

Report of the directors

The directors have pleasure in presenting their annual report and statement of accounts for the year ended 30th June 2004.

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 37 to the accounts on pages 124 to 132.

Accounts

The results of the Group for the year ended 30th June 2004 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 89 to 132.

Dividends

The directors have resolved that no dividend be proposed for the year ended 30th June 2004 (2003: Nil).

Share capital

Details of the movements in share capital during the year are set out in note 26 to the accounts.

Reserves

Details of the movements in reserves are set out in note 27 to the accounts.

Purchase, sale or redemption of listed securities

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

Fixed assets

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

Donations

Donation made by the Group during the year amounted to HK\$587,000 (2003: HK\$1,661,000).

Directors

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

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

* *Independent non-executive directors*

Messrs. Cheng Kar-shing, Peter, Chow Kwai-cheung and Lo Hong-sui will retire at the forthcoming annual general meeting in accordance with Article 116 of the Company's Articles of Association and being eligible, all the retiring directors will offer themselves for re-election at the forthcoming annual general meeting, except for Mr. Lo Hong-sui who will not stand for re-election. All remaining current directors continue in office.

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

Pre-emptive rights

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

Directors' interest in contracts

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

Connected transactions

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

A. Construction services

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

As at 30th June 2004, the aggregate accumulated contract fee paid to the NWD Group for the provision of the aforesaid construction services which was included as part of the development costs of the property projects was HK\$1,305,855,000 (2003: HK\$1,022,241,000) of which HK\$283,614,000 (2003: HK\$401,929,000) was paid during the year.

B. Tenancy agreements

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

The annual rental is the higher of (i) RMB8,000,000, RMB9,000,000 and RMB10,000,000 for the years ended 14th August 1996, 14th August 1997 and 14th August 1998 respectively, increasing at a rate of 6% per annum in each of the seven years ending 14th August 2005; and (ii) 4% of the gross sale revenue earned by Shenyang Department Store, after value-added tax, for each of the three years ended 14th August 1998; and 5% of the gross sale revenue for each of the seven years ending 14th August 2005. The rental received in aggregate under the 1995 Tenancy Agreement was HK\$12,945,000 for the year ended 30th June 2004 (for the period from 31st May 2003 to 30th June 2003: HK\$926,000).

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

The annual rental was RMB987,000 for the first year ended 30th November 2001, increasing at a rate of 6% per annum in each of the four years ending 30th November 2005 with rent-free period from 1st December 2000 to 31st January 2001. The rental received in aggregate under the 2000 Tenancy Agreement was HK\$1,073,000 for the year ended 30th June 2004 (for the period from 31st May 2003 to 30th June 2003: HK\$92,000).

- (3) On 12th March 2003, a tenancy agreement ("Tianjin Tenancy Agreement I") was entered into between New World Anderson (Tianjin) Development Co. Ltd. ("New World Anderson"), a wholly-owned subsidiary of the Group, as landlord, and Tianjin Xin An New World Shopping Plaza Co. Ltd. ("Xin An"), an indirect wholly-owned subsidiary of NWD, as tenant, for lease of the first to fourth floors of Tianjin New World Shopping Centre (formerly known as New World Xin An Shopping Centre) located in Nankai District, Tianjin, PRC with an area of 31,800 sq. m. (the "Premises") for three years commencing from 1st July 2002 to 30th June 2005 at a monthly rental of RMB1,928,570 with rent-free period from 1st July 2002 to 28th February 2003 together with a monthly management fee of RMB600,000.

The Tianjin Tenancy Agreement I was terminated on 15th March 2004 due to the handover of operation of the department store in the Premises by Xin An to Tianjin Trendy New World Plaza Co., Ltd. ("Tianjin Trendy"), an indirect wholly-owned subsidiary of NWD. The rental and management fee received in aggregate was HK\$20,087,000 for the period from 1st July 2003 to 14th March 2004 (2003: HK\$13,940,000). A new tenancy agreement ("Tianjin Tenancy Agreement II") was entered into between New World Anderson as landlord and Tianjin Trendy as tenant for lease of the Premises on 15th March 2004 for twenty years from 15th March 2004 to 14th March 2024.

