

## > Report of the Directors

The Directors present their annual report and financial statements for the year ended 30 June 2008.

### 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 208 to 221.

### Results and Appropriation

The result of the Group for the year ended 30 June 2008 are set out in the consolidated income statement on page 114 of this annual report.

The Directors have resolved to recommend a final dividend for the year ended 30 June 2008 of HK\$0.25 per share (2007: HK\$0.25 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 2 December 2008. Together with the interim dividend of HK\$0.18 per share paid in July 2008, total distribution for the year ended 30 June 2008 would thus be HK\$0.43 per share (2007: HK\$0.40 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 2008 amounted to HK\$11,258.3 million (2007: HK\$11,225.8 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 222 and 223.

### 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\$45.5 million (2007: HK\$50.6 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.

## > Report of the Directors (Continued)

### Connected Transactions

Connected transactions of the Company during the year and up to the date of this report are set out on pages 82 to 89.

### 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 112.

### 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

#### Non-executive Directors

Lord Sandberg, Michael (re-designated on 1 November 2007)  
Mr. Cheng Yue-Pui (passed away on 19 February 2008)  
Mr. Cheng Kar-Shing, Peter  
Mr. Chow Kwai-Cheung  
Mr. Liang Cheung-Biu, Thomas

#### Independent Non-executive Directors

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. Ho Hau-Hay, Hamilton (re-designated on 1 November 2007)  
Mr. Lee Luen-Wai, John JP

In accordance with Article 103(A) of the Company's Articles of Association, Dato' Dr. Cheng Yu-Tung, Lord Sandberg, Michael, Dr. Sin Wai-Kin, David, Mr. Liang Chong-Hou, David and Mr. Yeung Ping-Leung, Howard shall retire by rotation and shall be eligible 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, Mr. Ho Hau-Hay, Hamilton 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.

## > Report of the Directors (Continued)

### 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\$12.7 million (approximately HK\$99.0 million) for the year ended 30 June 2008 (2007: US\$11.8 million (approximately HK\$92.1 million)). Dr. Cheng Kar-Shun, Henry, Director of the Company and Mr. Doo Wai-Hoi, William ("Mr. Doo"), director of certain subsidiaries of the Group, are interested in this transaction to the extent that they have beneficial interests in CTFHL.

Save for contracts amongst group companies and the aforementioned transaction, 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 2008, 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 90 to 92.

### Directors' Interests in Competing Businesses

During the year, according to the Listing Rules, 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:

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, hotel operations 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

## &gt; Report of the Directors (Continued)

## 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, hotel operations 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 Yue-Pui*	CTF group of companies	Property investment and development, hotel operations and transport	Director
	Melbourne group of companies	Property investment	Director
Mr. Cheng Kar-Shing, Peter	CTF group of companies	Property investment and development, hotel operations 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
	Asia Leisure Development Co Ltd	Property development	Director
Mr. Ho Hau-Hay, Hamilton <sup>#</sup>	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

## > Report of the Directors (Continued)

### 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. 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
Mr. Cheng Chi-Kong, Adrian	Grandhope Properties Limited	Property investment	Director and shareholder
	Cheung Hung Development (Holdings) Limited	Property investment and development	Director
	International Entertainment Corporation	Hotel operations	Director

\* *passed away on 19 February 2008*

# *re-designated as Independent Non-executive Director on 1 November 2007*

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 92 to 111.

## > Report of the Directors (Continued)

### Substantial Shareholders' Interests in Securities

As at 30 June 2008, 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>	—	1,382,885,199	1,382,885,199	37.02
Centennial Success Limited ("Centennial") <sup>(2)</sup>	—	1,382,885,199	1,382,885,199	37.02
CTF <sup>(3)</sup>	1,246,814,579	136,070,620	1,382,885,199	37.02

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 2008.

## > Report of the Directors (Continued)

### Other Persons' Interests in Securities

As at 30 June 2008, 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:

Name	Capacity	Number of shares/ underlying shares held	Total	Approximate % of shareholding
<b>Long positions in shares and underlying shares of the Company</b>				
JPMorgan Chase & Co.	Beneficial owner	50,452,355	207,997,845 <sup>(1)</sup>	5.57
	Investment manager	17,320,430		
	Custodian corporation/ approved lending agent	140,225,060		
UBS AG	Beneficial owner	49,113,759	194,301,523 <sup>(2)</sup>	5.20
	Person having a security interest in shares	36,987,222		
	Interest of controlled corporations	108,200,542		

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

JPMorgan Chase & Co.	Beneficial owner	36,298,466	36,298,466 <sup>(3)</sup>	0.97
UBS AG	Beneficial owner	14,427,318	20,353,746 <sup>(4)</sup>	0.54
	Interest of controlled corporations	5,926,428		

#### Notes:

- (1) The interests included aggregate interests in 10,946,101 underlying shares through its holding of certain listed physically settled derivatives (6,767,101 underlying shares), and unlisted physically settled derivatives (4,179,000 underlying shares). It also included 140,225,060 shares in the lending pool.
- (2) The interests included aggregate interests in 28,955,835 underlying shares through its holding of certain listed derivatives (physically settled — 27,053,761 underlying shares, and cash settled — 1,885,000 underlying shares), and unlisted physically settled derivatives (17,074 underlying shares).
- (3) The interests included interests in 240,000 underlying shares through its holding of certain physically settled unlisted derivatives.
- (4) The interests included aggregate interests in 8,805,486 underlying shares through its holding of certain listed physically settled derivatives (8,317,000 underlying shares) and unlisted physically settled derivatives (488,486 underlying shares).

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 2008.

