

Report of the Directors

The Directors present their annual report and financial statements for the year ended 30 June 2007.

GROUP ACTIVITIES

The principal activities of the Company remain investment holding and property investment. The principal activities of the principal subsidiaries, jointly controlled entities and associated companies are shown in Notes 48, 49 and 50 to the financial statements on pages 172 to 184.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 30 June 2007 are set out in the consolidated income statement on page 98 of this annual report.

The Directors have resolved to recommend a final dividend for the year ended 30 June 2007 of HK\$0.25 per share (2006: 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\$0.24 per share with a cash option to shareholders registered on 27 November 2007. Together with the interim dividend of HK\$0.15 per share paid in July 2007, total distribution for the year ended 30 June 2007 would thus be HK\$0.40 per share (2006: HK\$0.33 per share).

SHARE CAPITAL

Details of movements in share capital during the year are set out in Note 37 to the financial statements.

RESERVES

Details of movements in reserves are set out in Note 38 to the financial statements. Distributable reserves of the Company at 30 June 2007 amounted to HK\$11,225.8 million (2006: HK\$11,837.1 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 185 and 186.

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\$50.6 million (2006: HK\$12.5 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 75.

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 96.

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

Mr. Cheng Chi-Kong, Adrian (appointed on 16 March 2007)

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 94 of the Company's Articles of Association, Mr. Cheng Chi-Kong, Adrian retires and, being eligible, offer himself for re-election.

In accordance with Article 103(A) of the Company's Articles of Association, Mr. Cheng Yue-Pui, Mr. Chow Kwai-Cheung, Mr. Ho Hau-Hay, Hamilton, Mr. Liang Cheung-Biu, Thomas and Mr. Lee Luen-Wai, John 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, Mr. Yeung Ping-Leung, Howard and Mr. Lee Luen-Wai, John. 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

- (a) 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\$11.8 million (approximately HK\$92.1 million) for the year ended 30 June 2007 (2006: US\$11.0 million (approximately HK\$85.8 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)*

- (b) On 14 February 2007, the Company entered into an agreement with Lightsource Holdings Limited ("Lightsource"), a company wholly-owned by Dr. Cheng Kar-Shun, Henry, regarding the disposal of the entire equity interests held by the Company in Surely Limited ("Surely") to Lightsource at a total consideration of approximately HK\$121.0 million. The sole asset of Surely was 1,110 shares in Mega Choice Holdings Limited ("Mega Choice") representing approximately 10.4% of the issued share capital of Mega Choice. As at the date of the said agreement, Dr. Cheng Kar-Shun, Henry, through a wholly-owned company, has approximately 24.3% interest in Mega Choice.

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 2007, 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 76 to 95.

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 Limited ("Lifestyle") group of companies	Department stores operations and property investment	Director

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	
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 and Investment Company, Limited ("Miramar") group of companies	Property investment and hotel operation	Director
Mr. Cheng Chi-Kong, Adrian	Grandhope Properties Limited	Property investment	Director and shareholder
	Cheung Hung Development (Holdings) Limited	Property investment and development	Director
Mr. Cheng Yue-Pui	CTF group of companies	Property investment and development and transport	Director
	Melbourne group of companies	Property investment	Director
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 Limited	Property investment	Director and shareholder
	Global Agents Ltd.	Investment holding	Director and shareholder

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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. 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-Biu, 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 development and hotel operation	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.

SHARE OPTION SCHEMES

Share option schemes of the Group are set out on pages 78 to 95.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2007, 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") ⁽¹⁾	—	1,348,865,983	1,348,865,983	36.53
Centennial Success Limited ("Centennial") ⁽²⁾	—	1,348,865,983	1,348,865,983	36.53
Chow Tai Fook Enterprises Limited ("CTF") ⁽³⁾	1,215,127,469	133,738,514	1,348,865,983	36.53

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 2007.

OTHER PERSONS' INTERESTS IN SECURITIES

As at 30 June 2007, 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	5.64
Morgan Stanley	Interest of controlled corporations	216,874,161 ^(a)	—	254,209,884 ^{(a)+(b)}	6.89
	Interests held jointly with another person	—	37,335,723 ^(b)		

Short 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
Morgan Stanley	Interest of controlled corporations	59,627,876	—	59,627,876	1.61

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 2007.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

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

SIGNIFICANT CHANGE IN SHAREHOLDINGS OF SUBSIDIARIES

- (a) On 22 November 2006, the Company agreed to acquire from its 56.6% owned listed subsidiary company, New World Mobile Holdings Limited ("NWMH"), the entire issued share capital of Upper Start Holdings Limited ("Upper Start"), a wholly-owned subsidiary company of NWMH, for HK\$2,500.0 million. The sole asset of Upper Start is its 23.6% interest in CSL New World Mobility Limited which is a major mobile telecommunications network operator providing mobile wireless services.

On the same date, the Company agreed to sell to Moral Glory International Limited ("Moral Glory"), a company wholly-owned by a director of NWMH, the 55,336,666 shares (the "Sell Shares") in NWMH owned by the Group, represents approximately 56.6% interest in NWMH at HK\$0.65 per share. The consideration for the Sell Shares is approximately HK\$36.0 million.