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

Connected transactions (continued)

B. Tenancy agreements (continued)

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

The monthly rental is the higher of (i) RMB30 per sq.m. with effect from 1st January 2004, with an additional 3% of the gross sales revenue ("GSR") earned by Dalian Department Store with effect from 1st January 2007; and (ii) 5% of the GSR, with rent-free period from 18th October 2002 to 31st December 2003. The rental received in aggregate under the Dalian Tenancy Agreement from 1st January 2004 to 30th June 2004 was HK\$4,490,000.

C. Corporate guarantees

- (1) On 16th July 2002, Guangzhou Xin Yi Development Limited ("Xin Yi") was granted a 4-year term loan facility of up to HK\$171,600,000 and a revolving loan facility of up to RMB228,250,000 by a bank to finance the construction and development of its property project. The loan facilities were severally guaranteed by the Company and Chow Tai Fook Enterprises Limited ("CTF") as to 90.5% and 9.5% respectively, in proportion to their indirect shareholdings in Xin Yi. The loans drawn under the aforesaid facilities were fully repaid in December 2003.

On 27th November 2003, Xin Yi was granted a 3-year term loan facility of up to RMB200,000,000 by a bank to finance its property development projects in which 90.5% of the loan facility was guaranteed by the Company.

Since CTF and its subsidiaries have interests in more than one-third of the issued shares of NWD, CTF is deemed to be a connected person of the Company. The provision of the aforesaid guarantees by the Company constituted a connected transaction of the Company.

- (2) On 19th July 2002 and 31st December 2002, the Company executed corporate guarantees in respect of the full obligation and liabilities of Shanghai Ju Yi Real Estate Development Co., Ltd. ("Ju Yi") under two loan facilities as granted by a bank of up to aggregate principal amounts of RMB100,000,000 ("RMB facility") and US\$20,000,000 ("US\$ facility") respectively. The RMB facility, with a term of 7 years, was used to finance the development cost of the property project undertaken by Ju Yi whilst the US\$ facility, with a term of 1 year, was used to re-finance its existing loan of US\$20,000,000.

At the date of the aforesaid transactions, Ju Yi was beneficially owned as to 80% and 20% by New World Development (China) Limited ("NWDC"), a wholly-owned subsidiary of the Company, and Stanley Enterprises Limited ("Stanley") respectively. Stanley has agreed to indemnify the Company in respect of its liability under the guarantee in proportion to its shareholding in Ju Yi and pay to the Company a guarantee fee of 0.25% per annum on the amount of the loan facilities being utilised by Ju Yi. The shareholdings in Ju Yi was subsequently changed to 70% and 30% as being held by NWDC and Stanley respectively after the transfer of 10% participating interest in Ju Yi from NWDC to Stanley on 14th March 2003. The loans drawn under the RMB facility and the US\$ facility were fully repaid in June and December 2003 respectively.

By virtue of the fact that Stanley is a substantial shareholder of certain subsidiaries of the Group, and is wholly-owned by a director of the Company, Mr. Doo Wai-hoi, William, since 3rd December 2002, the provision of the aforesaid guarantees and payment of the guarantee fee by Stanley constituted connected transactions of the Company and relevant details were published in the Company's announcements dated 19th July 2002, 3rd December 2002 and 31st December 2002.

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

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

Shanghai Ramada is then 95% held by Ramada Property Ltd. ("Ramada Property"). The other shareholders of Ramada Property had agreed to indemnify the Company in respect of its liability under the guarantees and pay to the Company a guarantee fee of 0.25% per annum on the amount of the loan facilities being utilised by Shanghai Ramada in proportion to their shareholdings in Ramada Property.

Stanley, having 20% interest in Ramada Property, is a connected person of the Company by reason stated in paragraph C(2) above. The provision of the guarantees by the Company in respect of the loan facilities and payment of the guarantee fee by Stanley constituted connected transactions of the Company and relevant details were published in the Company's announcements dated 25th July 2002, 3rd December 2002 and 24th June 2003.

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

The loan facility was severally guaranteed by the Company and CTF in proportion to their indirect shareholdings in Global Perfect. Since CTF is deemed to be a connected person of the Company by reason stated in paragraph C(1) above, the provision of the aforesaid guarantee by the Company constituted a connected transaction of the Company.