## > Report of the Directors (Continued)

### 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.

### Spin-off of Department Store Operations

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, 14 October 2008



## > Report of the Directors (Continued)

### 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, Director of the Company and Mr. Doo, 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\$7,389.5 million (2007: HK\$6,934.4 million). During the year, tax indemnity amounted to HK\$369.6 million (2007: HK\$188.4 million) was effected.

- (3) On 18 May 2007, NWS Transport Services Limited (“NWST”) and NWSH entered into a master services agreement (the “NWST Master Services Agreement”) whereby NWST agreed to, and agreed to procure that members of NWST and its subsidiaries (the “NWST Group”) (to the extent practicable) engage relevant members of NWSH and its subsidiaries (the “NWSH Group”) to provide operational services, which includes contracting 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 relevant members of the NWST Group and to rent or license spare spaces to members of the NWSH Group during the term of the NWST Master Services Agreement. The NWST Master Services Agreement has an initial term of three years and shall be automatically renewed for a further term of three years unless either party gives written notice to the other party not later than two months before the expiry of the initial term.

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 entering into of the NWST Master Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

## > Report of the Directors (Continued)

### Connected Transactions (Continued)

During the year ended 30 June 2008, the contract amounts for each category of services under the NWST Master Services Agreement are summarised as follows:

Category of services	Approximate total contract amount HK\$m	Annual cap HK\$m
Contracting services	—	13.0
Facility management services	1.7	7.5
Security and guarding services	0.9	7.0
Cleaning and landscaping services	22.8	35.0
Financial services	0.3	1.0
Property management services	0.5	1.0
Rental or licensing of spare spaces	3.6	9.0

- (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

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 2008 under the Lease Agreement amounted to HK\$42.0 million which is within the annual cap of HK\$75.0 million.

As set out in the announcement of the Company dated 16 September 2008, the annual cap for the Lease Agreement for each of the three years ending 30 June 2011 is HK\$75.0 million.

## > Report of the Directors (Continued)

### Connected Transactions (Continued)

- (5) 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.

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.

- (6) 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.

As at the date of the Offer, Diamond Way was a connected person of the Company by virtue of its interest in Higrade, a non-wholly owned subsidiary of the Company. Accordingly, the disposal of the Repurchase Shares by Keep Silver to Lee Hing constituted a connected transaction for the Company under the Listing Rules. The transaction was completed on 26 November 2007.

## > Report of the Directors (Continued)

### Connected Transactions (Continued)

- (7) On 20 November 2007, Sunny Trend Development Limited (“Sunny Trend”), an indirect wholly-owned subsidiary of NWCL, entered into an acquisition agreement (the “Acquisition Agreement”) with 濟南陽光置業有限公司 (Jinan Sunshine Property Co., Ltd.) (“Jinan Property”) whereby Sunny Trend agreed to acquire the remaining 27.0% equity interest in 濟南新世界陽光發展有限公司 (Jinan New World Sunshine Development Ltd.) (“Jinan Sunshine”), the then 73%-owned subsidiary of Sunny Trend, from Jinan Property for a consideration of RMB51.0 million. The transaction was completed on 21 November 2007 and Jinan Sunshine became an indirect wholly-owned subsidiary of NWCL.

The principal business of Jinan Sunshine is the development of Jinan Sunshine Garden located at the northwest corner of Jing Qi Road, Wei Shi Er Road, Jinan City, the PRC (中國濟南市經七路緯十二路西北角).

As at the date of the Acquisition Agreement, Jinan Property was a connected person of the Company by virtue of its interest in Jinan Sunshine. Accordingly, the entering into of the Acquisition Agreement constituted a connected transaction for the Company under the Listing Rules.

- (8) On 24 January 2008, NWSH and CTF entered into: (i) a master operational services agreement (“CTF Master Operational Services Agreement”) whereby NWSH and CTF agreed to procure that members of the NWSH Group or the CTF group of companies (the “CTF Group”, including CTF and its subsidiaries and any other company in the equity capital of which CTF and/or any of its subsidiaries taken together are directly or indirectly interested so as to exercise or control the exercise of 30.0% or more of the voting power at general meetings, but excluding the NWSH Group as well as NWST and its subsidiaries) (to the extent practicable) engage relevant members of the CTF Group or the NWSH Group to provide operational services, which includes contracting services, general services, rental services and such other types of services as NWSH and CTF may agree upon from time to time in writing, to relevant members of the NWSH Group or the CTF Group during the term of the CTF Master Operational Services Agreement; and (ii) a master financial services agreement (“CTF Master Financial Services Agreement”) whereby CTF agreed to procure that members of the CTF Group engage relevant members of the NWSH Group to provide financial services to relevant members of the CTF Group during the term of the CTF Master Financial Services Agreement.

Moreover, on 24 January 2008, NWSH and Mr. Lo Lin Shing, Simon (“Mr. Lo”) entered into a master services agreement (“Mr. Lo Master Services Agreement”) whereby the NWSH Group agreed to provide financial services to Mr. Lo and his associates.

As CTF is a connected person of the Company, the entering into of the CTF Master Operational Services Agreement, the CTF Master Financial Services Agreement and all the transactions contemplated thereunder, excluding the transactions between the NWSH Group and the Group, constitute continuing connected transactions for the Company under the Listing Rules. Given that Mr. Lo is the deputy chairman and an executive director of Taifook, a subsidiary of NWSH, which is in turn a subsidiary of the Company, he is a connected person of the Company. Accordingly, the entering into of Mr. Lo Master Services Agreement and all the transactions contemplated thereunder also constitute continuing connected transactions for the Company under the Listing Rules.

All of the CTF Master Operational Services Agreement, the CTF Master Financial Services Agreement and the Mr. Lo Master Services Agreement have an initial term of three years commencing from 24 January 2008 to 23 January 2011, and is renewable for a further term of three years subject to re-compliance with relevant requirements under the Listing Rules.