The completion of the sale and purchase of Upper Start and the Sell Shares took place on 4 January 2007. The Group ceases to have any interest in NWMH from that date.

- (b) On 26 April 2007, NWS Financial Management Services Limited, a wholly-owned subsidiary of NWS Holdings Limited ("NWSH"), as purchaser entered into a share purchase agreement with Chow Tai Fook Nominee Limited, CTF, Lo Lin Shing, Simon, Wellington Equities Inc., Grand Partners Group Limited and William Junior Guilherme Doo (collectively, the "Vendors") regarding the purchase from the Vendors of 246,986,763 shares of HK\$0.1 each in Taifook Securities Group Limited ("Taifook") for a purchase price of HK\$2.43 per share subject to the terms and conditions contained therein. The transaction was completed on 8 June 2007. As at 30 June 2007, NWSH owned approximately 61.3% of the issued share capital of Taifook.
- (c) On 12 July 2007, the spin-off of the Company's department store operations and management business in Mainland China was completed and the shares of New World Department Store China Limited ("NWDS") were listed on the Main Board of The Stock Exchange of Hong Kong Limited. Following the spin-off, the Group's shareholding in NWDS decreased from 100.0% to approximately 72.3%.

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, 11 October 2007

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 the date of this report, 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 Mainland China income tax (“IT”) and land appreciation tax (“LAT”) in Mainland China 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\$6,934.4 million (2006: HK\$6,782.8 million). During the year, tax indemnity amounted to HK\$188.4 million (2006: HK\$34.8 million) was effected.

- (3) On 20 May 2004, Merryhill Group Limited (now known as NWS Transport Services Limited, “NWST”) and NWS Holdings Limited (“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.

Due to the expiry of the NWST Master Services Agreement, NWST and NWSH entered into a new master services agreement (the “New NWST Master Services Agreement”) on 18 May 2007 for a further term of three years in respect of the provision of certain operational services and rental or licensing of spare spaces. The New NWST Master Services Agreement and all the transactions contemplated thereunder also 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 agreements amounted to HK\$29.9 million and the total amount of annual cap for the NWST Master Services Agreement amounted to HK\$92.7 million.

- (4) 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 Sogo Department Store, TST (formerly 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 and/or business carried on 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 and/or business carried on in from and/or upon the Premises

Report of the Directors

CONNECTED TRANSACTIONS *(continued)*

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 year ended 30 June 2007 under the Lease Agreement amounted to HK\$36.2 million which is within the annual cap of HK\$75.0 million.

- (5) On 14 February 2007, the Company as seller entered into an agreement (the "Agreement") to dispose of one share of HK\$1.0 in Surely Limited ("Surely"), representing the entire issued share capital of Surely, and all amounts, including principal or interest, owing by Surely to the Company as at the date of completion, at a total consideration of approximately HK\$121.0 million with Lightsource Holdings Limited ("Lightsource"). The sole asset of Surely is 1,110 shares in Mega Choice Holdings Limited ("Mega Choice") representing approximately 10.35% of the issued share capital in Mega Choice. Mega Choice is the beneficial owner of the property known as Rural Building Lot No. 1106 (known as 6-10 Black's Link).

As Lightsource is wholly-owned by Dr. Cheng Kar-Shun, Henry, the Managing Director of the Company, who is a connected person of the Company, the entering into of the Agreement constituted a connected transaction for the Company under the Listing Rules. The transaction was completed on 14 March 2007.

- (6) On 23 April 2007, Starluxe Enterprises Limited ("Starluxe Enterprises"), an indirect wholly-owned subsidiary of NWCL entered into a joint venture contract ("JV Contract") with 海南中泓投資有限公司 (Hainan Zhonghong Investments Company Limited) ("Hainan Zhonghong") relating to the formation of a joint venture company, to be owned as to 70.0% and 30.0% by Starluxe Enterprises and Hainan Zhonghong respectively, with total investment of RMB333.3 million and registered capital of RMB166.7 million. On 19 July 2007, the joint venture company was incorporated under the name of 新世界中泓地產有限公司 (New World Zhong Hong Property Co., Ltd.).

The joint venture company will serve as a vehicle for NWCL to engage in the land improvement and development works, and seek for probable acquisition of land use rights, in respect of a parcel of land located in Yuhua District, Changsha City, Hunan Province, the PRC with an area of approximately 280 mu (equivalent to approximately 186,666 square metres.)

As at the date of the JV Contract, Hainan Zhonghong was a connected person of the Company by virtue of its being a substantial shareholder of certain subsidiaries of NWCL. Accordingly, the entering into of the JV Contract constituted a connected transaction for the Company under the Listing Rules.

- (7) On 26 April 2007, NWS Financial Management Services Limited, a wholly-owned subsidiary of NWSH entered into a share purchase agreement (the "Share Purchase Agreement") with Chow Tai Fook Nominee Limited, CTF, Lo Lin Shing, Simon, Wellington Equities Inc., Grand Partners Group Limited and William Junior Guilherme Doo (collectively, the "Vendors") regarding the purchase of 246,986,763 shares of HK\$0.1 each, representing about 41.0% of the then issued share capital of Taifook Securities Group Limited ("Taifook") for a purchase price of HK\$2.43 per share (the aggregate purchase price being HK\$600.2 million) subject to the terms and conditions contained therein.

