,400	1.650
4 November 2004 to 1 December 2004	707,000	–	(171,200)	(279,000)	256,800	2.484
22 December 2004 to 18 January 2005	1,234,000	–	(436,400)	–	797,600	2.689
13 July 2005 to 9 August 2005	–	817,600	(29,600)	–	788,000	2.300
13 July 2005 to 9 August 2005	–	1,400,000 <sup>(2)</sup>	(350,000)	–	1,050,000	2.300
7 November 2005 to 2 December 2005	–	48,800	(9,600)	–	39,200	2.620
28 March 2006 to 24 April 2006	–	3,384,000	–	–	3,384,000	3.915
	10,380,100	5,650,400	(4,108,600)	(956,600)	10,965,300	

# Report of the Directors

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

### Share Option Schemes of NWCL *(continued)*

#### Share options granted to employees *(continued)*

##### 2002 Share Option Scheme *(continued)*

Notes:

- (1) *The share options are exercisable within 5 years commencing from the expiry of the 1 month after the dates of each grant, provided that the maximum number of share options that can be exercised during each anniversary year is 20.0% of the total number of 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 2 years commencing from the expiry of 1 month after the dates of each grant, provided that the maximum number of share options that can be exercised during each anniversary year is 50.0% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary year.*
- (3) *The closing prices per share immediately before 13 July 2005, 7 November 2005 and 28 March 2006, the dates of grant, were HK\$2.300, HK\$2.650 and HK\$3.95 respectively.*
- (4) *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\$3.279.*
- (5) *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\$3.396.*
- (6) *The cash consideration paid by each employee for each grant of the share option is HK\$10.0.*

The fair values of the share options granted during the year with exercise prices per share of HK\$2.300, HK\$2.620 and HK\$3.915 are estimated at HK\$0.630, HK\$1.045 and HK\$1.546 respectively, using the Binominal pricing model. Values are estimated based on the risk-free rate ranging from 3.18% to 4.5% per annum with reference to the rate prevailing on the Exchange Fund Notes, a 5-year period historical volatility of ranging from 52% to 53%, assuming no dividends and an expected option life of 2 and 5 years.

The Binominal 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.

# Report of the Directors

## Directors' Interests in Shares, Underlying Shares and Debentures *(continued)* Share Option Schemes of NWTMT

Pursuant to the share option schemes adopted on 3 October 1997 (the "1997 Share Option Scheme") and 6 December 2001 (the "2001 Share Option Scheme"), NWTMT may grant options to Directors and employees of NWTMT or its subsidiaries ("NWTMT Group") to subscribe for shares in NWTMT. Both the 1997 Share Option Scheme and the 2001 Share Option Scheme were cancelled by the sole shareholder of NWTMT on 2 March 2006.

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

	1997 Share Option Scheme	2001 Share Option Scheme
Purpose of schemes	As incentive to employees (including any Director) of NWTMT Group.	To provide an opportunity for employees (including any Director) of NWTMT Group to participate in the equity of NWTMT as well as to motivate them to optimise their performance.
Participants of the schemes	Full time employees (including any Director) of NWTMT Group.	Full time employees (including any Director) of NWTMT Group.
Total number of shares available for issue under the schemes and percentage of issued share capital of NWTMT as at the date of this report	Options to subscribe for a total of 14,687,000 shares were granted under the 1997 Share Option Scheme, and were either exercised or lapsed. There were no outstanding options during the year.  No further options will be granted under the 1997 Share Option Scheme upon adoption of the 2001 Share Option Scheme.	No option has been granted under the 2001 Share Option Scheme since its adoption.
Maximum entitlement of each participant under the schemes	25.0% of the aggregate number of shares for the time being issued and issuable under the scheme.	The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1.0% of the shares in issue unless the same is approved by NWTMT's shareholders general meeting.
The period within which the shares must be taken up under an option	At any time during a period to be notified by NWTMT's directors, which period not to exceed 5 years commencing on the expiry of 6 months after the date of grant of an option and expiring on the last day of the 5-year period.	At any time during a period to be notified by NWTMT's directors, which period not to exceed 7 years commencing on the expiry of 1 month after the date of grant of an option and expiring on the last day of the 7-year period.
The minimum period for which an option must be held before it can be exercised	6 months	1 month