## > Report of the Directors (Continued)

### Connected Transactions (Continued)

During the year ended 30 June 2008, the contract amounts for each category of the operational services under the CTF Master Operational Services Agreement (excluding the transactions between the NWSH Group and the Group) are summarised as follows:

<b>Operational services</b>	<b>Approximate total contract amount HK\$m</b>	<b>Annual cap HK\$m</b>
Contracting services by members of the NWSH Group to members of the CTF Group	<b>70.2</b>	<b>486.9</b>
General services by members of the NWSH Group to members of the CTF Group	<b>13.6</b>	<b>17.4</b>

In addition, during the year ended 30 June 2008, the contract amounts for the financial services under the CTF Master Financial Services Agreement (excluding the transactions between the NWSH Group and the Group) and the Mr. Lo Master Services Agreement are summarised as follows:

<b>Financial services</b>	<b>Approximate total contract amount HK\$m</b>	<b>Annual cap HK\$m</b>
Fees from the provision of the financial services by the NWSH Group, including the underwriting and sub-underwriting services	<b>0.6</b>	<b>26.3</b>
Value of the securities which may be acquired by the NWSH Group pursuant to the underwriting and sub-underwriting commitments under the underwriting and sub-underwriting services	<b>—</b>	<b>800.0</b>

- (9) On 31 January 2008, Starlux Enterprise Limited (“Starlux Enterprise”), an indirect wholly-owned subsidiary of NWCL, entered into agreements (the “Agreements”) with 海南中泓投資有限公司 (Hainan Zhonghong Investments Company Limited) (“Hainan Zhonghong”) in respect of the increase in the registered capital of 新世界中泓地產有限公司 (New World Zhonghong Property Co., Ltd.) (“New World Zhonghong”) from RMB166.7 million to RMB350.0 million. New World Zhonghong is beneficially-owned by Starlux Enterprise and Hainan Zhonghong as to 70.0% and 30.0%, respectively.

Pursuant to the Agreements, Starlux Enterprise and Hainan Zhonghong would contribute RMB128.3 million and RMB55.0 million respectively to the registered capital of New World Zhonghong in proportion to their respective equity interests in New World Zhonghong.

The additional capital will be utilized to finance the development costs of the land in Yuhua District, Changsha City, Hunan Province, the PRC with area of approximately 143,333 sq.m..

Hainan Zhonghong is 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 Agreements constituted a connected transaction for the Company under the Listing Rules.

## > Report of the Directors (Continued)

### Connected Transactions (Continued)

- (10) On 6 February 2008, Smart Creation Group Limited (“Smart Creation”), an indirect wholly-owned subsidiary of NWCL, Fast Plus Investments Limited (“Fast Plus”) and World Target Development Limited (“World Target”) entered into a shareholders agreement (the “Shareholders Agreement”) for the regulation of the rights and obligations of the shareholders of World Target, which is owned as to 50.0% by Smart Creation and 50.0% by Fast Plus respectively.

The principal business of World Target is to engage in the development of properties in the PRC and other business to be determined and approved by its board from time to time.

As Fast Plus is a wholly-owned subsidiary of Centennial which is a connected person of the Company, the entering into of the Shareholders Agreement constituted a connected transaction for the Company under the Listing Rules.

- (11) Prior to the listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited, NWDS and its subsidiaries (“NWDS Group”) entered into various concessionaire counter agreements (“Concessionaire Counter Arrangements”) with Chow Tai Fook Jewellery Company Limited (“CTF Jewellery”) or any of its subsidiaries pursuant to which members of the NWDS Group provide floor space in its department stores to CTF Jewellery or its subsidiaries to exhibit and sell jewellery.

Pursuant to the concessionaire counter agreements, commissions and basic usage costs are payable by CTF Jewellery or its subsidiaries to members of the NWDS Group for the use of the concessionaire counters. Such commissions are calculated by a pre-determined percentage of sales made for each type of the products sold at the concessionaire counter and the gross sales figures of concessionaire counter, while the basic usage costs comprise the general promotional contributions and other fixed charges.

The original annual cap for the Concessionaire Counter Arrangements as set out in the prospectus of NWDS dated 28 June 2007 are expected to be exceeded as a result of the fast appreciation of Renminbi and expansion in the number of stores and turnover of concessionaire counters. As set out in the announcement of the Company dated 19 March 2008 and approved by the independent shareholders of NWDS at its extraordinary general meeting held on 29 April 2008, the annual cap for the Concessionaire Counter Arrangements for each of the two years ending 30 June 2008 and 2009 were revised as follows:

	<b>2007/08</b>	<b>2008/09</b>
Original annual cap	<b>HK\$18.2 million</b>	<b>HK\$26.2 million</b>
Revised annual cap	<b>RMB24.6 million</b>	<b>RMB53.1 million</b>
	<b>(equivalent to approximately HK\$26.7 million)</b>	<b>(equivalent to approximately HK\$57.6 million)</b>

The aggregate amount of the transactions contemplated under the Concessionaire Counter Arrangements for the year ended 30 June 2008 amounted to HK\$17.9 million.

As CTF Jewellery is an associate of CTF which is a connected person of the Company, the transactions contemplated under the Concessionaire Counter Arrangements constitute continuing connected transactions for the Company under the Listing Rules.

## > Report of the Directors (Continued)

### Connected Transactions (Continued)

- (12) On 1 April 2008, Silver World H.K. Development Limited (“Silver World”), an indirect wholly-owned subsidiary of NWCL, entered into a new joint venture contract (the “JV Contract”) with Hainan Zhonghong which provided for the increase in the registered capital of 湖南成功新世紀投資有限公司 (Hunan Success New Century Investment Company Limited) (“Hunan Success”) from RMB250.0 million to RMB680.0 million. Hunan Success is beneficially-owned by Silver World and Hainan Zhonghong as to 90.0% and 10.0% respectively.