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

The obligation and liabilities of Fortune Leader Real Estate under the banking facilities were guaranteed by the Company, Mr. Cheng Kar-shing, Peter, a director of the Company ("Personal Guarantor"), and certain independent shareholders of Dragon Fortune in the proportion of 39.2%, 30.64% and 30.16% respectively on several basis.

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

Connected transactions (continued)

C. Corporate guarantees (continued)

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

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

Stanley, having 20% interest in Ramada Property, is a connected person of the Company by reason stated in paragraph C(2) above. The provision of the guarantee by the Company in respect of the loan facility and the payment of guarantee fee by Stanley constituted connected transactions of the Company and an announcement dated 19th December 2002 relating to the provision of the guarantee had been published.

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

The obligation and liabilities of Fortune Leader Investment under the banking facilities were guaranteed by the Company, the Personal Guarantor and certain independent shareholders of Dragon Fortune in the proportion of 39.84%, 29.5% and 30.66% respectively on several basis.

By reason stated in paragraph C(5) above, the provision of the guarantee by the Company in respect of the banking facilities to Fortune Leader Investment constituted a connected transaction of the Company.

- (8) On 7th April 2003, the Company executed a corporate guarantee to secure 50% of the indebtedness of Global Perfect under a loan facility of up to HK\$300,000,000 as provided by a bank under a loan agreement dated 27th March 1997 for a term of 7 years to finance its property development project. Global Perfect is indirectly owned as to 50% and 50% by the Company and CTF respectively. CTF had provided full guarantee in respect of the loan facility since 27th March 1997. The loan drawn under the aforesaid facility was fully repaid in March 2004.

As CTF is regarded as a connected person of the Company by reason stated in paragraph C(1) above, the provision of the aforesaid guarantee by the Company constituted a connected transaction of the Company.

D. Property agency agreement

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

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 for the year ended 30th June 2004 was HK\$6,071,000.

E. 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, no such tax indemnity was effected (2003: Nil).

F. Annual review of the continuing connected transactions

(1) Construction services

The construction services mentioned in paragraph A above constituted continuing connected transactions of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). As stated in the Company's press announcement dated 28th June 2002, the Company was granted conditional waiver by The Stock Exchange of Hong Kong Limited ("Stock Exchange") from strict compliance with the disclosure requirement under the Listing Rules up to the year ending 30th June 2005.

These transactions have been reviewed by the independent non-executive directors of the Company who have confirmed that the transactions were:

- (a) entered into in the ordinary and usual course of business of the Group;
- (b) conducted on normal commercial terms and on arm's length basis;
- (c) entered into either in accordance with the terms of the agreements governing the transactions, or where there are no such agreements, on terms no more favourable than terms available to (or from, as appropriate) independent third parties;
- (d) entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (e) within the maximum amounts as agreed with the Stock Exchange, being HK\$450 million and did not exceed 3% of the net tangible asset value of the Group for the year ended 30th June 2004.

(2) Tenancy agreements

The tenancy agreements mentioned in paragraphs B(1) to B(4) above also constituted continuing connected transactions under the Listing Rules. As stated in the Company's announcements dated 10th June 2003, 12th March 2003, 15th March 2004 and 13th December 2003, the Company was granted conditional waiver by the Stock Exchange from strict compliance with the disclosure requirement under the Listing Rules in respect of transactions arising from the 1995 Tenancy Agreement and the 2000 Tenancy Agreement (together, the "Shenyang Tenancy Agreements") for a period up to 30th November 2005, the Tianjin Tenancy Agreement I for a period up to 30th June 2005, the Tianjin Tenancy Agreement II for a period up to 30th June 2006, and the Dalian Tenancy Agreement for a period up to 30th June 2006, respectively.

