



REPORT OF THE DIRECTORS



The directors have pleasure in presenting their annual report and financial statements for the year ended 30th June 2008.

GROUP ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries, associated companies and jointly controlled entities are shown in note 43 to the financial statements.

FINANCIAL STATEMENTS

The results of the Group of the year ended 30th June 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 119 to 188.

DIVIDENDS

The directors have resolved to recommend a final dividend of HK\$0.02 per share (2007: HK\$0.06 per share) for the year ended 30th June 2008 to shareholders whose names appear on the register of members of the Company on 2nd December 2008. The proposed final dividend will be paid on or about 29th December 2008 subject to approval at the forthcoming annual general meeting of the Company. Together with the interim dividend of HK\$0.04 per share (2007: HK\$0.02 per share) paid in May 2008, total dividends for the year ended 30th June 2008 would thus be HK\$0.06 per share (2007: HK\$0.08 per share).

SHARE CAPITAL

Details of the movements in the share capital during the year are set out in note 30 to the financial statements.

RESERVES

Details of the movements in reserves are set out in note 31 to the financial statements.

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PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in note 15 to the financial statements.

DONATION

Donation made by the Group during the year amounted to HK\$10,733,000 (2007: HK\$29,109,000).

DIRECTORS

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

Dr. Cheng Kar-shun, Henry
Mr. Doo Wai-hoi, William
Mr. Cheng Kar-shing, Peter
Mr. Cheng Chi-kong, Adrian
Mr. Leung Chi-kin, Stewart
Mr. Chow Kwai-cheung
Mr. Chow Yu-chun, Alexander
Mr. Fong Shing-kwong, Michael
Ms. Ngan Man-ying, Lynda
Mr. Fu Sze-shing
Mr. Cheng Wai-chee, Christopher*
Mr. Tien Pei-chun, James*
Mr. Lee Luen-wai, John*
Mr. Leung Chin-man#

* *Independent non-executive directors*

Appointed on 1st August 2008 and resigned on 16th August 2008

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

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS' INTEREST IN CONTRACTS

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



REPORT OF THE DIRECTORS



CONNECTED TRANSACTIONS

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

A. Construction services

On 30th May 2005, a master service agreement was entered into between the Company and New World Development Company Limited (“NWD”), the ultimate holding company of the Company, under which the Company agreed to engage the group of NWD (“NWD Group”) to provide construction, engineering and project management services for the property development projects undertaken by the Group in the People’s Republic of China (“PRC”), on non-exclusive basis and subject to tender procedures for selection of contractors, for a term of three years ended on 30th June 2008.

Pursuant to the master service agreement, the fees payable to NWD Group for provision of the aforesaid services will be determined by reference to the PRC government-prescribed price, failing which, the PRC government-guided prices, failing which, the market price and thereafter will be determined by the relevant parties based on reasonable costs plus reasonable profit margin. Details of the agreement were set out in the announcement of the Company dated 30th May 2005 and in a circular dated 10th June 2005.

The total amounts paid to NWD Group under the master service agreement for the construction, engineering and project management services were HK\$462,863,000 (2007: HK\$44,566,000), HK\$57,774,000 (2007: HK\$81,307,000) and HK\$4,086,000 (2007: HK\$9,950,000), respectively for the year ended 30th June 2008.

The aforesaid master service agreement expired on 30th June 2008 and was replaced by a new master service agreement (“New Master Service Agreement”) entered into between the Company and NWD on 27th May 2008. Pursuant to the New Master Service Agreement, the Company agreed to engage NWD Group to provide construction, engineering, property agency and related services for the property development projects undertaken by the Group in the PRC, on non-exclusive basis and subject to the terms and conditions of each operational agreement which shall be on normal commercial terms and at prices and terms comparable with the terms available to independent third parties, with effect from 1st July 2008 for a term of three years.

An ordinary resolution approving the New Master Service Agreement was duly passed by the independent shareholders of the Company by poll at an extraordinary general meeting of the Company held on 27th June 2008. Details of the New Master Service Agreement were set out in the announcement of the Company dated 27th May 2008 and in a circular dated 10th June 2008.

B. Tenancy agreements

(1) Office tenancy agreements

The following tenancy agreements were entered into between the Company, as tenant, and New World Tower Company Limited (“NWT”), a wholly-owned subsidiary of NWD, as landlord, for leases of office premises:

- (i) tenancy agreement dated 29th June 2007 for lease of Rooms 901–910, 9/F., New World Tower 1, 18 Queen’s Road Central, Hong Kong with gross floor area of 9,375 sq. ft. for two years from 1st July 2007 to 30th June 2009 at a monthly rental of HK\$375,000 with monthly management fees and air-conditioning charges of HK\$42,187.50 (subject to adjustment by NWT);

- (ii) tenancy agreement dated 29th June 2007 for lease of a portion of 33/F., New World Tower 1, 18 Queen's Road Central, Hong Kong with gross floor area of 1,296 sq. ft. for two years from 1st July 2007 to 30th June 2009 at a monthly rental of HK\$51,840 with monthly management fees and air-conditioning charges of HK\$5,832 (subject to adjustment by NWT); and
- (iii) tenancy agreement dated 16th October 2007 for lease of a portion of 34/F., New World Tower 1, 18 Queen's Road Central, Hong Kong with gross floor area of 4,937 sq. ft. for three years commencing from 1st October 2007 to 30th September 2010 at a monthly rental of HK\$217,228 together with monthly management fees and air-conditioning charges of HK\$22,216.50 (subject to adjustment by NWT).

The total amounts paid for the leases in respect of the premises at 9/F., 33/F., and 34/F. for the year ended 30th June 2008 were HK\$5,006,000 (2007: HK\$3,544,000), HK\$346,000 (2007: HK\$490,000) and HK\$2,155,000 (2007: Nil), respectively. Details of the tenancy agreements were set out in the announcements of the Company dated 29th June 2007 and 16th October 2007. The lease in respect of the premises at 33/F. was early terminated on 31st December 2007 as agreed between the Company and NWT.

(2) *Master leasing agreement*

On 1st March 2007, the Company entered into a master leasing agreement with New World Department Stores (Holdings) Limited ("New World Department Stores"), an indirect subsidiary of NWD, whereby the Company through itself and/or its subsidiaries agreed to lease to the group of New World Department Stores, on non-exclusive basis, the premises owned by the Group from time to time, which is subject to the terms and conditions of the subsequent agreement in relation to each particular premises. The rental and management fees for each of the premises to be leased to the group of New World Department Stores will be fixed at prices which such premises are leased to independent third parties in ordinary course of business.