Pursuant to the JV Contract, Silver World and Hainan Zhonghong agreed to make the contribution to Hunan Success in the amount of RMB387.0 million and RMB43.0 million respectively in proportion to their respective beneficial interest in Hunan Success.

The additional capital of Hunan Success will be utilized to finance the development costs of a new land improvement project in Changsha City, Hunan Province, the PRC with a total site area of approximately 799,997 sq.m..

As Hainan Zhonghong is a connected person of the Company by reason stated in paragraph (9) above, the entering into the JV Contract constituted a connected transaction for the Company under the Listing Rules.

- (13) On 30 April 2008, NWDC entered into a sale and purchase agreement (the “S&P Agreement”) with Golden Dragon Corporation Limited (“Golden Dragon”) whereby NWDC agreed to sell and Golden Dragon agreed to acquire the 100% interest in Fung Seng Estate Development (Shanghai) Co., Ltd. (“Fung Seng”) for a consideration of approximately HK\$143.3 million.

Fung Seng is a property holding company and owns a 4-storey building at 1408 Huaihaizhong Road, Xuhui District, Shanghai City, the PRC with a total gross floor area of approximately 794 sq.m. which is vacant as at the date of the S&P Agreement.

Golden Dragon is wholly-owned by Mr. Doo and is therefore regarded as an associate of a connected person of the Company. Accordingly, the entering into of the S&P Agreement constituted a connected transaction for the Company under the Listing Rules.

The transaction was completed as at 30 June 2008 and Fung Seng ceased to be a subsidiary of the Group.

- (14) On 18 June 2008, NWCL, NWDC and Mr. Doo entered into a reorganisation agreement (the “Reorganisation Agreement”) relating to the reorganisation of 上海局一房地產發展有限公司 (Shanghai Juyi Real Estate Development Co., Ltd.) (“Juyi”), Shanghai Trio and 上海新世界淮海物業發展有限公司 (Shanghai New World Huai Hai Property Development Co., Ltd.) (“Huai Hai”) (Juyi, Shanghai Trio and Huai Hai together known as the “Target Companies”) whereby NWDC and Mr. Doo shall transfer all their respective interest in the Target Companies to New World China Property Limited (“NWCP”) in return for the allotment of shares by NWCP to NWCL and Golden Wealth Investment Limited (“Golden Wealth”), a wholly-owned company of Mr. Doo.

On the same date, NWCL, Golden Wealth and NWCP entered into a shareholders’ agreement (“NWCP Shareholders’ Agreement”) relating to NWCP, which is conditional upon and shall not come into effect until completion of the reorganisation of the Target Companies under the Reorganisation Agreement.

## > Report of the Directors (Continued)

### Connected Transactions (Continued)

Subject to fulfillment of all conditions contained in the Reorganisation Agreement, NWCP will be owned by NWCL and Golden Wealth in the proportion of 56.46% and 43.54% respectively. The purpose of entering into the Reorganisation Agreement is to facilitate NWCP to dispose of its interests in the Target Companies to a company whose shares are listed on the Shenzhen Stock Exchange in return for a controlling stake in that company. Up to the date of this report, completion of the Reorganisation Agreement has not yet been taken place.

As Golden Wealth is wholly-owned by Mr. Doo who is a connected person of the Company, the entering into of the Reorganisation Agreement and the NWCP Shareholders' Agreement constituted connected transactions for the Company under the Listing Rules.

The continuing connected transactions mentioned in paragraphs (3), (4), (8) 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.

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), (4), (8) and (11) 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 is disclosed in Note 47 to the financial statements.



## > Report of the Directors (Continued)

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

As at 30 June 2008, 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		
<b>New World Development Company Limited</b>					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	—	300,000	—	300,000	0.01
Dr. Sin Wai-Kin, David	4,727,287	47,098	—	4,774,385	0.13
Mr. Leung Chi-Kin, Stewart	532,974	—	—	532,974	0.01
Mr. Chow Kwai-Cheung	244,527	—	—	244,527	0.01
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
<b>Dragon Fortune Limited</b>					
(Ordinary shares of US\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	—	—	15,869 <sup>(2)</sup>	15,869	27.41
<b>HH Holdings Corporation</b>					
(Ordinary shares of HK\$1.00 each)					
Dr. Sin Wai-Kin, David	42,000	—	—	42,000	7.00
<b>Mega Choice Holdings Limited</b>					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	—	—	3,710 <sup>(3)</sup>	3,710	34.61
<b>New World China Land Limited</b>					
(Ordinary shares of HK\$0.10 each)					
Dr. Cheng Kar-Shun, Henry	12,500,000	1,950,000	52,271,200 <sup>(4)</sup>	66,721,200	1.74
Mr. Leung Chi-Kin, Stewart	500,000	—	—	500,000	0.01
Mr. Chow Kwai-Cheung	650,126	—	—	650,126	0.02
Mr. Cheng Chi-Kong, Adrian	220,800	—	760,000 <sup>(5)</sup>	980,800	0.03
<b>New World Department Store China Limited</b>					
(Ordinary shares of HK\$0.10 each)					
Mr. Cheng Chi-Kong, Adrian	—	—	1,107,000 <sup>(5)</sup>	1,107,000	0.07