Connected transactions (continued)

F. Annual review of the continuing connected transactions (continued)

(2) *Tenancy agreements (continued)*

The independent non-executive directors of the Company had reviewed the transactions arising from the Shenyang Tenancy Agreements, the Tianjin Tenancy Agreement I, the Tianjin Tenancy Agreement II and the Dalian Tenancy Agreement (collectively the "Tenancy Agreements") for the year ended 30th June 2004 and confirmed that the transactions were:

- (a) entered into by the Group in the ordinary and usual course of business;
- (b) conducted on normal commercial terms or (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
- (c) entered into in accordance with the terms of the Tenancy Agreements; and
- (d) within the annual amounts receivable pursuant to each of the Tenancy Agreements and did not exceed 3% of the book value of the consolidated net tangible assets of the Group for the year ended 30th June 2004.

The auditors of the Company had reviewed the transactions arising from each of the Tenancy Agreements and had provided a letter to the board of directors of the Company confirming that:

- (a) the transactions had received the approval of the board of directors of the Company;
- (b) the transactions were entered into in accordance with terms of the Tenancy Agreements; and
- (c) the aggregate values of the transactions were within the annual amounts receivable pursuant to each of the Tenancy Agreements and did not exceed 3% of the book value of the consolidated net tangible assets of the Group for the year ended 30th June 2004.

(3) *Property agency agreement*

Pursuant to rule 14A.34 of the Listing Rules, the Property Agency Agreement described in paragraph D above constituted continuing connected transaction of the Company and the relevant details were published in the Company's announcement dated 2nd June 2004. The independent non-executive directors of the Company had reviewed the transactions arising from the Property Agency Agreement for the year ended 30th June 2004 and confirmed that the transactions were:

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

The auditors of the Company had reviewed the transactions arising from the Property Agency Agreement and had provided a letter to the board of directors of the Company confirming that the transaction:

- (a) had received the approval of the board of directors of the Company;
- (b) had been entered into in accordance with the Property Agency Agreement governing the transactions; and
- (c) had not exceeded HK\$7,500,000 for the year ended 30th June 2004.

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 34 to the accounts.

Directors' right to acquire shares or debentures

Save as disclosed under the section headed "Directors' interests in securities" below, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company, a party to any arrangements to enable the directors of the Company or chief 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.

Directors' interests in securities

As at 30th June 2004, the interests of the directors and their associates in shares, registered capital, underlying shares and debentures of the Company and its associated corporations as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

(A) Long position in shares

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital as at 30th June 2004
	Personal interests	Family interests	Corporate interests		
New World China Land Limited					
(Ordinary shares of HK\$0.1 each)					
Mr. Doo Wai-hoi, William	700,000	—	—	700,000	0.05
Mr. Chan Kam-ling	100,000	—	—	100,000	0.007
Mr. Chow Kwai-cheung	126	—	—	126	—
Mr. Fong Shing-kwong, Michael	600,000	—	—	600,000	0.04
Mr. Tien Pei-chun, James	—	—	770,000 (note 1)	770,000	0.05
New World Development Company Limited					
(Ordinary shares of HK\$1 each)					
Mr. Leung Chi-kin, Stewart	32,553	—	—	32,553	0.001
Mr. Chan Kam-ling	135,335	—	—	135,335	0.004
Mr. Chow Kwai-cheung	43,000	—	—	43,000	0.001
Mr. Chow Yu-chun, Alexander	350,000	—	—	350,000	0.01
New World TMT Limited					
(Ordinary shares of HK\$1 each)					
Dr. Cheng Kar-shun, Henry	—	1,000,000	—	1,000,000	0.11
Mr. Doo Wai-hoi, William	—	—	12,000,000 (note 2)	12,000,000	1.26
Mr. Chan Wing-tak, Douglas	1,300,000	400,000	—	1,700,000	0.18
Mr. Chan Kam-ling	6,800	—	—	6,800	0.0007
NWS Holdings Limited					
(Ordinary shares of HK\$1 each)					
Dr. Cheng Kar-shun, Henry	1,000,000	587,000	—	1,587,000	0.09
Mr. Doo Wai-hoi, William	666,666	—	826,000 (note 2)	1,492,666	0.08
Mr. Cheng Kar-shing, Peter	166,666	—	2,939,700 (note 3)	3,106,366	0.17
Mr. Leung Chi-kin, Stewart	3,760,630	—	221,607 (note 4)	3,982,237	0.22
Mr. Chan Kam-ling	670,657	—	10,254,321 (note 5)	10,924,978	0.61
Mr. Chow Kwai-cheung	2,264,652	—	—	2,264,652	0.13
Mr. Chow Yu-chun, Alexander	2,330,418	—	—	2,330,418	0.13
Mr. Chan Wing-tak, Douglas	410,900	—	—	410,900	0.02
Mr. Fong Shing-kwong, Michael	2,030,706	—	—	2,030,706	0.11