The total amounts received under the master leasing agreement for the year ended 30th June 2008 were HK\$88,336,000 (2007: HK\$57,530,000). Details of the master leasing agreement were set out in the announcement of the Company dated 1st March 2007 and in a circular dated 21st March 2007.

C. Property agency services

On 2nd June 2004, Beijing Lingal Real Estates Development Co., Ltd. ("Beijing Lingal"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Kiu Lok Property Services (China) Limited ("Kiu Lok"), an indirect wholly-owned subsidiary of NWS Holdings Limited which is a subsidiary of NWD, for the provision of property agency services by Kiu Lok to Beijing Lingal in connection with the promotion, sale and leasing of properties located in Chateau Regalia Beijing for three years commencing from 2nd June 2004 to 1st June 2007. The term of the said property agency agreement was subsequently extended for one year to 1st June 2008 and then to 1st June 2009 by supplemental agreements entered into between Beijing Lingal and Kiu Lok on 4th October 2007 and 21st May 2008, respectively. Details of the property agency agreement were set out in the Company's announcements dated 2nd June 2004, 11th August 2006 and 4th October 2007.



REPORT OF THE DIRECTORS



CONNECTED TRANSACTIONS *(Continued)*

C. Property agency services *(Continued)*

The agency fee payable to Kiu Lok is calculated at: (a) for the provision of property agency services in connection with the sale of properties at Chateau Regalia Beijing: 2% of the actual selling price of each unit sold; (b) for the provision of property agency services in connection with the leasing of properties at Chateau Regalia Beijing: (i) 8.3333% of the total net rental receivable of each unit leased, subject to the maximum of one month's average net monthly rental ("ANMR"); or (ii) 50% of the ANMR, if the tenant is introduced by sub-agents and commission payable to the sub-agents is not less than 50% of the ANMR; or (iii) the difference between the ANMR and the commission payable to sub-agents, if the tenant is introduced by sub-agents and the commission payable to the sub-agents is less than 50% of the ANMR and (c) in connection with renewal of lease of properties at Chateau Regalia Beijing: 2.5% of the total net rental receivable during the extended term of tenancy, subject to the maximum of 30% of the ANMR receivable by Beijing Lingal in respect of the relevant premises. The fees paid to Kiu Lok under the property agency agreement was HK\$6,214,000 for the year ended 30th June 2008 (2007: HK\$5,076,202).

With effect from 1st July 2008, the property agency services provided by Kiu Lok to Beijing Lingal will be governed by the New Master Service Agreement mentioned in paragraph A above.

D. Hotel consultancy and management services

- (1) On 10th January 2008, a management service contract was entered into between New World Hotel Management Company Limited ("NWHM"), then 65% owned subsidiary of the Company, and Beijing Jing-Guang Centre Co. Ltd ("Beijing Jing-Guang"), a subsidiary of NWD, under which NWHM agreed to provide management services to Jing Guang New World Hotel (the "Hotel"), a 5-Star hotel located at Hu Jia Lou, Chao Yang Qu, Beijing, the PRC, which is owned by Beijing Jing-Guang. The contract has an initial term of 20 full operating years commencing from 10th January 2008 and expiring on 31st December 2028 which is renewable for 10 years each time upon its expiry. Details of the management service contract were set out in the Company's announcement dated 10th January 2008. NWHM became an indirect 70.5% owned subsidiary of the Company since 27th February 2008.

By a supplemental agreement dated 10th June 2008, NWHM has agreed with Beijing Jing-Guang to revise the initial term of the management service contract from 20 full operating years to 10 full operating years with an option given to NWHM to extend the term of the contract for further ten years.

The fees receivable by NWHM are calculated at: (a) for the basic management fees: 2% of the total revenue of the Hotel; and (b) for the incentive management fees: (i) 5% of the net operating profit ("NOP") of the Hotel, which represents the total revenue of the hotel less the cost of operation, basic management fees and reserve for capital items, for the period from 10th January 2008 to 31st December 2012; (ii) 6% of the NOP for the next five years up to 31st December 2017; and (iii) 7% of the NOP from 1st January 2018. The fees received in aggregate under the contract amounted to HK\$324,000 for the year ended 30th June 2008 (2007: Nil).

- (2) On 2nd June 2008, New World Hotel Management (Macau) Limited (“NWHM (Macau)”), an indirect 70.5% owned subsidiary of the Company, entered into a consultancy contract with Arc of Triumph Development Company Limited (“AOT Development”) in relation to the provision of pre-opening technical consultancy services by NWHM (Macau) to AOT Development for the development and construction of a hotel owned by AOT Development and tentatively named as L’Arc New World Hotel Macau which is being constructed and developed at Lot A2/J, Avenida 24 de Junho, Macau for a term commencing from the date of the consultancy contract and expiring on the opening date of the hotel or 31st December 2008, whichever is the earlier, at a total contract sum of HK\$2,500,000. The fees received under the contract amounted to HK\$2,000,000 for the year ended 30th June 2008 (2007: Nil).

At the date of the contract, Chow Tai Fook Enterprises Limited (“CTF”) was holding approximately 74.78% interest in International Entertainment Corporation which in turn is holding 40% interest in AOT Development. Accordingly, AOT Development was regarded as an associate of CTF which is a connected person of the Company by virtue of its holding of more than one-third of the issued share capital of NWD. Details of the consultancy contract were set out in the announcement of the Company dated 2nd June 2008.

- (3) On 2nd June 2008, a management service contract was entered into between NWHM (Macau), AOT Development and Arc of Triumph Hotel Management Company Limited (“AOT Management”) for the provision of management services to L’Arc New World Hotel Macau for an initial term of ten years commencing from the opening date of the hotel which is renewable for ten years each time upon its expiry. The management fees receivable are HK\$500,000 per month commencing from the opening date of the hotel. No amount has been received under the contract for the year ended 30th June 2008.

AOT Development and AOT Management (a 96% owned subsidiary of AOT Development) were regarded as associates of CTF which is regarded as a connected person of the Company by reason stated in paragraph D(2) above. Details of the management service contract were set out in the Company’s announcement dated 2nd June 2008.

E. Provision of capital

- (1) On 4th July 2007, New World Development (China) Limited (“NWDC”), a wholly-owned subsidiary of the Company, entered into a capital contribution agreement with Grand Partners Group Limited (“Grand Partners”) and Stanley Enterprises Limited (“Stanley”) in respect of an increase in registered capital of Shanghai Trio Property Development Co., Ltd. (“Shanghai Trio”) from US\$54,000,000 to US\$81,000,000. Shanghai Trio is beneficially owned by NWDC, Grand Partners and Stanley as to 47.5%, 50% and 2.5%, respectively. Pursuant to the capital contribution agreement, NWDC, Grand Partners and Stanley agreed to make capital contribution to Shanghai Trio in the amount of US\$12,825,000, US\$13,500,000 and US\$675,000, respectively in proportion to their beneficial interest in Shanghai Trio.