As the Vendors were regarded as connected persons of the Company, the entering into of the Share Purchase Agreement constituted a connected transaction for the Company under the Listing Rules. Upon completion of the transaction on 8 June 2007, Taifook and its subsidiaries became subsidiaries of both NWSH and the Company.

- (8) On 4 July 2007, New World Development (China) Limited ("NWDC"), a wholly-owned subsidiary of NWCL, entered into a capital contribution agreement (the "Capital Contribution Agreement") with Grand Partners Group Limited ("Grand Partners") and Stanley Enterprises Limited ("Stanley") in respect of the increase in registered capital of Shanghai Trio Property Development Co., Ltd. ("Shanghai Trio") from US\$54.0 million to US\$81.0 million.

Shanghai Trio is a company in which NWDC, Grand Partners and Stanley have 47.5%, 50.0% and 2.5% beneficial interest respectively. Pursuant to the Capital Contribution Agreement, NWDC, Grand Partners and Stanley agreed to make the capital contribution to Shanghai Trio in proportion to their respective interests in Shanghai Trio.

CONNECTED TRANSACTIONS *(continued)*

The capital raised by Shanghai Trio will be utilised to finance the construction of Phase III of Shanghai Zhongshan Square located in Hongqiao Development Zone, Shanghai, the PRC.

Owing to the fact that Grand Partners, Stanley and Shanghai Trio are the associates of Mr. Doo who is a connected person of the Company, the transaction contemplated under the Capital Contribution Agreement constituted a connected transaction for the Company under the Listing Rules.

- (9) On 28 August 2007, NWHH, a 64%-owned subsidiary of the Company, had made a conditional irrevocable offer (the "Offer") to Lee Hing Development Limited ("Lee Hing") whereby NWHH would procure Keep Silver Investments Limited ("Keep Silver"), a wholly-owned subsidiary of NWHH, to sell to Lee Hing 54,500,000 shares ("Repurchase Shares") of Lee Hing at the consideration of HK\$163.5 million which shall be satisfied by Lee Hing by way of:
- (a) transferring and/or assigning one share in Ichiban Properties Limited ("Ichiban"), representing 50.0% of the total issued share capital of Ichiban and the sum of HK\$136.5 million owing by Ichiban to Lee Hing as at the date of the Offer; and
 - (b) procuring the transfer and/or assignment of 20 shares in Higrade Properties Limited ("Higrade"), representing 20.0% of the total issued share capital of Higrade and the sum of HK\$31.1 million owing by Higrade to Diamond Way Inc. ("Diamond Way"), a wholly-owned subsidiary of Lee Hing as at the date of the Offer, to Keep Silver and/or its nominee.

The Offer will lapse upon the earliest of (a) non-fulfilment of any of the conditions mentioned in the Offer (save to the extent of any time extension given by NWHH); or (b) the delivery by Lee Hing to NWHH of evidence of fulfillment of the conditions mentioned in the Offer and the entering into of an agreement by Lee Hing, Keep Silver and NWHH for the sale and purchase of the Repurchase Shares, by 6:00 pm on 27 November 2007 or some later time and/or date as NWHH shall in its sole discretion determine and notify to Lee Hing in writing. As at the date of this report, only one of the conditions mentioned in the Offer has been fulfilled.

Diamond Way is a substantial shareholder of Higrade which is a non-wholly owned subsidiary of the Company. Accordingly, the disposal of the Repurchase Shares by Keep Silver to Lee Hing would constitute a connected transaction for the Company under the Listing Rules.

The continuing connected transactions mentioned in paragraphs (3) and (4) 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.

In accordance with Rule 14A.38 of the Listing Rules, the Board of Directors engaged the auditors of the Company to perform certain agreed-upon procedures on the continuing connected transactions stated in paragraphs (3) and (4) above in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported to the Board of Directors of the Company that the transactions:

- (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 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 2007, 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	32,974	—	—	32,974	0.00
Mr. Chow Kwai-Cheung	44,527	—	—	44,527	0.00
Mr. Ho Hau-Hay, Hamilton	—	—	439,177 ⁽¹⁾	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 ⁽²⁾	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
Mega Choice Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	—	—	3,710 ⁽³⁾	3,710	34.61
New World China Land Limited					
(Ordinary shares of HK\$0.10 each)					
Dr. Cheng Kar-Shun, Henry	12,500,000	—	52,271,200 ⁽⁴⁾	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
NWS Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	9,179,199	587,000	8,000,000 ⁽⁴⁾	17,766,199	0.88
Dr. Sin Wai-Kin, David	3,281	31	16,995,745 ⁽⁵⁾	16,999,057	0.84
Mr. Cheng Kar-Shing, Peter	184,351	—	2,721,381 ⁽⁶⁾	2,905,732	0.14
Mr. Liang Chong-Hou, David	164	—	—	164	0.00
Mr. Leung Chi-Kin, Stewart	3,398,161	—	—	3,398,161	0.17
Mr. Chow Kwai-Cheung	207,000	—	—	207,000	0.01
Sun City Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	—	80,000	3,570,000 ⁽⁷⁾	3,650,000	45.63