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 as at 30th June 2004
	Personal interests	Family interests	Corporate interests		
Dragon Fortune Limited					
(Ordinary shares of US\$1 each)					
Mr. Cheng Kar-shing, Peter	—	—	15,869 (note 6)	15,869	27.41
Faith Yard Property Limited					
(Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	1 (note 2)	1	50.00
Fortune Star Worldwide Limited					
(Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	60 (note 2)	60	60.00
Fung Seng Estate Development (Shanghai) Co., Ltd.					
(Registered capital in US\$)					
Mr. Doo Wai-hoi, William	—	—	3,000,000 (note 7)	3,000,000	30.00
Grand Make International Limited					
(Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	10 (note 2)	10	10.00
HH Holdings Corporation					
(Ordinary shares of HK\$1 each)					
Mr. Chan Kam-ling	15,000	—	—	15,000	2.50
Master Services Limited					
(Ordinary shares of US\$0.01 each)					
Mr. Leung Chi-kin, Stewart	16,335	—	—	16,335	1.63
Mr. Chan Kam-ling	16,335	—	—	16,335	1.63
Mr. Chow Kwai-cheung	16,335	—	—	16,335	1.63
Mr. Chow Yu-chun, Alexander	16,335	—	—	16,335	1.63
Nanjing New World Chang Jiang Equipment Co. Ltd.					
(Registered capital in RMB)					
Mr. Doo Wai-hoi, William	—	—	5,357,275 (note 2)	5,357,275	21.18

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital as at
	Personal interests	Family interests	Corporate interests		30th June 2004
Nanjing Xinlidao Property Development Limited (Registered capital in HK\$)					
Mr. Doo Wai-hoi, William	—	—	21,000,000 (note 2)	21,000,000	35.00
Ramada Property Ltd. (Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	200 (note 2)	200	20.00
Shanghai Ju Yi Real Estate Development Co., Ltd. (Registered capital in RMB)					
Mr. Doo Wai-hoi, William	—	—	105,000,000 (note 7)	105,000,000	30.00
Shanghai Trio Property Development Co. Ltd. (Registered capital in US\$)					
Mr. Doo Wai-hoi, William	—	—	28,350,000 (note 8)	28,350,000	52.50
Sun City Holdings Limited (Ordinary shares of HK\$1 each)					
Mr. Cheng Kar-shing, Peter	—	80,000	3,570,000 (note 9)	3,650,000	45.63
Sun Legend Investments Limited (Ordinary shares of HK\$1 each)					
Mr. Cheng Kar-shing, Peter	—	—	500 (note 10)	500	50.00
YE Holdings Corporation (Ordinary shares of HK\$1 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	—	—	3,600,000 (note 11)	3,600,000	60.00
Zhaoqing New World Property Management Limited (Registered capital in HK\$)					
Mr. Doo Wai-hoi, William	—	—	300,000 (note 11)	300,000	60.00

Directors' interests in securities (continued)

(A) Long position in shares (continued)

Notes:

- (1) These shares are beneficially owned by a company of which Mr. Tien Pei-chun, James has an indirect interest of 59.15%.
- (2) These shares are beneficially owned by companies wholly-owned by Mr. Doo Wai-hoi, William.
- (3) These shares are beneficially owned by a company wholly-owned by Mr. Cheng Kar-shing, Peter.
- (4) These shares are beneficially owned by a company of which Mr. Leung Chi-kin, Stewart has a direct interest of 55%.
- (5) These shares are beneficially owned by a company of which Mr. Chan Kam-ling has a direct interest of 50%.
- (6) Out of 15,869 shares of Dragon Fortune Limited, 4,102 shares are held by a company wholly-owned by Mr. Cheng Kar-shing, Peter and 11,767 shares are held by Sun City Holdings Limited ("Sun City"), of which Mr. Cheng is deemed to be interested in 45.63% of its issued share capital.
- (7) These represent the participating interests held by a company wholly-owned by Mr. Doo Wai-hoi, William.
- (8) These include 50% direct interests and 2.5% participating interests in the registered capital of Shanghai Trio Property Development Co. Ltd. being held by companies wholly-owned by Mr. Doo Wai-hoi, William.
- (9) These shares are held by a company of which Mr. Cheng Kar-shing, Peter has an indirect interest of 48.18%.
- (10) Mr. Cheng Kar-shing, Peter is deemed to be interested in the shares of Sun Legend Investments Limited by virtue of his interests in Sun City.
- (11) Mr. Doo Wai-hoi, William is deemed to be interested in the registered capitals of these companies by virtue of his interest in Fortune Star Worldwide Limited, of which Mr. Doo Wai-hoi, William owns an indirect interest of 60%.