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



REPORT OF THE DIRECTORS



CONNECTED TRANSACTIONS *(Continued)*

E. Provision of capital *(Continued)*

By virtue of the interest of Grand Partners and Stanley in Shanghai Trio and the fact that Grand Partners and Stanley are wholly-owned by Mr. Doo Wai-hoi, William ("Mr. Doo"), a director of the Company, the provision of capital to Shanghai Trio constituted a connected transaction of the Company. Details of the capital contribution agreement were set out in the announcement of the Company dated 4th July 2007.

- (2) On 31st January 2008, Starluxe Enterprises Limited ("Starluxe"), an indirect wholly-owned subsidiary of the Company, entered into 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 registered capital of 新世界中泓地產有限公司 (New World Zhonghong Property Co., Ltd.) ("New World Zhonghong") from RMB166,666,000 to RMB350,000,000. New World Zhonghong is beneficially owned by Starluxe and Hainan Zhonghong as to 70% and 30%, respectively. Pursuant to the agreements, Starluxe and Hainan Zhonghong agreed to make capital contribution to New World Zhonghong in the amount of RMB128,333,800 and RMB55,000,200, respectively in proportion to their 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 an 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 the Company, the provision of capital to New World Zhonghong under the agreements constituted a connected transaction of the Company. Details of the agreements were set out in the announcement of the Company dated 31st January 2008.

- (3) On 1st April 2008, Silver World H.K. Development Limited ("Silver World"), an indirect wholly-owned subsidiary of the Company, entered into a new joint venture contract ("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 RMB250,000,000 to RMB680,000,000. Hunan Success is beneficially owned by Silver World and Hainan Zhonghong as to 90% and 10%, respectively. Pursuant to the JV Contract, Silver World and Hainan Zhonghong agreed to make the contribution to Hunan Success in the amount of RMB387,000,000 and RMB43,000,000, respectively in proportion to their beneficial interest in Hunan Success.

The additional capital 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..

Hainan Zhonghong is a connected person of the Company by reason stated in paragraph E(2) above, the entering into the JV Contract constituted a connected transaction of the Company. Details of the JV Contract were set out in the announcement of the Company dated 1st April 2008.

F. Acquisition of interests

- (1) On 10th October 2007, New World China Land Investments Company Limited (“NWCI”), a wholly-owned subsidiary of the Company, entered into agreements with 深圳瑋鵬實業有限公司 (Shenzhen Weipeng Enterprise Co., Ltd.) (“Shenzhen Weipeng”) whereby NWCI agreed to acquire and Shenzhen Weipeng agreed to sell 10% equity interest in each of Shenzhen Topping Real Estate Development Co., Ltd. (“Shenzhen Topping”) and Shenzhen Top One Real Estate Development Co., Ltd. (“Shenzhen Top One”) for a consideration of RMB12,520,000 and RMB6,480,000, respectively. Upon completion of the registration procedures to effect the transfer, Shenzhen Topping and Shenzhen Top One became wholly-owned subsidiaries of the Group with effect from 29th December 2007.

Shenzhen Topping is principally engaged in the development of Shenzhen New World Yi Shan Garden located inside the Wutong Shan National Park in Yantian District of Shenzhen, the PRC, with a total site area of approximately 89,350 sq. m.. The principal asset of Shenzhen Top One includes the holding of land use rights in respect of a site located in Lot No. T403-0267, Xilihu Resort, Nanshan District, Shenzhen, the PRC with a total site area of approximately 57,605 sq.m. which has been approved for residential development.

At the date of the aforesaid agreements, Shenzhen Weipeng was a connected person of the Company by virtue of its interests in Shenzhen Topping and Shenzhen Top One. Accordingly, the acquisitions contemplated in the aforesaid agreements constituted connected transactions of the Company under the Listing Rules, details of which were set out in the announcement of the Company dated 10th October 2007.

- (2) On 20th November 2007, Sunny Trend Development Limited (“Sunny Trend”), an indirect wholly-owned subsidiary of the Company, entered into an 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% equity interest in Jinan New World Sunshine Development Ltd. (“Jinan Sunshine”) from Jinan Property for a consideration of RMB51,000,000. Upon completion of the agreement on 21st November 2007, Jinan Sunshine became an indirect wholly-owned subsidiary of the Group.

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. The property has a total gross floor area of approximately 448,500 sq.m. and has been approved for residential and commercial development.

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 of the Company under the Listing Rules. Details of the transaction were set out in the announcement of the Company dated 20th November 2007.



REPORT OF THE DIRECTORS



CONNECTED TRANSACTIONS *(Continued)*

G. Formation of joint venture

On 6th February 2008, Smart Creation Group Limited ("Smart Creation"), an indirect wholly-owned subsidiary of the Company, entered into a shareholders' agreement with Fast Plus Investments Limited ("Fast Plus") and World Target Development Limited ("World Target"), pursuant to which Smart Creation and Fast Plus agreed to use World Target, which is owned by them as to 50% and 50% respectively, as their joint venture vehicle to engage in the development of properties in the PRC and other ancillary business and each of them agreed to provide an initial loan up to a maximum amount of HK\$350,000,000 to World Target for contribution to the registered capital of Tianjin New World Pan Bo Hai Real Estate Development Co. Ltd., a wholly-owned subsidiary of World Target.

Fast Plus is a wholly-owned subsidiary of Centennial Success Limited which is the holding company of CTF, a connected person. Accordingly, the entering into the shareholders' agreement by Smart Creation constituted a connected transaction of the Company. Details of the shareholders' agreement were set out in the announcement of the Company dated 6th February 2008.

H. Disposal of interest

- (1) On 30th April 2008, NWDC entered into a sale and purchase agreement with Golden Dragon Corporation Limited ("Golden Dragon") whereby NWDC agreed to sell and Golden Dragon agreed to acquire 100% interest in Fung Seng Estate Development (Shanghai) Co., Ltd. ("Fung Seng"), of which Stanley had 30% participating interest, for a consideration of HK\$143,330,411. The transaction contemplated in the sale and purchase agreement was completed as at 30th June 2008.

Fung Seng is a property holding company and owns a 4-storey office 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 at the date of the agreement. The disposal is in line with the Company's strategy to realize its investments at suitable opportunity.