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 ⁽⁸⁾	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 are 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 companies which are wholly-owned by Dr. Cheng Kar-Shun, Henry.*
- (4) *These shares are beneficially-owned by a company which is wholly-owned by Dr. Cheng Kar-Shun, Henry.*
- (5) *These shares are beneficially-owned by a company which is jointly-owned by Dr. Sin Wai-Kin, David and his spouse.*
- (6) *These shares are beneficially-owned by a company which is wholly-owned by Mr. Cheng Kar-Shing, Peter.*
- (7) *These shares are held by a company of which Mr. Cheng Kar-Shing, Peter has an indirect interest of 49.58%.*
- (8) *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.*

(B) Long position in underlying shares — share options

During the year ended 30 June 2007, certain Directors of the Company have interest in share options to subscribe for shares in the Company and certain of its subsidiaries. Details of such interests and summaries of share option schemes of the Company and its subsidiaries are shown below.

Report of the Directors

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Share Option Scheme of the Company

On 24 November 2006, the Company adopted a share option scheme (the "Scheme"). Under the Scheme, the Directors of the Company may at their discretion grant options to any eligible participant (as explained hereinafter) to subscribe for shares in the Company.

Summary of the Scheme disclosed in accordance with the Listing Rules is as follows:

The Scheme

Purpose of the scheme

To reward directors and employees of the Group for past service or performance, to provide incentive, motivation or reward to eligible participants for increasing performance or making contribution to the Group, to attract and retain persons of right caliber with the necessary experience to work for or make contribution to the Group, to foster a sense of corporate identity and to allow the eligible participants to enjoy the results of the Company attained through their relationship, efforts and/or contribution.

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 the Company or any invested entity of the Group (the "Invested Entity");
- (iii) Any person seconded or nominated by the Group to represent the Group's interest in any of the Invested Entity or any other company or organisation;
- (iv) any supplier of goods or services to any member of the Group or any Invested Entity;
- (v) any customer of any member of the Group or any Invested Entity;
- (vi) any person or entity that provides research, development or other technological support to the 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 the Group or any Invested Entity; and
- (viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.

Total number of shares available for issue under the scheme and percentage of issued share capital as at the date of this annual report

The Company had granted 136,450,000 shares of the Company under the Scheme up to the date of this report.

The total number of shares available for issue under the Scheme is 229,938,464 representing approximately 6.19% of the Company's issued share capital as at the date of this report.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Share Option Scheme of the Company *(continued)*

The Scheme

Maximum entitlement of each participant under the scheme	Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1.0% of the share capital of the Company in issue.
The period within which the shares must be taken up under an option	A period to be specified by the Directors and not to exceed 10 years from the date of grant of options.
The minimum period for which an option must be held before it can be exercised	Any period as determined by the Directors.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	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 the Directors which must be at least the higher of (i) the closing price of the shares on The Stock Exchange of Hong Kong Limited ("HKEx") as stated in the HKEx's daily quotations sheets on the date of grant, which must be a business day; and (ii) the average closing price of the shares as stated in the HKEx's daily quotation sheets for the five 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. 24 November 2006.

Report of the Directors

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Share Option Scheme of the Company *(continued)*

Share options granted to Directors

Name	Date of grant	Exercisable period (Note)	Number of share options				Balance as at 30 June 2007	Exercise price per share HK\$
			Balance as at 1 July 2006	Granted during the year	Exercised during the year	Lapsed during the year		
Dato Dr. Cheng Yu-Tung	19 March 2007	(1)	—	36,500,000	—	—	36,500,000	17.756
Dr. Cheng Kar-Shun, Henry	19 March 2007	(1)	—	36,500,000	—	—	36,500,000	17.756
Lord Michael Sandberg	19 March 2007	(1)	—	300,000	—	—	300,000	17.756
Dr. Sin Wai-Kin, David	19 March 2007	(1)	—	300,000	—	—	300,000	17.756
Mr. Cheng Yue-Pui	19 March 2007	(1)	—	200,000	—	—	200,000	17.756
Mr. Liang Chong-Hou, David	19 March 2007	(1)	—	300,000	—	—	300,000	17.756
Mr. Yeung Ping-Leung, Howard	19 March 2007	(1)	—	300,000	—	—	300,000	17.756
Dr. Cha Mou-Sing, Payson	19 March 2007	(1)	—	300,000	—	—	300,000	17.756
Mr. Cheng Kar-Shing, Peter	19 March 2007	(1)	—	200,000	—	—	200,000	17.756
		(2)	—	1,200,000	—	—	1,200,000	17.756
Mr. Leung Chi-Kin, Stewart	19 March 2007	(1)	—	36,500,000	—	—	36,500,000	17.756
Mr. Chow Kwai-Cheung	19 March 2007	(1)	—	200,000	—	—	200,000	17.756
		(2)	—	1,200,000	—	—	1,200,000	17.756
Mr. Ho Hau-Hay, Hamilton	19 March 2007	(1)	—	200,000	—	—	200,000	17.756
Mr. Lee Luen-Wai, John	19 March 2007	(1)	—	300,000	—	—	300,000	17.756
Mr. Liang Cheung-Biu, Thomas	19 March 2007	(1)	—	200,000	—	—	200,000	17.756
Mr. Cheng Chi-Kong, Adrian	19 March 2007	(2)	—	500,000	—	—	500,000	17.756
			—	115,200,000	—	—	115,200,000	

Notes:

(1) From 19 March 2007 to 18 March 2012.