(B) Long position in underlying shares — share options(1) *The Company*

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

Name of director	Date of grant	Exercisable period (note 1)	Number of share options with exercise price per share of HK\$1.955		
			Balance as at 1st July 2003	Exercised during the year	Balance as at 30th June 2004
Dr. Cheng Kar-shun, Henry	7th February 2001	8th March 2001 to 7th March 2006	5,000,000	—	5,000,000
Mr. Doo Wai-hoi, William	8th February 2001	9th March 2002 to 8th March 2006 (note 2)	2,800,000	—	2,800,000
Mr. Cheng Kar-shing, Peter	9th February 2001	10th March 2001 to 9th March 2006	2,500,000	—	2,500,000
Mr. Chow Yu-chun, Alexander	8th February 2001	9th March 2001 to 8th March 2006	2,500,000	—	2,500,000
Mr. Leung Chi-kin, Stewart	7th February 2001	8th March 2001 to 7th March 2006	500,000	—	500,000
Mr. Chan Kam-ling	9th February 2001	10th March 2002 to 9th March 2006 (note 2)	400,000	—	400,000
Mr. Chow Kwai- cheung	9th February 2001	10th March 2001 to 9th March 2006	500,000	—	500,000
Mr. Chan Wing-tak, Douglas	12th February 2001	13th March 2001 to 12th March 2006	500,000	—	500,000
Mr. Fong Shing- kwong, Michael	17th February 2001	18th March 2002 to 17th March 2006 (note 2)	800,000	(400,000) (note 3)	400,000
Total			15,500,000	(400,000)	15,100,000

Notes:

- The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of each grant when the offers of share options were accepted, provided that the maximum number of share options that can be exercised during a year is 20% of the total number of the share options granted together with any unexercised share options carried forward from the previous years, unless otherwise specified in note (2).
- The share options were exercisable during the remaining exercisable period of four years, provided that the maximum number of share options that can be exercised during a year is 25% of the outstanding balance of the share options held.
- The exercise date was 6th January 2004. On 5th January, 2004, being the trading date immediately before the share options were exercised, the weighted average closing price per share was HK\$2.20.
- The cash consideration paid by each director for each grant of the share options is HK\$10.

Directors' interests in securities (continued)

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

(2) *New World TMT Limited*

Under the share option scheme of a fellow subsidiary, New World TMT Limited (“NWTMT”) adopted on 3rd October 1997, the following directors of the Company were granted share options to subscribe for shares in NWTMT and accordingly, they are regarded as interested in the underlying shares of NWTMT. Details of the share options of NWTMT granted to them are as follows:

Name of director	Date of grant	Share options with exercise price per share of HK\$10.20 (note 1)		Share options with exercise price per share of HK\$12.00 (note 2)	
		Balance as at 1st July 2003	Balance as at 30th June 2004	Balance as at 1st July 2003	Balance as at 30th June 2004
Dr. Cheng Kar-shun, Henry	2nd December 1998	600,000	—	2,400,000	—
Mr. Chan Wing-tak, Douglas	26th November 1998	320,000	—	1,280,000	—
Mr. Fu Sze-shing	23rd September 1999	240,000 (note 3)	240,000 (note 3)	960,000 (note 4)	960,000 (note 4)

Notes:

- (1) Exercisable from 1st July 1999 to 1st June 2004, unless otherwise stated.
- (2) Divided into 3 tranches exercisable from 1st July 2000, 2001 and 2002 to 1st June 2004 respectively, unless otherwise stated.
- (3) Exercisable from 1st July 2000 to 1st June 2005.
- (4) Divided into 3 tranches exercisable from 1st July 2001, 2002 and 2003 to 1st June 2005 respectively.