## &gt; Report of the Directors (Continued)

## 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		
<b>NWS Holdings Limited</b>					
<b>(Ordinary shares of HK\$1.00 each)</b>					
Dr. Cheng Kar-Shun, Henry	9,179,199	—	8,000,000 <sup>(4)</sup>	17,179,199	0.83
Dr. Sin Wai-Kin, David	3,281	31	16,995,745 <sup>(6)</sup>	16,999,057	0.83
Mr. Liang Chong-Hou, David	164	—	—	164	0.00
Mr. Cheng Kar-Shing, Peter	190,981	—	2,819,284 <sup>(7)</sup>	3,010,265	0.15
Mr. Leung Chi-Kin, Stewart	2,945,351	—	—	2,945,351	0.14
Mr. Chow Kwai-Cheung	207,000	—	—	207,000	0.01
<b>Sun City Holdings Limited</b>					
(Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	—	80,000	3,570,000 <sup>(8)</sup>	3,650,000	45.63
<b>Sun Legend Investments Limited</b>					
(Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	—	—	500 <sup>(9)</sup>	500	50.00
<b>YE Holdings Corporation</b>					
(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 wholly-owned by Mr. Cheng Chi-Kong, Adrian.
- (6) These shares are beneficially-owned by a company which is jointly-owned by Dr. Sin Wai-Kin, David and his spouse.
- (7) These shares are beneficially-owned by a company which is wholly-owned by Mr. Cheng Kar-Shing, Peter.
- (8) These shares are held by a company of which Mr. Cheng Kar-Shing, Peter has an indirect interest of 49.58%.
- (9) 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.

## > Report of the Directors (Continued)

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

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

During the year ended 30 June 2008, 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.

#### 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: <ul style="list-style-type: none"><li>(i) any eligible employee;</li><li>(ii) any non-executive director (including independent non-executive director) of the Company or any invested entity of the Group (the "Invested Entity");</li><li>(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;</li><li>(iv) any supplier of goods or services to any member of the Group or any Invested Entity;</li><li>(v) any customer of any member of the Group or any Invested Entity;</li><li>(vi) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;</li><li>(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and</li></ul>

## > Report of the Directors (Continued)

### Share Option Scheme of the Company (Continued)

#### The Scheme

(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 230,418,464 representing approximately 6.13% of the Company's issued share capital as at the date of this report.

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 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 (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 2008	Exercise price per share HK\$
			Balance as at 1 July 2007	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) (2)	200,000 1,200,000	— —	— —	— —	200,000 1,200,000	17.756 17.756
Mr. Leung Chi-Kin, Stewart	19 March 2007	(1)	36,500,000	—	(1,000,000) <sup>(3)</sup>	—	35,500,000	17.756
Mr. Chow Kwai-Cheung	19 March 2007	(1) (2)	200,000 1,200,000	— —	(200,000) <sup>(4)</sup> —	— —	— 1,200,000	17.756 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	—	(1,200,000)	—	114,000,000	

\* passed away on 19 February 2008

## > Report of the Directors (Continued)

### Share Option Scheme of the Company (Continued)

#### Share options granted to Directors (Continued)

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 exercise dates were 11 July 2007 and 12 June 2008 for options representing 500,000 shares on each date. The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$19.06.
- (4) The exercise date was 20 December 2007. On the trading day immediately before the share options were exercised, the closing price per share was HK\$26.55.
- (5) The cash consideration paid by each Director for each grant of 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 2008	Exercise price per share HK\$
		Balance as at 1 July 2007	Granted during the year	Exercised during the year <sup>(2)</sup>	Adjusted during the year	Lapsed during the year		
19 March 2007	(1)	21,020,000	—	(1,606,000)	—	(480,000)	18,934,000	17.756

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 weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$24.85.
- (3) The cash consideration paid by each participant for each grant of share options is HK\$10.0.

## > Report of the Directors (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. No share option has been granted, exercised, cancelled, lapsed or outstanding under the 2000 Share Option Scheme during the year ended 30 June 2008.

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

	<b>2000 Share Option Scheme</b>	<b>2002 Share Option Scheme</b>
Purpose of the schemes	As incentive to employees, including executive directors of 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 37,872,000 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 70,412,729 shares of NWCL, representing approximately 1.84% of NWCL's issued share capital 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.

## > Report of the Directors (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 (Continued)

### Share Option Schemes of NWCL (Continued)

#### Share options granted to Directors

##### 2002 Share Option Scheme

Name	Date of grant	Exercisable period (Note)	Number of share options			Balance as at 30 June 2008	Exercise price per share HK\$
			Balance as at 1 July 2007	Granted during the year <sup>(3)</sup>	Exercised during the year		
Dr. Cheng Kar-Shun, Henry	7 January 2008	(1)	—	2,000,000	—	2,000,000	6.972
Mr. Cheng Kar-Shing, Peter	7 January 2008	(1)	—	800,000	—	800,000	6.972
Mr. Leung Chi-Kin, Stewart	7 January 2008	(1)	—	200,000	—	200,000	6.972
Mr. Chow Kwai-Cheung	7 January 2008	(1)	—	200,000	—	200,000	6.972
Mr. Lee Luen-Wai, John	7 January 2008	(1)	—	300,000	—	300,000	6.972
Mr. Cheng Chi-Kong, Adrian	25 July 2006	(2)	552,400	—	(220,800) <sup>(4)</sup>	331,600	2.865
	7 January 2008	(1)	—	1,500,000	—	1,500,000	6.972
			552,400	5,000,000	(220,800)	5,331,600	

#### Notes:

- (1) Divided into 3 tranches exercisable from 8 February 2008, 8 February 2009 and 8 February 2010 respectively to 7 February 2011.
- (2) Divided into 5 tranches exercisable from 26 August 2006, 26 August 2007, 26 August 2008, 26 August 2009 and 26 August 2010 respectively to 25 August 2011.
- (3) The closing price per share immediately before 7 January 2008, the date of grant, was HK\$6.73.
- (4) The exercise dates were 23 August 2007 and 12 June 2008 for options representing 110,400 shares on each date. The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$5.885.
- (5) The cash consideration paid by each of the above Directors for the grant of share options is HK\$10.0.