(2) Divided into 5 tranches exercisable from 19 March 2007, 19 March 2008, 19 March 2009, 19 March 2010 and 19 March 2011 respectively to 18 March 2012.

(3) The closing price per share immediately before 19 March 2007, the date of grant, was HK\$16.9.

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Share Option Scheme of the Company *(continued)* Share options granted to other eligible participants

Date of grant	Exercisable period (Note)	Number of share options					Balance as at 30 June 2007	Exercise price per share HK\$
		Balance as at 1 July 2006	Granted during the year	Exercised during the year	Adjusted during the year	Lapsed during the year		
19 March 2007	(1)	—	21,250,000 ⁽²⁾	(230,000) ⁽³⁾	—	—	21,020,000	17.756
		—	21,250,000	(230,000)	—	—	21,020,000	

Notes:

- (1) Divided into 5 tranches exercisable from 19 March 2007, 19 March 2008, 19 March 2009, 19 March 2010 and 19 March 2011 respectively to 18 March 2012.
- (2) The closing price per share immediately before 19 March 2007, the date of grant, was HK\$16.9.
- (3) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$19.56.
- (4) The cash consideration paid by each participant for each grant of the share options is HK\$10.0.

The fair value of the share options granted during the year with exercise price per share of HK\$17.756 is estimated at HK\$6.0378, using the Binomial pricing model. Values are appraised based on the risk-free rate of 4.098% per annum with reference to the rate prevailing on the Hong Kong government bond, a five-year period historical volatility of 41.16%, assuming a dividend yield of 1.81% per annum and an expected option life of five years.

The Binomial pricing model requires 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 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 18,976,400 shares of NWCL under the 2002 Share Option Scheme up to the date of this report, together with share options representing 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 88,116,529 shares of NWCL, representing approximately 2.30% 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.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Share Option Schemes of NWCL *(continued)*

	2000 Share Option Scheme	2002 Share Option Scheme
The period within which the shares must be taken up under an option	At any time during a period to be notified by NWCL's directors, which period not to exceed five years commencing on the expiry of one month after the date on which the option is accepted and expiring on the last day of the five-year period.	At any time during a period to be notified by NWCL's directors, which period not to exceed five years commencing on the expiry of one month after the date on which the option is accepted and expiring on a date not later than the last day of the five-year period.
The minimum period for which an option must be held before it can be exercised	one month	one 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 as stated in the HKEx's daily quotations sheets for the five 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 five 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

Name	Date of grant	Exercisable period	Number of share options			Balance as at 30 June 2007	Exercise price per share HK\$
			Balance as at 1 July 2006	Granted during the year	Exercised during the year		
Mr. Cheng Chi-Kong, Adrian	25 July 2006	26 August 2006 to 25 August 2011	—	552,400	—	552,400	2.865
			—	552,400	—	552,400	

Notes:

(1) *The share options are exercisable within 5 years commencing from one month after the date of 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.*

(2) *The closing price per share immediately before 25 July 2006, the date of grant, was HK\$2.84.*

(3) *The cash consideration paid by Mr. Cheng Chi-Kong, Adrian for the grant of the share options is HK\$10.0.*

Share options granted to employees

2000 Share Option Scheme

Date of grant	Number of share options ⁽¹⁾			Balance as at 30 June 2007	Exercise price per share HK\$
	Balance as at 1 July 2006	Exercised during the year ⁽⁴⁾	Lapsed during the year		
29 June 2001 to 26 July 2001	1,277,000	(888,000)	(389,000)	—	2.910
31 August 2001 to 27 September 2001	41,000	(41,000)	—	—	2.170
26 March 2002 to 22 April 2002	334,000	(333,800)	(200)	—	2.065
	1,652,000	(1,262,800)	(389,200)	—	

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 ⁽¹⁾				Balance as at 30 June 2007	Exercise price per share HK\$
	Balance as at 1 July 2006	Granted during the year ⁽³⁾	Exercised during the year ⁽⁵⁾	Lapsed during the year		
3 January 2003 to 30 January 2003	730,200	—	(501,200)	(104,800)	124,200	1.212
12 May 2003 to 6 June 2003	1,996,900	—	(532,200)	(113,400)	1,351,300	0.912
28 October 2003 to 22 November 2003	69,000	—	—	—	69,000	1.650
25 March 2004 to 21 April 2004	1,539,200	—	(378,200)	—	1,161,000	2.252
18 June 2004 to 15 July 2004	314,400	—	(104,800)	—	209,600	1.650
4 November 2004 to 1 December 2004	256,800	—	(85,600)	—	171,200	2.484
22 December 2004 to 18 January 2005	797,600	—	(284,000)	(414,200)	99,400	2.689
13 July 2005 to 9 August 2005	788,000	—	(231,600)	(107,600)	448,800	2.300
13 July 2005 to 9 August 2005	1,050,000 ⁽²⁾	—	(350,000)	—	700,000	2.300
7 November 2005 to 2 December 2005	39,200	—	(9,600)	—	29,600	2.620
28 March 2006 to 24 April 2006	3,384,000	—	(498,800)	—	2,885,200	3.915
28 June 2006 to 26 July 2006	—	190,800	(37,600)	—	153,200	2.865
17 October 2006 to 13 November 2006	—	1,134,800	(117,800)	(486,600)	530,400	3.340
28 December 2006 to 24 January 2007	—	1,251,200	(187,600)	—	1,063,600	4.712
19 March 2007 to 13 April 2007	—	744,800	—	—	744,800	4.500
14 June 2007 to 11 July 2007	—	1,408,400	—	—	1,408,400	6.710
	10,965,300	4,730,000	(3,319,000)	(1,226,600)	11,149,700	