# Report of the Directors

## Directors' Interests in Shares, Underlying Shares and Debentures *(continued)* Share Option Schemes of NWTMT *(continued)*

	1997 Share Option Scheme	2001 Share Option Scheme
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK\$10.0 is to be paid as consideration for the grant of option within 28 days from the date of offer.	HK\$10.0 is to be paid as consideration for the grant of option within 28 days from the date of offer
The basis of determining the exercise price	The exercise price shall be determined by NWTMT's directors, being the higher of: (a) not less than 80.0% of the average closing price of shares on the HKEx as stated in the HKEx's daily quotations sheets for the 5 trading days immediately preceding the date of offer; or (b) the nominal value of a share.	The exercise price shall be determined by NWTMT's directors, being at least the higher of: (a) the closing price of shares as stated in the HKEx's daily quotations sheet on the date of offer, which must be a business day; and (b) the average closing price of shares as stated in the HKEx's daily quotations sheets for the 5 business days immediately preceding the date of offer.
The remaining life of the schemes	The 1997 Share Option Scheme was cancelled by the sole shareholder of NWTMT on 2 March 2006.	The 2001 Share Option Scheme was cancelled by the sole shareholder of NWTMT on 2 March 2006.

# Report of the Directors

## Directors' Interests in Shares, Underlying Shares and Debentures *(continued)* Share Option Scheme of NWSH

On 6 December 2001 NWSH adopted a share option scheme (the "2001 Share Option Scheme") and certain rules of such scheme were altered and approved by the shareholders of NWSH on 12 March 2003. Under the 2001 Share Option Scheme, the directors of NWSH may at their discretion grant options to any eligible persons as defined in the scheme to subscribe for ordinary shares in NWSH.

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

### 2001 Share Option Scheme

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Purpose of scheme	To reward directors and employees of NWSH and its subsidiaries ("NWSH Group") for past service or performance, to provide incentive and motivation or reward to eligible participants for increase performance or making contribution to NWSH Group, to attract and retain persons of right caliber with the necessary experience to work for NWSH Group and to foster a sense of corporate identity.
Participants of the scheme	Eligible participant may be a person or an entity belonging to any of the following classes: (i) any eligible employee; (ii) any non-executive director (including independent non-executive director) of NWSH Group or any invested entity of NWSH Group (the "Invested Entity"); (iii) any supplier of goods or services to any member of NWSH Group or any Invested Entity; (iv) any customer of any member of NWSH Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to NWSH Group or any Invested Entity; (vi) any shareholder of any member of NWSH Group or any invested entity or any holder of any securities issued by any member of NWSH Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of NWSH Group or any Invested Entity; and (viii) any joint venture partner or business alliance that co-operates with any member of NWSH Group or any Invested Entity in any area of business operation or development.
Total number of shares available for issue under the scheme and percentage of issued share capital of NWSH as at the date of this report	<p>NWSH had granted options to certain eligible persons to subscribe for 41,497,000 shares of NWSH up to the date of this report. Furthermore, adjustments on the number of unexercised options were made on 6 January 2006 and 13 June 2006 as a result of the declaration of final dividend for the year ended 30 June 2005 and the interim dividend for the year ended 30 June 2006. A total of 471,402 additional options were granted under the said adjustments.</p> <p>The total number of shares available for issue under this scheme is 137,796,670 representing approximately 7.03% of NWSH's issued share capital as at the date of this report.</p>
Maximum entitlement of each participant under the scheme	Unless approved by shareholders of NWSH, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1.0% of the share capital of NWSH in issue.
The period which the shares must be taken up under an option	At any time during a period as specified by NWSH's directors, however in any event the share options must be exercised within 10 years from the date of grant of the share options.



# Report of the Directors

## Directors' Interests in Shares, Underlying Shares and Debentures *(continued)* Share Option Scheme of NWSH *(continued)*

### 2001 Share Option Scheme

The minimum period for which an option must be held before it can be exercised	Any period as determined by NWSH's directors.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK\$10.0 is to be paid as consideration for the grant of option within 14 days from the date of offer.
The basis of determining the exercise price	The exercise price is determined by NWSH's directors which must be at least the higher of the closing price of the shares as stated in the HKEx's daily quotations sheet on the date of grant or the average closing price of the shares as stated in the HKEx's daily quotations sheets for the 5 business days immediately preceding the date of grant.
The remaining life of the scheme	The Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 6 December 2001.