Golden Dragon is wholly-owned by Mr. Doo and is therefore regarded as an associate of a connected person under the Listing Rules. Accordingly, the entering into the agreement constituted a connected transaction of the Company. Details of the agreement were set out in the announcement of the Company dated 30th April 2008.

- (2) On 5th May 2008, NWDC entered into an agreement with Viewtop International Limited ("Viewtop") whereby Viewtop agreed to acquire from NWDC the one ordinary share of US\$1.00 each in the share capital of Billion Glory Group Limited ("Billion Glory"), representing the entire issued share capital of Billion Glory, and the outstanding shareholder's loan of Billion Glory owed to NWDC in the total amount of HK\$174,501,516 as of 31st December 2007 for an aggregate consideration of HK\$270,000,000. Following completion of the transaction on 30th June 2008, Billion Glory ceased to be a wholly-owned subsidiary of the Group.

Billion Glory owns 100% interest in Shenyang Trendy Property Company Limited ("Shenyang Trendy") which in turn owns the property located at the first to fourth Floor, 2 Nanjingnan Street, Heping District, Shenyang, Liaoning Province, the PRC. The disposal enabled the Company to realize one of its long term investments with good return.

Viewtop is a wholly-owned subsidiary of New World Department Store China Limited which is an indirect subsidiary of NWD. Accordingly, Viewtop is a connected person of the Company, and the entering into the aforesaid agreement with Viewtop by NWDC constituted a connected transaction of the Company. Details of the agreement were set out in the announcement of the Company dated 5th May 2008.

I. Reorganisation

On 18th June 2008, the Company, NWDC and Mr. Doo entered into an agreement (“Reorganisation Agreement”) relating to the reorganisation of Shanghai New World Huai Hai Property Development Co., Ltd., Shanghai Juyi Real Estate Development Co., Ltd. and Shanghai Trio (collectively, 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 turn for the allotment of shares by NWCP to the Company and Golden Wealth Investment Limited (“Golden Wealth”), a wholly-owned company of Mr. Doo. On the same date, the Company, Golden Wealth and NWCP entered into the shareholders’ agreement (“Shareholders’ Agreement”) with respect to NWCP.

Subject to completion of all conditions contained in the Reorganisation Agreement, the Company and Golden Wealth will hold attributable interests of 56.46% and 43.54% respectively in NWCP and each of the Target Companies, which shall be in proportion to the respective attributable interests of the Company and Mr. Doo in the total adjusted net asset values of the Target Companies as at 31st December 2007. The purpose of entering into the Reorganisation Agreement is to facilitate NWCP to dispose of its interest 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.

Mr. Doo is a connected person of the Company and as at the date of the Reorganisation Agreement, Golden Wealth was wholly-owned by Mr. Doo, and is therefore an associate of a connected person of the Company. Accordingly, the entering into the Reorganisation Agreement and the Shareholders’ Agreement constituted connected transactions of the Company. Details of the agreements were set out in the announcement of the Company dated 18th June 2008.

J. Other connected transaction

In July 1999, a deed of tax indemnity was entered into between NWD and the Group whereby NWD undertakes to indemnify the Group in respect of, inter alia, certain PRC income tax and land appreciation tax payable in consequence of the disposal of certain properties held by the Group as at 31st March 1999. During the year, tax indemnity amounting to HK\$369,620,000 (2007: HK\$188,424,000) was effected.

K. Annual review of the continuing connected transactions

The independent non-executive directors of the Company had reviewed the continuing connected transactions arising from (i) the master service agreement (paragraph A above); (ii) the office tenancy agreements and the master leasing agreement (paragraph B above); (iii) the property agency services agreement (paragraph C above); and (iv) the management service contract (paragraph D(1) above) for the financial year ended 30th June 2008 and confirmed that the transactions were:

- (a) entered into in the ordinary and usual course of business of the Group;
- (b) conducted on normal commercial terms; and
- (c) entered into 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.



REPORT OF THE DIRECTORS



CONNECTED TRANSACTIONS (Continued)

K. Annual review of the continuing connected transactions (Continued)

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 mentioned above in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Up on 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) had received the approval of the board of directors of the Company;
- (b) were entered into in accordance with the relevant agreements; and
- (c) had not exceeded the caps disclosed in the relevant announcements or circulars.

Save as disclosed above, a summary of significant related party transactions that do not constitute connected transactions made during the year was disclosed in note 42 to the financial statements.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June 2008, the interests of the directors and their associates in shares, registered capital and underlying shares of the Company and its associated corporations as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (“SFO”) were as follows:

(A) Long position in shares

	Number of shares/ amount of registered capital				Percentage to the relevant issued/ registered capital at 30th June 2008
	Personal interests	Family interests	Corporate interests	Total	
New World China Land Limited					
(Ordinary shares of HK\$0.10 each)					
Dr. Cheng Kar-shun, Henry	12,500,000	1,950,000	52,271,200 (note 1)	66,721,200	1.74
Mr. Doo Wai-hoi, William	8,750,000	—	69,010,000 (note 2)	77,760,000	2.03
Mr. Cheng Chi-kong, Adrian	220,800	—	760,000 (note 3)	980,800	0.03
Mr. Leung Chi-kin, Stewart	500,000	—	—	500,000	0.01
Mr. Chow Yu-chun, Alexander	6,550,000	—	—	6,550,000	0.17
Mr. Chow Kwai-cheung	650,126	—	—	650,126	0.02
Mr. Fong Shing-kwong, Michael	1,366,000	—	—	1,366,000	0.04
Ms. Ngan Man-ying, Lynda	100,000	—	—	100,000	0.003
New World Development Company Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	—	300,000	—	300,000	0.008
Mr. Doo Wai-hoi, William	—	—	1,000,000 (note 2)	1,000,000	0.027
Mr. Leung Chi-kin, Stewart	532,974	—	—	532,974	0.014
Mr. Chow Kwai-cheung	244,527	—	—	244,527	0.007
Mr. Fong Shing-kwong, Michael	200,000	—	—	200,000	0.005