## &gt; Report of the Directors (Continued)

## Share Option Schemes of NWCL (Continued)

## Share options granted to other eligible participants

## 2002 Share Option Scheme

Date of grant	Number of share options <sup>(1)</sup>				Balance as at 30 June 2008	Exercise price per share HK\$
	Balance as at 1 July 2007	Granted during the year <sup>(4)</sup>	Exercised during the year <sup>(5)</sup>	Lapsed during the year		
3 January 2003 to 30 January 2003	124,200	—	(124,200)	—	—	1.212
12 May 2003 to 6 June 2003	1,351,300	—	(1,351,100)	(200)	—	0.912
28 October 2003 to 22 November 2003	69,000	—	(69,000)	—	—	1.650
25 March 2004 to 21 April 2004	1,161,000	—	(830,400)	—	330,600	2.252
18 June 2004 to 15 July 2004	209,600	—	(104,800)	—	104,800	1.650
4 November 2004 to 1 December 2004	171,200	—	(50,000)	—	121,200	2.484
22 December 2004 to 18 January 2005	99,400	—	(49,600)	—	49,800	2.689
13 July 2005 to 9 August 2005	448,800	—	(80,800)	(164,400)	203,600	2.300
13 July 2005 to 9 August 2005	700,000 <sup>(2)</sup>	—	(700,000)	—	—	2.300
7 November 2005 to 2 December 2005	29,600	—	(9,600)	—	20,000	2.620
28 March 2006 to 24 April 2006	2,885,200	—	(347,200)	(434,400)	2,103,600	3.915
28 June 2006 to 26 July 2006	153,200	—	(12,000)	(83,200)	58,000	2.865
17 October 2006 to 13 November 2006	530,400	—	(66,000)	—	464,400	3.340

## > Report of the Directors (Continued)

### Share Option Schemes of NWCL (Continued)

#### Share options granted to other eligible participants (Continued)

##### 2002 Share Option Scheme (Continued)

Date of grant	Number of share options <sup>(1)</sup>				Balance as at 30 June 2008	Exercise price per share HK\$
	Balance as at 1 July 2007	Granted during the year <sup>(4)</sup>	Exercised during the year <sup>(5)</sup>	Lapsed during the year		
28 December 2006 to 24 January 2007	1,063,600	—	(61,600)	—	1,002,000	4.712
19 March 2007 to 13 April 2007	744,800	—	(9,600)	—	735,200	4.500
14 June 2007 to 11 July 2007	1,408,400	564,000	(50,000)	—	1,922,400	6.710
17 October 2007 to 13 November 2007	—	1,709,200	—	—	1,709,200	8.070
28 December 2007 to 24 January 2008	—	1,378,800	—	(276,400)	1,102,400	6.972
28 December 2007 to 24 January 2008	—	8,180,000 <sup>(3)</sup>	—	—	8,180,000	6.972
22 April 2008 to 19 May 2008	—	868,800	—	—	868,800	5.260
	11,149,700	12,700,800	(3,915,900)	(958,600)	18,976,000	

##### Notes:

- (1) The share options are exercisable within five years commencing from one month after the dates of grant, provided that the maximum number of share options that can be exercised during each anniversary year is 20.0% 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 notes 2 and 3.
- (2) The share options are exercisable within two years commencing from one month after the dates of grant, provided that the maximum number of share options that can be exercised during each 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 share options are exercisable within three 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 about 33.0% of the total number of the share options granted together with any unexercised share options carried forward from the previous anniversary year.
- (4) The closing price per share immediately before 14 June 2007, 17 October 2007, 28 December 2007 and 22 April 2008, the dates of offer to grant, was HK\$6.68, HK\$8.15, HK\$6.99 and HK\$5.25, respectively.
- (5) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$6.68.
- (6) The cash consideration paid by each eligible participant for each grant of share option is HK\$10.0.

## > Report of the Directors (Continued)

### Share Option Schemes of NWCL (Continued)

#### Share options granted to other eligible participants (Continued)

##### 2002 Share Option Scheme (Continued)

The fair values of the share options granted during the year with exercise prices per share of HK\$6.71, HK\$8.07, HK\$6.972 and HK\$5.26 are estimated at HK\$2.41, HK\$2.92, HK\$2.49 (or HK\$1.91 in respect of those with exercisable period of three years) and HK\$1.86 respectively using the binomial pricing model. Values are estimated based on the risk-free rate ranging from 2.238% to 4.06% per annum with reference to the rate prevailing on the Exchange Fund Notes, a five-year period historical volatility of ranging from 42.0% to 45.0%, assuming dividend yield ranging from 0.83% to 1.2% 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.

### 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 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	Eligible participant may be a person or an entity belonging to any of the following classes: <ul style="list-style-type: none"> <li>(i) any eligible employee;</li> <li>(ii) any non-executive director (including independent non-executive director) of NWSH Group or any invested entity of NWSH Group (the "Invested Entity");</li> <li>(iii) any supplier of goods or services to any member of NWSH Group or any Invested Entity;</li> <li>(iv) any customer of any member of NWSH Group or any Invested Entity;</li> <li>(v) any person or entity that provides research, development or other technological support to NWSH Group or any Invested Entity;</li> </ul>

## > Report of the Directors (Continued)

### Share Option Scheme of NWSH (Continued)

#### 2001 Share Option Scheme

- (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 annual report

NWSH had granted options to certain eligible participants to subscribe for a total of 72,518,283 shares of NWSH, which included certain adjustments made pursuant to the scheme, up to the date of this report.

The total number of shares available for issue under the scheme is 107,396,424 representing approximately 5.22% of NWSH's issued share capital as at the date of this report.

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 within 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.

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 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. 6 December 2001.