### Share options granted to Directors

Name of Director	Date of grant	Exercisable period	Number of share options				Exercise price per share HK\$
			Balance as at 1 July 2005	Adjusted during the Year <sup>(4)</sup>	Exercised during the Year	Balance as at 30 June 2006	
Dr. Cheng Kar-Shun, Henry	21 July 2003	21 July 2005 to 20 July 2008	1,009,849	–	(1,009,849) <sup>(1)</sup>	–	3.719
Mr. Cheng Kar-Shing, Peter	21 July 2003	21 July 2005 to 20 July 2008	168,308	–	(168,308) <sup>(2)</sup>	–	3.719
Mr. Leung Chi-Kin, Stewart	21 July 2003	21 July 2004 to 20 July 2008 <sup>(3)</sup>	68,669	(68,669) 68,820	–	– 68,820	3.719 3.711 <sup>(4)</sup>
			1,246,826	151	(1,178,157)	68,820	

# Report of the Directors

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

### Share Option Scheme of NWSH *(continued)*

#### Share options granted to Directors *(continued)*

Notes:

- (1) The exercise date was 29 September 2005. On the trading date immediately before the share options were exercised, the closing price per share was HK\$12.35.
- (2) The exercise date was 18 November 2005. On the trading date immediately before the share options were exercised, the closing price per share was HK\$12.00.
- (3) Divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 respectively to 20 July 2008.
- (4) Pursuant to the 2001 Share Option Scheme, the number of unexercised share options and exercise price are subject to adjustment in case of alteration in the capital structure of NWSH. NWSH declared the final dividend for the year ended 30 June 2005 in scrip form (with cash option) on 29 November 2005 which gave rise to an adjustment to the number of unexercised share options and the exercise price in accordance with the said scheme. The exercise price per share of share options was adjusted from HK\$3.719 to HK\$3.711 with effect from 6 January 2006.
- (5) The cash consideration paid by each Director for each grant of the share options is HK\$10.0.

#### Share options granted to other eligible persons

Date of grant	Exercisable period	Number of share options					Exercised price per share HK\$
		Balance as at 1 July 2005	Adjusted during the year <sup>(4)</sup>	Exercised during the year	Lapsed during the year	Balance as at 30 June 2006	
21 July 2003	(1)	2,827,574	–	(2,827,574)	–	–	3.719
21 July 2003	(2)	572,248	–	(572,248)	–	–	3.719
21 July 2003	(3)	10,033,008	(2,008,866)	(7,981,271)	(42,871)	–	3.719
		–	2,480,117	–	–	2,480,117	3.711 <sup>(4)</sup>
		13,432,830	471,251	(11,381,093)	(42,871)	2,480,117	

Notes:

- (1) Exercisable from 21 July 2005 to 20 July 2008.
- (2) Divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 respectively to 20 July 2008.
- (3) Divided into 3 tranches exercisable from 21 January 2004, 21 July 2004 and 21 July 2005 respectively to 20 July 2008.
- (4) Pursuant to the 2001 Share Option Scheme, the number of unexercised share options and exercise price are subject to adjustment in case of alteration in the capital structure of NWSH. NWSH declared the final dividend for the year ended 30 June 2005 in scrip form (with cash option) on 29 November 2005 which gave rise to an adjustment to the number of unexercised share options and the exercised price in accordance with the said scheme. The exercise price per share of share options was adjusted from HK\$3.719 to HK\$3.711 with effect from 6 January 2006.
- (5) The weighted average closing price of the shares immediately before the date on which share options were exercised was HK\$11.65.
- (6) The cash consideration paid by each eligible person for each grant of the share option is HK\$10.0.

# Report of the Directors

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

### **Share Option Scheme of NWMH**

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

Summary of the 2002 Share Option Scheme of NWMH disclosed in accordance with the Listing Rules is as follows:

#### **Purpose of the scheme**

The purpose of the scheme is to enable NWMH to grant options to the participants as incentive or rewards for the contributions to NWMH and its subsidiaries.