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital at 30th June 2008
	Personal interests	Family interests	Corporate interests		
NWS Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	9,179,199	—	8,000,000 (note 1)	17,179,199	0.83
Mr. Doo Wai-hoi, William	2,006,566	—	9,130,000 (note 2)	11,136,566	0.54
Mr. Cheng Kar-shing, Peter	190,981	—	2,819,284 (note 4)	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
Mr. Chow Yu-chun, Alexander	450,286	—	—	450,286	0.02
Mr. Fong Shing-kwong, Michael	1,726,707	—	—	1,726,707	0.08
Mr. Cheng Wai-chee, Christopher	735,461	—	—	735,461	0.04
New World Department Store China Limited					
(Ordinary shares of HK\$0.10 each)					
Mr. Cheng Chi-kong, Adrian	—	—	1,107,000 (note 3)	1,107,000	0.07
Mr. Chow Yu-chun, Alexander	268,000	—	—	268,000	0.02
Dragon Fortune Limited					
(Ordinary shares of US\$1.00 each)					
Mr. Cheng Kar-shing, Peter	—	—	15,869 (note 5)	15,869	27.41
Faith Yard Property Limited					
(Ordinary shares of US\$1.00 each)					
Mr. Doo Wai-hoi, William	—	—	1 (note 2)	1	50.00
Fortune Star Worldwide Limited					
(Ordinary shares of US\$1.00 each)					
Mr. Doo Wai-hoi, William	—	—	60 (note 2)	60	60.00
Grand Make International Limited					
(Ordinary shares of US\$1.00 each)					
Mr. Doo Wai-hoi, William	—	—	55 (note 6)	55	55.00
Guangzhou Ronghe Real Estate Co., Ltd.					
(Registered capital in RMB)					
Mr. Fu Sze-shing	—	—	4,666,500 (note 7)	4,666,500	5.00
Mega Choice Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	—	—	3,710 (note 1)	3,710	34.61



REPORT OF THE DIRECTORS



DIRECTORS' INTERESTS IN SECURITIES (Continued)

(A) Long position in shares (Continued)

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital at 30th June 2008
	Personal interests	Family interests	Corporate interests		
New World China Property Limited (Ordinary shares of HK\$1.00 each) Mr. Doo Wai-hoi, William	—	—	43,540 (note 8)	43,540	43.54
Ramada Property Ltd (Ordinary shares of US\$1.00 each) Mr. Doo Wai-hoi, William	—	—	250 (note 2)	250	25.00
Shanghai New World Huai Hai Property Development Co., Ltd. (Registered capital in US\$) Mr. Doo Wai-hoi, William	—	—	108,500,000 (note 9)	108,500,000	100.00
Shanghai Juyi Real Estate Development Co., Ltd. (Registered capital in RMB) Mr. Doo Wai-hoi, William	—	—	765,000,000 (note 9)	765,000,000	100.00
Shanghai Trio Property Development Co. Ltd. (Registered capital in US\$) Mr. Doo Wai-hoi, William	—	—	81,000,000 (note 9)	81,000,000	100.00
Sun City Holdings Limited (Ordinary shares of HK\$1.00 each) Mr. Cheng Kar-shing, Peter	—	80,000	3,570,000 (note 10)	3,650,000	45.63
Sun Legend Investments Limited (Ordinary shares of HK\$1.00 each) Mr. Cheng Kar-shing, Peter	—	—	500 (note 11)	500	50.00
Taifook Securities Group Limited (Ordinary shares of HK\$0.10 each) Mr. Doo Wai-hoi, William	—	—	5,000,000 (note 2)	5,000,000	0.76
YE Holdings Corporation (Ordinary shares of HK\$1.00 each) Mr. Leung Chi-kin, Stewart	37,500	—	—	37,500	1.50
Zhaoqing New World Property Development Limited (Registered capital in US\$) Mr. Doo Wai-hoi, William	—	—	8,250,000 (note 12)	8,250,000	60.00
Zhaoqing New World Property Management Limited (Registered capital in HK\$) Mr. Doo Wai-hoi, William	—	—	300,000 (note 12)	300,000	60.00

Notes:

1. *These shares are beneficially owned by companies wholly-owned by Dr. Cheng Kar-shun, Henry.*
2. *These shares are beneficially owned by companies wholly-owned by Mr. Doo Wai-hoi, William.*
3. *These shares are beneficially owned by a company wholly-owned by Mr. Cheng Chi-kong, Adrian.*
4. *These shares are beneficially owned by a company wholly-owned by Mr. Cheng Kar-shing, Peter.*
5. *4,102 shares are held by a company wholly-owned by Mr. Cheng Kar-shing, Peter and 11,767 shares are held by Sun City Holdings Limited ("Sun City"), of which Mr. Cheng is deemed to be interested in 45.63% of its issued share capital.*
6. *These shares were beneficially owned by a company wholly-owned by Mr. Doo Wai-hoi, William and there is a contract to sell these shares, subject to completion of all conditions contained therein.*
7. *The interest is beneficially owned by a company of which Mr. Fu Sze-shing has 50% interest.*
8. *On 18th June 2008, Mr. Doo Wai-hoi, William became interested in the shares of New World China Property Limited ("NWCP") by entering into a shareholders' agreement with the Company with respect to NWCP pursuant to which his wholly-owned company will take up 43.54% interest in NWCP, subject to completion of all conditions contained therein.*
9. *Mr. Doo Wai-hoi, William is deemed to be interested in the registered capitals of these companies by virtue of his interest in NWCP, of which Mr. Doo Wai-hoi, William will own an indirect interest of 43.54%.*
10. *These shares are held by a company of which Mr. Cheng Kar-shing, Peter owns an indirect interest of 49.58%.*
11. *Mr. Cheng Kar-shing, Peter is deemed to be interested in these shares by virtue of his interests in Sun City.*
12. *Mr. Doo Wai-hoi, William is deemed to be interested in the registered capitals of these companies by virtue of his interest in Fortune Star Worldwide Limited, of which Mr. Doo Wai-hoi, William owns an indirect interest of 60%.*

REPORT OF THE DIRECTORS



DIRECTORS' INTERESTS IN SECURITIES *(Continued)*

(B) Long position in underlying shares – share options

(1) *The Company*

Under the share option scheme of the Company adopted on 26th November 2002, share options were granted to the undermentioned directors which entitle them to subscribe for shares of the Company and accordingly they are regarded as interested in the underlying shares of the Company. Details of the share options granted to them are as follows:

Name of director	Date of grant	Exercisable period	Number of share options			Balance as at 30th June 2008	Exercise price per share HK\$
			Balance as at 1st July 2007	Granted during the year (note 4)	Exercised during the year		
Dr. Cheng Kar-shun, Henry	7th January 2008	(note 1)	—	2,000,000	—	2,000,000	6.972
Mr. Doo Wai-hoi, William	7th January 2008	(note 1)	—	800,000	—	800,000	6.972
Mr. Cheng Kar-shing, Peter	7th January 2008	(note 1)	—	800,000	—	800,000	6.972
Mr. Cheng Chi-kong, Adrian	25th July 2006	(note 2)	552,400	—	(220,800) (note 5)	331,600	2.865
Mr. Leung Chi-kin, Stewart	7th January 2008	(note 1)	—	1,500,000	—	1,500,000	6.972
Mr. Chow Kwai-cheung	7th January 2008	(note 1)	—	200,000	—	200,000	6.972
Mr. Chow Yu-chun, Alexander	7th January 2008	(note 1)	—	500,000	—	500,000	6.972
Mr. Fong Shing-kwong, Michael	7th January 2008	(note 1)	—	500,000	—	500,000	6.972
Ms. Ngan Man-ying, Lynda	14th July 2005	(note 3)	100,000	—	(100,000) (note 6)	—	2.300
Mr. Fu Sze-shing	7th January 2008	(note 1)	—	1,000,000	—	1,000,000	6.972
Mr. Cheng Wai-chee, Christopher	7th January 2008	(note 1)	—	200,000	—	200,000	6.972
Mr. Cheng Wai-chee, Christopher	7th January 2008	(note 1)	—	300,000	—	300,000	6.972
Mr. Tien Pei-chun, James	7th January 2008	(note 1)	—	300,000	—	300,000	6.972
Mr. Lee Luen-wai, John	7th January 2008	(note 1)	—	300,000	—	300,000	6.972
Total			652,400	8,600,000	(320,800)	8,931,600	

Notes:

- Divided into 3 tranches, exercisable from 8th February 2008, 8th February 2009 and 8th February 2010, respectively to 7th February 2011.
- Divided into 5 tranches, exercisable from 26th August 2006, 26th August 2007, 26th August 2008, 26th August 2009 and 26th August 2010, respectively to 25th August 2011.
- Exercisable from 15th August 2006 to 14th August 2007.
- The closing price per share immediately before 7th January 2008, the date of grant, was HK\$6.730.
- The exercise dates were 23rd August 2007 and 12th June 2008. The weighted average closing price per share immediately before the dates on which share options were exercised was HK\$5.885.
- The exercise date was 20th July 2007. On the trading date immediately before the exercise date, the closing price per share was HK\$8.100.
- The cash consideration paid by each of the directors for grant of the share options is HK\$10.

(2) *New World Development Company Limited*

Under the share option scheme of the holding company, New World Development Company Limited (“NWD”), the following directors have personal interests in share options to subscribe for shares in NWD and are accordingly regarded as interested in the underlying shares of NWD. Details of the share options of NWD granted to them are as follows:

Name of director	Date of grant	Exercisable period	Number of share options			Exercise price per share HK\$
			Balance as at 1st July 2007	Exercised during the year	Balance as at 30th June 2008	
Dr. Cheng Kar-shun, Henry	19th March 2007	(note 1)	36,500,000	—	36,500,000	17.756
Mr. Cheng Kar-shing, Peter	19th March 2007	(note 1)	200,000	—	200,000	17.756
		(note 2)	1,200,000	—	1,200,000	17.756
Mr. Cheng Chi-kong, Adrian	19th March 2007	(note 2)	500,000	—	500,000	17.756
Mr. Leung Chi-kin, Stewart	19th March 2007	(note 1)	36,500,000	(1,000,000)	35,500,000	17.756
Mr. Chow Kwai-cheung	19th March 2007	(note 1)	200,000	(200,000)	—	17.756
		(note 2)	1,200,000	—	1,200,000	17.756
Mr. Chow Yu-chun, Alexander	19th March 2007	(note 2)	1,500,000	—	1,500,000	17.756
Mr. Fong Shing-kwong, Michael	19th March 2007	(note 3)	800,000	(200,000)	600,000	17.756
Mr. Fu Sze-shing	19th March 2007	(note 2)	750,000	—	750,000	17.756
Mr. Lee Luen-wai, John	19th March 2007	(note 1)	300,000	—	300,000	17.756
Total			79,650,000	(1,400,000)	78,250,000	

Notes:

1. *Exercisable from 19th March 2007 to 18th March 2012.*
2. *Divided into 5 tranches exercisable from 19th March 2007, 19th March 2008, 19th March 2009, 19th March 2010 and 19th March 2011, respectively to 18th March 2012.*
3. *Divided into 4 tranches exercisable from 19th March 2008, 19th March 2009, 19th March 2010 and 19th March 2011, respectively to 18th March 2012.*
4. *The cash consideration paid by each of the directors for grant of the share options is HK\$10.*

REPORT OF THE DIRECTORS



DIRECTORS' INTERESTS IN SECURITIES (Continued)

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

(3) NWS Holdings Limited

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

Name of director	Date of grant	Exercisable period	Number of share options				Balance as at 30th June 2008	Exercise price per share (note 4) HK\$
			Balance as at 1st July 2007	Granted during the year	Adjusted during the year (note 4)	Exercised during the year		
Dr. Cheng Kar-shun, Henry	21st August 2007	(note 1)	—	1,200,000	511	—	1,200,511	16.193
		(note 2)	—	1,800,000	766	—	1,800,766	16.193
Mr. Doo Wai-hoi, William	21st August 2007	(note 1)	—	800,000	340	—	800,340	16.193
		(note 2)	—	1,200,000	511	—	1,200,511	16.193
Mr. Leung Chi-kin, Stewart	21st July 2003	(note 3)	68,820	—	—	(68,820)	—	3.711
Mr. Chow Yu-chun, Alexander	21st July 2003	(note 3)	134,944	—	—	(134,944)	—	3.711
Mr. Cheng Wai-chee, Christopher	21st August 2007	(note 1)	—	240,000	102	—	240,102	16.193
		(note 2)	—	360,000	153	—	360,153	16.193
Total			203,764	5,600,000	2,383	(203,764)	5,602,383	

Notes:

1. Exercisable from 21st August 2008 to 20th August 2012.
2. Divided into 3 tranches exercisable from 21st August 2009, 21st August 2010 and 21st August 2011, respectively to 20th August 2012.
3. Divided into 2 tranches exercisable from 21st July 2004 and 21st July 2005, respectively to 20th July 2008.
4. NWS declared interim dividend for the year ended 30th June 2008 in scrip form (with cash option) on 17th 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\$16.200 to HK\$16.193 with effect from 18th June 2008.
5. The cash consideration paid by each of the directors for grant of the share options is HK\$10.