## > Report of the Directors (Continued)

### Share Option Scheme of NWSH (Continued)

#### Share options granted to Directors

Name	Date of grant	Exercisable period (Note)	Number of share options				Balance as at 30 June 2008	Exercise price per share HK\$
			Balance as at 1 July 2007	Granted during the year <sup>(3)</sup>	Adjusted during the year <sup>(4)</sup>	Exercised during the year		
Dr. Cheng Kar-Shun, Henry	21 August 2007	(1)	—	3,000,000	1,277	—	3,001,277	16.193
Mr. Leung Chi-Kin, Stewart	21 July 2003	(2)	68,820	—	—	(68,820) <sup>(5)</sup>	—	3.711
			68,820	3,000,000	1,277	(68,820)	3,001,277	

Notes:

- (1) 40.0% of the share options are exercisable from 21 August 2008 to 20 August 2012 while the remaining 60.0% of the share options are divided into 3 tranches exercisable from 21 August 2009, 21 August 2010 and 21 August 2011 respectively to 20 August 2012.
- (2) Divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 respectively to 20 July 2008.
- (3) The closing price per share immediately before 21 August 2007, the date of grant, was HK\$15.7.
- (4) NWSH declared the interim dividend for the year ended 30 June 2008 in scrip form (with cash option) on 17 March 2008 which gave rise to an adjustment to the number of unexercised share options and the exercise price. The exercise price per share of the share options was adjusted from HK\$16.2 to HK\$16.193 with effect from 18 June 2008.
- (5) The exercise date was 6 May 2008. On the trading day immediately before the share options were exercised, the closing price per share was HK\$22.0.
- (6) The cash consideration paid by each of the above Directors for the grant of 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 2008	Exercise price per share HK\$
		Balance as at 1 July 2007	Granted during the year	Exercised during the year <sup>(5)</sup>	Adjusted during the year <sup>(6)</sup>	Lapsed during the year		
21 July 2003	(1)	1,411,347	—	(701,305)	276	(68)	710,250	3.709 <sup>(7)</sup>
21 August 2007	(2)	—	26,694,000 <sup>(3)</sup>	—	11,310	—	26,705,310	16.193 <sup>(8)</sup>
28 January 2008	(2)	—	700,000 <sup>(4)</sup>	—	295	—	700,295	20.591 <sup>(9)</sup>
		1,411,347	27,394,000	(701,305)	11,881	(68)	28,115,855	

## > Report of the Directors (Continued)

### Share Option Scheme of NWSH (Continued)

#### Share options granted to other eligible participants (Continued)

Notes:

- (1) Divided into 3 tranches exercisable from 21 January 2004, 21 July 2004 and 21 July 2005 respectively to 20 July 2008.
- (2) 40.0% of the share options are exercisable from 21 August 2008 to 20 August 2012 while the remaining 60.0% of the share options are divided into 3 tranches exercisable from 21 August 2009, 21 August 2010 and 21 August 2011 respectively to 20 August 2012.
- (3) The closing price per share immediately before 21 August 2007, the date of grant, was HK\$15.7.
- (4) The closing price per share immediately before 28 January 2008, the date of grant, was HK\$20.6.
- (5) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$18.269.
- (6) NWSH declared the interim dividend for the year ended 30 June 2008 in scrip form (with cash option) on 17 March 2008 which gave rise to an adjustment to the number of unexercised share options and the exercise price.
- (7) The exercise price was adjusted from HK\$3.711 to HK\$3.709 with effect from 18 June 2008.
- (8) The exercise price was adjusted from HK\$16.2 to HK\$16.193 with effect from 18 June 2008.
- (9) The exercise price was adjusted from HK\$20.6 to HK\$20.591 with effect from 18 June 2008.
- (10) The cash consideration paid by each eligible participant for each grant of the share option is HK\$10.0.

The fair value of the share options granted during the year with exercise price per share of HK\$16.2 (subsequently being adjusted to HK\$16.193) and HK\$20.6 (subsequently being adjusted to HK\$20.591) are estimated at approximately HK\$5.23 and HK\$6.49 respectively, using the binomial pricing model. Values are appraised based on the risk-free rate of 4.13% per annum with reference to the rate prevailing on the Hong Kong Government bond, an approximately five-year period historical volatility of 46.52%, assuming dividend yield of 4.9% 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 (Continued)

### Share Option Scheme of NWDS

On 12 June 2007, NWDS 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 NWDS 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	NWDS had granted share options representing the right to subscribe for 24,128,000 shares of NWDS under the NWDS Scheme up to the date of this report.  NWDS may further grant share options to subscribe for 138,392,500 shares of NWDS, representing approximately 8.21% of the issued share capital of NWDS as at the date of this report.
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 HK\$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.



## > Report of the Directors (Continued)

### Share Option Scheme of NWDS (Continued)

#### NWDS Scheme

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.

#### Share options granted to Directors

Name	Date of grant	Exercisable period (Note)	Number of share options				Exercise price per share HK\$
			Balance as at 1 July 2007	Granted during the year <sup>(2)</sup>	Exercised during the year	Balance as at 30 June 2008	
Dr. Cheng Kar-Shun, Henry	27 November 2007	(1)	—	1,000,000	—	1,000,000	8.66
Mr. Cheng Chi-Kong, Adrian	27 November 2007	(1)	—	500,000	—	500,000	8.66
			—	1,500,000	—	1,500,000	

Notes:

- (1) Divided into 5 tranches exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012 respectively to 26 November 2013, 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 27 November 2007, the date of grant, was HK\$8.69.
- (3) The cash consideration paid by each of the above Directors for the grant of share options is HK\$1.0.