#### **Participants of the scheme**

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

#### **Number of shares available for issue**

The total number of shares available for issue under this scheme is 3,341,555 shares (adjusted as a result of the share consolidation on 7 July 2004) which represents 3.51% of the issue share capital of NWMH as at the date of this report.

#### **Maximum entitlement for each participant**

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled, and outstanding options) in any 12-month period must not exceed 1.0% of the shares of NWMH in issue unless separately approved by NWMH's shareholders in general meeting.

#### **Option period**

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

#### **Vesting period**

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

#### **Amount payable on acceptance of option**

Upon acceptance of the offer for an option, the grantee shall pay HK\$1.0 as consideration for the grant.

#### **Subscription price**

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

#### **Life of the scheme**

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

# Report of the Directors

## Directors' Interests in Shares, Underlying Shares and Debentures *(continued)* Share Option Scheme of NWMH *(continued)*

### Share options granted to Directors

#### 2002 Share Option Scheme

Name of Director	Date of grant	Exercisable period	Number of share options		Exercise price per share HK\$
			Balance as at 1 July 2005	Balance as at 30 June 2006	
Dr. Cheng Kar-Shun, Henry	28 January 2005	28 January 2005 to 31 December 2010	780,000	780,000	1.26
			780,000	780,000	

The cash consideration paid by Dr. Cheng Kar-Shun, Henry for the grant of the share options is HK\$1.0.

### Share options granted to other eligible persons

Date of grant	Exercisable period	Number of share options			Balance as at 30 June 2006	Exercise price per share HK\$
		Balance as at 1 July 2005	Granted during the year	Lapsed during the year		
8 February 2002 <sup>(1)</sup>	9 February 2002 to 8 February 2008	200,000	–	–	200,000	2.440
28 January 2005 <sup>(2)</sup>	28 January 2005 to 31 December 2010	2,136,000	–	(78,000)	2,058,000	1.260
8 April 2005 <sup>(2)</sup>	8 April 2005 to 31 December 2010	78,000	–	–	78,000	1.276
		2,414,000	–	(78,000)	2,336,000	

Notes:

(1) Granted under the 1998 Share Option Scheme.

(2) Granted under the 2002 Share Option Scheme.

Save as disclosed above, as at 30 June 2006, none of the directors, chief executive or any of their associates had or deemed to have any interests or short positions in the shares, registered capital, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

# Report of the Directors

## Disclosure Pursuant to Rules 13.20 and 13.22 of the Listing Rules

At 30 June 2006, the Group had given financial assistance and guarantees to its associated companies and jointly controlled entities (collectively "affiliated companies") as set out below:

	<b>2006</b>	2005
	<b>HK\$m</b>	HK\$m
Amounts due by affiliated companies	<b>16,744.5</b>	17,116.9
Guarantees given for affiliated companies in respect of banking and other credit facilities	<b>2,422.8</b>	3,874.8
Commitments to capital injections and loan contributions	<b>4,340.3</b>	1,387.0
	<b>23,507.6</b>	22,378.7

- (a) The financial assistance, in aggregate exceeded 8.0% of the Company's total assets as at 30 June 2006.
- (b) The advances were unsecured and are interest free except for an aggregate amount of HK\$6,382.7 million (2005: HK\$7,548.5 million) which carried interest ranging from 2.0% to 12.0% per annum (2005: 0.6% above 3-month HIBOR to 12.0% per annum). Other than an amount of HK\$269.2 million (2005: HK\$286.6 million) which is repayable by instalments up to December 2016, the advances had no fixed repayment terms.
- (c) Pursuant to 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 30 June 2006 were presented as follows:

	<b>Proforma combined balance sheet HK\$m</b>	<b>Group's attributable interest HK\$m</b>
Non-current assets	<b>53,688.4</b>	<b>23,220.7</b>
Current assets	<b>32,905.8</b>	<b>21,275.7</b>
Current liabilities	<b>(22,765.3)</b>	<b>(10,810.2)</b>
Total assets less current liabilities	<b>63,828.9</b>	<b>33,686.2</b>
Non-current liabilities	<b>(39,642.8)</b>	<b>(20,523.2)</b>
Net assets	<b>24,186.1</b>	<b>13,163.0</b>

The proforma combined balance sheet of the affiliated companies was prepared by combining their balance sheets, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant balance sheet classification, as at 30 June 2006.