(4) *New World Department Store China Limited*

Under the share option scheme of a fellow subsidiary, New World Department Store China Limited ("NWDS"), the following directors have personal interests in share options to subscribe for shares in NWDS and are accordingly regarded as interested in the underlying shares of NWDS. Details of the share options of NWDS granted to them are as follows:

Name of director	Date of grant	Exercisable period	Number of share options			Balance as at 30th June 2008	Exercise price per share HK\$
			Balance as at 1st July 2007	Granted during the year	Exercised during the year		
Dr. Cheng Kar-shun, Henry	27th November 2007	(note 1)	—	1,000,000	—	1,000,000	8.660
Mr. Cheng Chi-kong, Adrian	27th November 2007	(note 1)	—	500,000	—	500,000	8.660
Ms. Ngan Man-ying, Lynda	27th November 2007	(note 1)	—	500,000	—	500,000	8.660
Total			—	2,000,000	—	2,000,000	

Notes:

1. *Divided into 5 tranches exercisable from 27th November 2008, 27th November 2009, 27th November 2010, 27th November 2011 and 27th November 2012, respectively to 26th November 2013, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.*
2. *The cash consideration paid by each of the directors for grant of the share options is HK\$1.*

Save as disclosed above, as at 30th June 2008, none of the directors, chief executive or any of their associates had or deemed to have any interest or short position in the shares, registered capital, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.



REPORT OF THE DIRECTORS



DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

Name of director	Name of entity with competing business	Business activity of the entity	Nature of interest of director in the entity
Dr. Cheng Kar-shun, Henry	Hong Kong Jing-guang Development Limited	Hotel operation in Beijing	Director
	Huizhou New World Enterprises Development Co., Ltd.	Property development in Huizhou	Director
	Qingyuan New World Housing Development Ltd.	Property development in Qingyuan	Director
	Wuhan New Eagle Development Co., Ltd.	Property investment in Wuhan	Director
	Wuxi Ramada Hotel Company Limited	Hotel operation in Wuxi	Director
Mr. Doo Wai-hoi, William	New Bei Fang Hotel Ltd. and its subsidiaries and associated companies	Property investment	Director
Mr. Cheng Kar-shing, Peter	Qingyuan New World Housing Development Ltd.	Property development in Qingyuan	Director
	Wuhan New Eagle Development Co., Ltd.	Property investment in Wuhan	Director
Mr. Cheng Chi-kong, Adrian	Cheung Hung Development (Holdings) Limited	Property investment and development	Director
Mr. Chow Kwai-cheung	廣州金湖住宅發展有限公司	Property development in Guangzhou	Director
	廣州紅丰房地產有限公司	Property development in Guangzhou	Director

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

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



REPORT OF THE DIRECTORS



SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30th June 2008, the interests or short positions of substantial shareholders 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:

Interests and short positions of substantial shareholders in the shares of the Company

Name	Number of shares		Total	Percentage to the issued share capital as at 30th June 2008
	Beneficial interests	Corporate interests		
Cheng Yu Tung Family (Holdings) Limited ("CYTF") (note 1)	—	2,714,858,780	2,714,858,780	70.80
Centennial Success Limited ("CSL") (note 1)	—	2,714,858,780	2,714,858,780	70.80
Chow Tai Fook Enterprises Limited ("CTF") (note 2)	—	2,714,858,780	2,714,858,780	70.80
New World Development Company Limited ("NWD") (note 3)	2,537,632,731	177,226,049	2,714,858,780	70.80

Notes:

1. CYTF holds 51% interest in CSL which in turn holds the entire interests in CTF. Therefore, CYTF and CSL are deemed to have interests in the shares in which CTF is deemed to be interested by virtue of its interests in NWD as mentioned in note 2 below.
2. CTF and its subsidiaries have interests in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares in which NWD is interested or deemed to be interested.
3. The number of shares held under the corporate interests of NWD includes 113,351,879 shares held by Easywin Enterprises Corporation Limited, its 100% owned subsidiary, 22,508,064 shares held by Great Worth Holdings Limited, its 59% owned subsidiary, and 41,366,106 shares held by High Earnings Holdings Limited, its 56% owned subsidiary.

All the interests stated above represent long position. Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 336 of the SFO as at 30th June 2008.

SHARE OPTION SCHEME

On 18th December 2000, the Company adopted a share option scheme ("2000 Share Option Scheme") pursuant to which employees, including directors of the Group, were given opportunity to obtain equity holdings in the Company. The 2000 Share Option Scheme was subsequently terminated at the annual general meeting of the Company held on 26th November 2002 whereby a new share option scheme ("2002 Share Option Scheme") was adopted in compliance with the new requirements of the Listing Rules. Any share options which were granted under the 2000 Share Option Scheme prior to such termination shall continue to be valid and exercisable in accordance with the terms of the 2000 Share Option Scheme. No share option has been granted, exercised, cancelled, lapsed or outstanding under the 2000 Share Option Scheme during the financial year ended 30th June 2008.

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

	2000 Share Option Scheme	2002 Share Option Scheme
Purpose of the schemes	As incentive to employees, including executive directors, of the Company or its subsidiaries	To provide an opportunity for the full-time or part-time employees, including directors, of the Group to participate in the equity of the Company as well as to motivate them to optimize their performance
Participants of the schemes	Full-time employees, including any directors, of the Company or its subsidiaries	Full-time or part-time employees, including directors, of the Company or its subsidiaries
Total number of shares available for issue under the schemes and percentage of issued share capital as at the date of this annual report	The Company had granted share options representing the rights to subscribe for 65,745,200 shares of the Company under the 2000 Share Option Scheme, together with share options representing 38,158,200 shares by way of adjustment on the number of share options as a result of the Company's issue of rights shares becoming unconditional on 8th April 2005. No further options will be granted under the 2000 Share Option Scheme	The Company had granted share options representing the rights to subscribe for 37,872,000 shares 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 the Company's issue of rights shares becoming unconditional on 8th April 2005. The Company may further grant share options to subscribe for 70,412,729 shares of the Company, representing approximately 1.84% of the total issued share capital of the Company as at the date of this report
Maximum entitlement of each participant under the schemes	25% of the aggregate number of shares for the time being issued and issuable under the scheme	The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless the same is approved by shareholders in general meeting



REPORT OF THE DIRECTORS



SHARE OPTION SCHEME *(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 the Directors, which period not to exceed 5 years commencing on the expiry of 1 month after the date on which the option is accepted and expiring on the last day of the 5-year period	At any time during a period to be notified by the Directors, which period not to exceed 5 years commencing on the expiry of 1 month after the date on which the option is accepted and expiring on a date not later than the last day of the 5-year period
The minimum period for which an option must be held before it can be exercised	1 month	1 month
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK\$10 is to be paid as consideration for the grant of option within 28 days from the date of offer	HK\$10 is to be paid as consideration for the grant of option within 28 days from the date of offer
The basis of determining the exercise price	The exercise price shall be determined by the Directors, being the higher of: <ul style="list-style-type: none"> (a) not less than 80% of the average closing price of shares on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of offer; or (b) nominal value of a share 	The exercise price shall be determined by the Directors, being at least the higher of: <ul style="list-style-type: none"> (a) the closing price of shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of offer, which must be a business day; and (b) the average closing price of shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of offer
The remaining life of the schemes	The 2000 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 18th December 2000	The 2002 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 26th November 2002