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)*

Notes:

- (1) *The share options are exercisable within 5 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 20.0% of the total number of the 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 one month after the dates of grant, provided that the maximum number of share options that can be exercised during each year is 50.0% of the total number of the share options granted together with any unexercised share options carried forward from the previous anniversary year.*
- (3) *The closing price per share immediately before 28 June 2006, 17 October 2006, 28 December 2006, 19 March 2007 and 14 June 2007, the dates of offer to grant, was HK\$2.850, HK\$3.320, HK\$4.740, HK\$4.390 and HK\$6.680, 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\$3.517.*
- (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\$5.379.*
- (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\$2.865, HK\$3.340, HK\$4.712, HK\$4.500 and HK\$6.710 are estimated at HK\$1.07, HK\$1.22, HK\$1.60, HK\$1.57 and HK\$2.41 respectively using the Binomial pricing model. Values are estimated based on the risk-free rate ranging from 3.68% to 4.78% per annum with reference to the rate prevailing on the Exchange Fund Notes, a one-year period historical volatility ranging from 0.43 to 0.47, assuming dividend yield ranging from 0% to 1.33% and an expected option life of 5 years.

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

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 amended on 12 March 2003 and 24 November 2006. Under the 2001 Share Option Scheme, the directors of NWSH may at their discretion grant options to any eligible participant as defined in the scheme to subscribe for ordinary shares in NWSH.

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

2001 Share Option Scheme

Purpose of the 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 increasing 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	<p>Eligible participant may be a person or an entity belonging to any of the following classes:</p> <ul style="list-style-type: none">(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.

Report of the Directors

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Share Option Scheme of NWSH *(continued)*

2001 Share Option Scheme

Total number of shares available for issue under the scheme and percentage of issued share capital of NWSH as at the date of this annual report	<p>NWSH had granted options to certain eligible participants to subscribe for 71,805,125 shares of NWSH, which included certain adjustments made pursuant to the scheme, up to the date of this report.</p> <p>The total number of shares available for issue under the scheme is 108,109,514 representing approximately 5.37% of NWSH's issued share capital as at the date of this report.</p>
Maximum entitlement of each participant under the scheme	<p>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.</p>
The period within which the shares must be taken up under an option	<p>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.</p>
The minimum period for which an option must be held before it can be exercised	<p>Any period as determined by NWSH's directors.</p>
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	<p>HK\$10.0 is to be paid as consideration for the grant of option within 14 days from the date of offer.</p>
The basis of determining the exercise price	<p>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 five business days immediately preceding the date of grant.</p>
The remaining life of the scheme	<p>The scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 6 December 2001.</p>

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Share Option Scheme of NWSH *(continued)*

Share options granted to Directors

Name	Date of grant	Exercisable period	Number of share options			Exercise price per share HK\$
			Balance as at 1 July 2006	Exercised during the year	Balance as at 30 June 2007	
Mr. Leung Chi-Kin, Stewart	21 July 2003	21 July 2004 to 20 July 2008 ⁽¹⁾	68,820	—	68,820	3.711
			68,820	—	68,820	

Notes:

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

(2) The cash consideration paid by Mr. Leung Chi-Kin, Stewart for the grant of the share options is HK\$10.0.

Share options granted to other eligible participants

Date of grant	Exercisable period (Note)	Number of share options					Balance as at 30 June 2007	Exercise price per share HK\$
		Balance as at 1 July 2006	Granted during the year	Exercised during the year	Adjusted during the year	Lapsed during the year		
21 July 2003	(1)	2,480,117	—	(1,061,926)	—	(6,844)	1,411,347	3.711
		2,480,117	—	(1,061,926)	—	(6,844)	1,411,347	

Notes:

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

(2) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$19.474.

(3) The cash consideration paid by each eligible participant 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 "NWMH 2002 Share Option Scheme") in compliance with the requirements of 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.