## > Report of the Directors (Continued)

### Share Option Scheme of NWDS (Continued)

#### Share options granted to other eligible participants

Date of grant	Exercisable period (Note)	Number of share options					Balance as at 30 June 2008	Exercise price per share HK\$
		Balance as at 1 July 2007	Granted during the year	Exercised during the year	Adjusted during the year	Lapsed during the year		
27 November 2007	(1)	—	18,495,000 <sup>(3)</sup>	—	—	(70,000)	18,425,000	8.66
25 March 2008	(2)	—	4,133,000 <sup>(4)</sup>	—	—	—	4,133,000	8.44
		—	22,628,000	—	—	(70,000)	22,558,000	

#### Notes:

- (1) Divided into 5 tranches exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012 respectively to 26 November 2013, 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) Divided into 5 tranches exercisable from 25 March 2009, 25 March 2010, 25 March 2011, 25 March 2012 and 25 March 2013 respectively to 24 March 2014, 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.
- (3) The closing price per share immediately before 27 November 2007, the date of grant, was HK\$8.69.
- (4) The closing price per share immediately before 25 March 2008, the date of grant, was HK\$8.46.
- (5) The cash consideration paid by each eligible participant for each grant of share option is HK\$1.0.

The fair value of the share options granted during the year with exercise price per share of HK\$8.66 and HK\$8.44 are estimated at HK\$3.002 and HK\$2.775 respectively using the binomial pricing model. Value is estimated based on Hong Kong Government bond which will mature in November 2013 and February 2014 and the market yield as of date of grant ranging from 2.065% to 2.920%, a six-year period historical volatility ranging from 39.0% to 40.0% based on the price volatility of the shares of the comparable companies with additional criterion that they must have public trading history of at least six years counted backward from the date of grant, assuming dividend yield at 1.5% per annum based on the market indication from the companies comparable with NWDS and an expected option life of six 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 (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 of Taifook in issue from time to time.</p> <p>The total number of shares available for issue under the Taifook Scheme is 29,436,169 shares representing approximately 4.23% of the issued share capital of Taifook as at the date of this report.</p>
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.

## > Report of the Directors (Continued)

### Share Option Scheme of Taifook (Continued)

#### Taifook Scheme

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 of Taifook. 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 of Taifook or with an aggregate value (based on the closing price of shares at the date on which such grant is proposed by the directors of Taifook) 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 within 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 of Taifook, 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 of Taifook, and shall be at least the highest of (i) the closing price of shares as stated in the HKEx's daily quotations sheet on the offer date; (ii) the average closing price of 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 meetings and will expire on 22 August 2012.

## > Report of the Directors (Continued)

### Share Option Scheme of Taifook (Continued)

#### Share options granted to Directors

During the financial year ended 30 June 2008, 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 2008	Exercise price per share HK\$
		Balance as at 1 July 2007	Granted during the year	Exercised during the year	Lapsed during the year		
5 September 2003	(1)	1,300,000	—	(1,000,000) <sup>(4)</sup>	—	300,000	1.20
10 February 2006	(2)	2,000,000	—	(1,950,000) <sup>(5)</sup>	—	50,000	0.94
1 December 2007	(3)	—	28,700,000 <sup>(6)</sup>	—	(200,000)	28,500,000	6.09
		3,300,000	28,700,000	(2,950,000)	(200,000)	28,850,000	

Notes:

- (1) Exercisable from 5 March 2004 to 4 March 2009.
- (2) Exercisable from 10 August 2006 to 9 August 2014.
- (3) Exercisable from 1 June 2008 to 31 May 2016.
- (4) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$4.93.
- (5) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$4.13.
- (6) The closing price per share immediately before 1 December 2007, the date of grant, was HK\$5.69.
- (7) The cash consideration paid by each eligible participant for each grant of share options is HK\$1.0.

The fair value of the share options granted during the year with exercise price per share of HK\$6.09 was HK\$0.56, estimated as at the date of grant using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	7.03
Expected volatility (%)	43.61
Historical volatility (%)	43.61
Risk-free interest rate (%)	1.21
Expected life of option (year)	1
Weighted average share price (HK\$)	5.69

**> Report of the Directors (Continued)****Share Option Scheme of Taifook (Continued)**

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

Save as disclosed above, as at 30 June 2008, 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 (Continued)

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

At 30 June 2008, the Group had given financial assistance and guarantees to its jointly controlled entities and associated companies (collectively "affiliated companies") as set out below:

	<b>2008</b> <b>HK\$m</b>	2007 HK\$m
Amounts due by affiliated companies	<b>18,769.7</b>	16,011.6
Guarantees given for affiliated companies in respect of banking and other credit facilities	<b>3,115.5</b>	3,645.8
Commitments to capital injections and loan contributions	<b>2,889.6</b>	2,922.0
	<b>24,774.8</b>	22,579.4

- (1) The financial assistance, in aggregate exceeded 8.0% of the Group's total assets as at 30 June 2008.
- (2) The advances were unsecured and are interest free except for an aggregate amount of HK\$6,064.8 million (2007: HK\$6,167.6 million) which carried interest ranging from 0.6% above HIBOR to 10.0% per annum (2007: 0.6% above HIBOR to 10.0% per annum). Other than an amount of HK\$258.5 million (2007: HK\$258.5 million) which is repayable by instalments up to December 2016, the advances had no fixed repayment terms.
- (3) 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 2008 are presented as follows:

	<b>Combined balance sheet HK\$m</b>	<b>Group's attributable interest HK\$m</b>
Non-current assets	<b>74,842.0</b>	<b>33,040.8</b>
Current assets	<b>40,595.0</b>	<b>25,711.5</b>
Current liabilities	<b>(34,885.7)</b>	<b>(17,784.6)</b>
Total assets less current liabilities	<b>80,551.3</b>	<b>40,967.7</b>
Non-current liabilities	<b>(39,955.8)</b>	<b>(21,787.9)</b>
Net assets	<b>40,595.5</b>	<b>19,179.8</b>

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 2008.