During the year ended 30th June 2008, movement of share options granted to the directors and employees of the Group under the 2002 Share Option Scheme was as follows:

- (A) Movement of share options granted to directors was disclosed under the heading “Directors’ interests in securities” above.
- (B) Movement of share options granted to employees was as follows:

Date of grant	Number of share options				Outstanding as at 30th June 2008	Exercise price per share HK\$
	Balance as at 1st July 2007	Granted during the year (note 4)	Exercised during the year (note 5)	Lapsed during the year		
3rd January 2003 to 30th January 2003	124,200	—	(124,200)	—	—	1.212
12th May 2003 to 6th June 2003	1,351,300	—	(1,351,100)	(200)	—	0.912
28th October 2003 to 22nd November 2003	69,000	—	(69,000)	—	—	1.650
25th March 2004 to 21st April 2004	1,161,000	—	(830,400)	—	330,600	2.252
18th June 2004 to 15th July 2004	209,600	—	(104,800)	—	104,800	1.650
4th November 2004 to 1st December 2004	171,200	—	(50,000)	—	121,200	2.484
22nd December 2004 to 18th January 2005	99,400	—	(49,600)	—	49,800	2.689
13th July 2005 to 9th August 2005	448,800	—	(80,800)	(164,400)	203,600	2.300
13th July 2005 to 9th August 2005 (note 2)	600,000	—	(600,000)	—	—	2.300
7th November 2005 to 2nd December 2005	29,600	—	(9,600)	—	20,000	2.620
28th March 2006 to 24th April 2006	2,885,200	—	(347,200)	(434,400)	2,103,600	3.915
28th June 2006 to 26th July 2006	153,200	—	(12,000)	(83,200)	58,000	2.865
17th October 2006 to 13th November 2006	530,400	—	(66,000)	—	464,400	3.340
28th December 2006 to 24th January 2007	1,063,600	—	(61,600)	—	1,002,000	4.712
19th March 2007 to 13th April 2007	744,800	—	(9,600)	—	735,200	4.500
14th June 2007 to 11th July 2007	1,408,400	564,000	(50,000)	—	1,922,400	6.710
17th October 2007 to 13th November 2007	—	1,709,200	—	—	1,709,200	8.070
28th December 2007 to 24th January 2008	—	1,378,800	—	(276,400)	1,102,400	6.972
28th December 2007 to 24th January 2008	—	4,580,000 (note 3)	—	—	4,580,000	6.972
22nd April 2008 to 19th May 2008	—	868,800	—	—	868,800	5.260
Total	11,049,700	9,100,800	(3,815,900)	(958,600)	15,376,000	



REPORT OF THE DIRECTORS



SHARE OPTION SCHEME (Continued)

Notes:

1. *The share options are exercisable within five years commencing from one month after the dates of grant, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total 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% 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% 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 14th June 2007, 17th October 2007, 28th December 2007 and 22nd April 2008, the dates of offer to grant, was HK\$6.680, HK\$8.150, HK\$6.990 and HK\$5.250, respectively.*
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\$6.643.*

The fair values of the share options granted during the year with exercise prices per share of HK\$6.710, HK\$8.070, HK\$6.972 and HK\$5.260 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% to 45%, assuming dividend yield ranging from 0.83% to 1.2% and an expected option life of 5 years.

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

CONTINUING OBLIGATIONS UNDER CHAPTER 13 OF THE LISTING RULES

(A) Advances and guarantees to entities

In accordance with the requirements under rule 13.20 of the Listing Rules, the directors of the Company reported that none of the entities of which the Group made advances and guarantees individually exceeded 8% of the Company's total asset value as at 30th June 2008.

(B) Financial assistance and guarantees to affiliated companies

As at 30th June 2008, the Group had made loans and advances totalling HK\$8,924,910,000 to affiliated companies, guaranteed bank loans and other borrowing facilities for the benefit of affiliated companies in the amount of HK\$2,350,081,000. These amounts in aggregate exceed 8% of the Company's total asset value as at 30th June 2008. In accordance with the requirement under rule 13.22 of the Listing Rules, a proforma combined balance sheet of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 30th June 2008 are presented below:

	Proforma combined balance sheet	Group's attributable interests
	HK\$'000	HK\$'000
Non-current assets	16,926,468	10,166,810
Current assets	21,111,144	17,736,944
Current liabilities	(10,851,703)	(7,315,973)
Non-current liabilities	(7,649,395)	(4,738,017)
Shareholders' loans and advances	(9,072,403)	(8,924,910)
	10,464,111	6,924,854

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

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

On 8th June 2006, New World China Land Investment Company Limited, a wholly-owned subsidiary, was granted a 3-year term loan facility of RMB300,000,000 to finance the capital investment in its property projects in the PRC. On 30th October 2007 and 28th December 2007, New World China Finance (BVI) Limited ("NWCF") and Superb Wealthy Group Limited ("Superb Wealthy"), wholly-owned subsidiaries, were granted 5-year term/revolving loan facilities of HK\$2,700,000,000 and HK\$700,000,000, respectively. On 30th September 2008, Superb Wealthy was further granted a 3-year term loan facility of HK\$700,000,000. The facilities obtained by NWCF and Superb Wealthy will be utilised to finance the general working capital requirement of the Company and its subsidiaries.

On 3rd April 2006, 12th June 2006 and 13th June 2006, the Company was granted loan facilities of up to HK\$300,000,000, HK\$800,000,000 and HK\$300,000,000, respectively for a term of 3 to 4 years, to fund the general corporate funding requirement of the Company and its subsidiaries, including refinancing the Company's existing loans.

Upon the granting of the above loan facilities, the Company undertook to the lenders that New World Development Company Limited would retain an interest of at least 51% in the issued share capital of the Company, or would maintain 51% of the voting rights attached to the issued share capital of the Company throughout the terms of the facilities. Failure to perform the undertaking will constitute an event of default. If the event of default continues and has not been waived by the lenders, the outstanding liability under the loan facilities will become immediately due and payable and the loan facilities will be terminated.

As at 30th June 2008, the loans drawn under the loan facility granted to the Company on 3rd April 2006 amounting to HK\$300,000,000 were fully repaid.



REPORT OF THE DIRECTORS



STATEMENT OF PUBLIC FLOAT SUFFICIENCY

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

AUDITORS

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

On behalf of the Board

Dr. Cheng Kar-shun, Henry

Chairman and Managing Director

Hong Kong, 13th October 2008