Upon completion of the disposal of the entire interest held by the Company in NWMH on 4 January 2007 ("Completion Date"), NWMH ceased to be a subsidiary of the Group. Summary of the 2002 Share Option Scheme of NWMH as at the Completion Date is as follows:

NWMH 2002 Share Option Scheme

Purpose of the scheme	To enable NWMH to grant options to the participants as incentive or rewards for their contributions to NWMH and its subsidiaries.
Participants of the scheme	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.
Total number of shares available for issue under the scheme and percentage of issued share capital of NWMH as at the Completion Date	The total number of shares available for issue under the scheme is 3,341,555 shares (adjusted as a result of the share consolidation on 7 July 2004) which represents 3.42% of the issued share capital of NWMH as at the Completion Date.
Maximum entitlement of each participant under the scheme	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.
The period within which the shares must be taken up under an option	An option may be exercised in accordance with the terms of the 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.
The minimum period for which an option must be held before it can be exercised	The directors of NWMH may, if consider appropriate, determine the minimum period for which an option must be held before it can be exercised.
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	Upon acceptance of the offer for an option, the grantee shall pay HK\$1.0 as consideration for the grant.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Share Option Scheme of NWMH *(continued)*

NWMH 2002 Share Option Scheme

The basis of determining the exercise price

The exercise price shall be 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 the HKEx's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the HKEx's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

The remaining life of the scheme

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

Share options granted to Directors

2002 Share Option Scheme

Name	Date of grant	Exercisable period	Number of share options			Exercise price per share HK\$
			Balance as at 1 July 2006	Exercised during the period	Balance as at 4 January 2007	
Dr. Cheng Kar-Shun, Henry	28 January 2005	28 January 2005 to 31 December 2010	780,000	(780,000) ⁽¹⁾	—	1.26
			780,000	(780,000)	—	

Notes:

(1) The exercise date was 4 December 2006. On the trading day immediately before the share options were exercised, the closing price per share was HK\$2.14.

(2) 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 participants

Date of grant	Exercisable period	Number of share options					Balance as at 4 January 2007	Exercise price per share HK\$
		Balance as at 1 July 2006	Granted during the period	Exercised during the period	Adjusted during the period	Cancelled during the period		
8 February 2002 ⁽¹⁾	9 February 2002 to 8 February 2008	200,000	—	—	—	—	200,000	2.440
28 January 2005 ⁽²⁾	28 January 2005 to 31 December 2010	2,058,000	—	(1,498,000)	—	(482,000)	78,000	1.260
8 April 2005 ⁽²⁾	8 April 2005 to 31 December 2010	78,000	—	(78,000)	—	—	—	1.276
		2,336,000	—	(1,576,000)	—	(482,000)	278,000	

Notes:

(1) Granted under the 1998 Share Option Scheme.

(2) Granted under the 2002 Share Option Scheme.

(3) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$2.175.

Report of the Directors

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Share Option Scheme of New World Department Store China Limited ("NWDS")

On 12 June 2007, NWDS conditionally adopted a share option scheme (the "NWDS Scheme"). Under the NWDS Scheme, the directors of NWDS may at their discretion grant options to any eligible participant (as explained hereinafter) to subscribe for shares in NWDS.

Summary of the NWDS Scheme disclosed in accordance with the Listing Rules is as follows:

NWDS Scheme

Purpose of the scheme	The purpose of the NWDS Scheme is to attract and retain the best available personnel and to provide additional incentives to employees, directors, consultants, business associates and advisers of the Company to promote the success of NWDS and its subsidiaries ("NWDS Group").
Participants of the scheme	The directors of NWDS may offer any employee (whether full-time or part-time), director, consultant, business associate or adviser of NWDS Group options to subscribe for shares of NWDS at a price calculated in accordance with the terms of the NWDS Scheme.
Total number of shares available for issue under the scheme and percentage of issued share capital of NWDS as at the date of this annual report	<p>NWDS had not granted any options under the NWDS Scheme up to the date of this report.</p> <p>The total number of shares available for issue under the NWDS Scheme is 162,520,000 representing approximately 10.0% of the issued share capital of NWDS as at the date on which the shares of NWDS are listed on the HKEx.</p>
Maximum entitlement of each participant under the scheme	Unless approved by shareholders of NWDS in the manner as set out in the NWDS Scheme, the total number of shares of NWDS issued and to be issued upon exercise of the options granted to each eligible person (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1.0% of the relevant class of securities of NWDS in issue.
The period within which the shares must be taken up under an option	A period to commence not less than one year and not to exceed 10 years from the date of grant of options.
The minimum period for which an option must be held before it can be exercised	Not less than one year upon the grant of options by the directors of NWDS.
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	The amount payable for the acceptance of an option shall be the sum of \$1.0 which shall be paid upon acceptance of the offer of such option. An offer of an option must be made by NWDS in writing on a business day and accepted in writing by the participant in such manner as the board of directors of NWDS may prescribe within 21 calendar days (from and including the date of the offer by NWDS) of the same being made and if not so accepted such offer shall lapse.
The basis of determining the exercise price	The exercise price is determined by the directors of NWDS and shall be not less than the greater of (i) the closing price of the shares as stated in the HKEx's daily quotations sheet on the date of grant of option; (ii) the average closing price of the shares as stated in the HKEx's daily quotations sheets for the five business days immediately preceding the date of grant of option; and (iii) the nominal value of a share.
The remaining life of the scheme	The NWDS Scheme shall be valid and effective for a period not to exceed 10 years from the date of adoption, i.e. 12 June 2007.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Share Option Scheme of Taifook

On 23 August 2002, the shareholders of Taifook approved the adoption of a share option scheme (the "Taifook Scheme"). Summary of the Taifook Scheme disclosed in accordance with the Listing Rules is as follows:

Taifook Scheme

Purpose of the scheme	To attract, retain and motivate talented employees to strive towards long term performance targets set by Taifook and its subsidiary companies and at the same time to allow the participants to enjoy the results of Taifook attained through their effort and contribution.
Participants of the scheme	Any full time employees, executive and non-executive directors of Taifook or any of its subsidiary companies or associates.
Total number of shares available for issue under the scheme and percentage of issued share capital of Taifook as at the date of this annual report	<p>The maximum number of shares which may be issued upon exercise of all options to be granted under the Taifook Scheme and any other share option schemes of Taifook shall not in aggregate exceed 10.0% of the total number of shares in issue as at the date of adoption of the Taifook Scheme (the "Scheme Mandate Limit") but Taifook may seek approval of its shareholders at general meetings to refresh the Scheme Mandate Limit, save that the maximum number of shares in respect of which options may be granted by directors of Taifook under the Taifook Scheme and any other share option schemes of Taifook shall not exceed 10.0% of the issued share capital of Taifook as at the date of approval by the shareholders of Taifook at general meetings where such limit is refreshed. Options previously granted under the Taifook Scheme and any other share option schemes of Taifook (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such 10.0% limit as refreshed. Notwithstanding the aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Taifook Scheme and any other share option schemes of Taifook shall not exceed 30.0% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.</p> <p>The total number of shares available for issue under the Taifook Scheme is 57,936,169 shares representing approximately 9.41% of the issued share capital of Taifook as at the date of this report.</p>

Report of the Directors

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Share Option Scheme of Taifook *(continued)*

Taifook Scheme

Maximum entitlement of each participant under the scheme

The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the Taifook Scheme and any other share option schemes of Taifook (including both exercised and outstanding options) in any 12-month period shall not exceed 1.0% of the total number of shares of Taifook in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of Taifook at a general meeting.

Share options granted to a director, chief executive or substantial shareholders of Taifook, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of Taifook, or to any of their associates, in excess of 0.1% of the total number of shares in issue of Taifook at the date on which such grant is proposed by the directors or with an aggregate value (based on the closing price of shares at the date on which such grant is proposed by the directors) in excess of HK\$5.0 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of Taifook.

The period which the shares must be taken up under an option and the minimum period for which an option must be held before it can be exercised

The exercise period of the share options granted is determinable by the directors, and such period shall commence not earlier than six months from the date of the grant of the options and expire not later than 10 years after the date of grant of the options.

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\$1.0 is to be paid as consideration for the grant of option within 30 days from the date of the offer.

The basis of determining the exercise price

The exercise price of the share options is determinable by the directors, and shall be at least the highest of (i) the closing price of the shares as stated in the HKEx's daily quotations sheet on the offer date; (ii) the average closing price of the shares as stated in the HKEx's daily quotations sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of a share.

The remaining life of the scheme

The Taifook Scheme shall be valid and effective for a period of 10 years commencing from the date on which it is conditionally adopted by resolution of Taifook at general meeting and will expire on 22 August 2012.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Share Option Scheme of Taifook *(continued)*

Share options granted to Directors

During the financial year ended 30 June 2007, no share options were granted to Directors under the Taifook Scheme.

Share options granted to other eligible participants

Date of grant	Exercisable period (Note)	Number of share options			Balance as at 30 June 2007	Exercise price per share HK\$	Weighted average closing price immediately before the dates of exercise of share options HK\$
		Balance as at 1 July 2006	Exercised during the year	Lapsed during the year			
5 September 2003	(1)	10,528,000	(8,828,000)	(400,000)	1,300,000	1.20	2.08
10 February 2006	(2)	30,450,000	(27,850,000)	(600,000)	2,000,000	0.94	2.16
		40,978,000	(36,678,000)	(1,000,000)	3,300,000		

Notes:

(1) Exercisable from 5 March 2004 to 4 March 2009.

(2) Exercisable from 10 August 2006 to 9 August 2014.

Save as disclosed above, as at 30 June 2007, none of the Directors, chief executive or any of their associates had or deemed to have any interest or short positions in the shares, 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 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 2007, the Group had given financial assistance and guarantees to its jointly controlled entities and associated companies (collectively "affiliated companies") as set out below:

	2007 HK\$m	2006 HK\$m
Amounts due by affiliated companies	16,011.6	16,744.5
Guarantees given for affiliated companies in respect of banking and other credit facilities	3,645.8	2,422.8
Commitments to capital injections and loan contributions	2,922.0	4,340.3
	22,579.4	23,507.6

- (a) The financial assistance, in aggregate exceeded 8.0% of the Company's total assets as at 30 June 2007.
- (b) The advances were unsecured and are interest free except for an aggregate amount of HK\$6,167.6 million (2006: HK\$6,382.7 million) which carried interest ranging from 0.6% above HIBOR to 10.0% per annum (2006: 2.0% to 12.0% per annum). Other than an amount of HK\$258.5 million (2006: HK\$269.2 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 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 2007 are presented as follows:

	Combined balance sheet HK\$m	Group's attributable interest HK\$m
Non-current assets	64,460.9	27,885.5
Current assets	31,098.2	19,754.6
Current liabilities	(23,260.3)	(11,503.8)
Total assets less current liabilities	72,298.8	36,136.3
Non-current liabilities	(39,525.8)	(19,943.5)
Net assets	32,773.0	16,192.8

The 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 2007.