(3) *NWS Holdings Limited*

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

Name of director	Date of grant	Number of share options outstanding at 30th June 2004 with exercise price per share of	
		HK\$6.93 (note 1)	HK\$3.725 (note 2)
Dr. Cheng Kar-shun, Henry	21st July 2003	—	2,000,000
Mr. Doo Wai-hoi, William	21st July 2003	—	1,333,334
Mr. Cheng Kar-shing, Peter	21st July 2003	—	333,334
Mr. Leung Chi-kin, Stewart	21st July 2003	—	134,000 (note 3)
Mr. Chan Kam-ling	21st July 2003	—	1,333,334
Mr. Chow Yu-chun, Alexander	21st July 2003	—	133,334
Mr. Chan Wing-tak, Douglas	11th May 1999	1,000,000	—
Mr. Fong Shing-kwong, Michael	21st July 2003	—	333,334
Mr. Cheng Wai-chee, Christopher	21st July 2003	—	600,000 (note 3)

Notes:

- (1) Divided into 4 tranches exercisable from 5th November 1999, 5th May 2001, 5th May 2002, 5th May 2003 to 4th November 2004 respectively.

- (2) Divided into 2 tranches exercisable from 21st July 2004 and 21st July 2005 to 20th July 2008 respectively, unless specified in note (3).
- (3) Divided into 3 tranches exercisable from 21st January 2004, 21st July 2004 and 21st July 2005 to 20th July 2008 respectively.

(C) Long position in debentures

During the year, the following director of the Company has interests in the debentures issued by New World Capital Finance Limited (“NWCF”), a fellow subsidiary of the Company, which were finally redeemed by NWCF on 9th June 2004, detailed as follows:

Name of director	Balance as at 1st July 2003		Balance as at 30th June 2004	
	Interest as founder of discretionary trust	Family interest	Interest as founder of discretionary trust	Family interest
	US\$	US\$	US\$	US\$
Mr. Cheng Wai-chee, Christopher	9,200,000 (note 1)	100,000 (note 2)	—	—

Notes:

- (1) These debentures were convertible into 2,898,522 shares of HK\$1 each of New World Development Company Limited up to 9th May 2004.
- (2) These debentures were convertible into 31,505 shares of HK\$1 each of New World Development Company Limited up to 9th May 2004.

Save as disclosed above, as at 30th June 2004, none of the directors, chief executive or any of their associates had or deemed to have any interest or short positions in the shares, registered capital, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Directors’ interests in competing business

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

Name of directors	Name of entities with competing businesses	Business activities of the entities	Nature of interest of directors in the entities
Dr. Cheng Kar-shun, Henry	Beijing Jiang Guang Development Limited	Hotel operation in Beijing	Director
	Beijing Chang Le Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Beijing Niceline Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Beijing Fu Wah Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Beijing Po Garden Real Estates Development Co., Ltd.	Property development in Beijing	Director

Directors' interests in competing business (continued)

Name of directors	Name of entities with competing businesses	Business activities of the entities	Nature of interest of directors in the entities
	Huizhou New World Enterprises Development Co., Ltd.	Property development in Huizhou	Director
	Qingyuan New World Housing Development Ltd.	Property development in Qingyuan	Director
	Tianjin Tianzheng Property & Merchants Co., Ltd.	Land improvement in Tianjin	Director
	Wuhan New Eagle Development Co., Ltd.	Property development in Wuhan	Director
	Wuxi Ramada Hotel Company Limited	Hotel operation in Wuxi	Director
Mr. Doo Wai-hoi, William	New Bei Fang Hotel Ltd.	Property investment	Director
	Tianjin Tianzheng Property & Merchants Co., Ltd.	Land improvement in Tianjin	Director
Mr. Cheng Kar-shing, Peter	Qingyuan New World Housing Development Ltd.	Property development in Qingyuan	Director
	Wuhan New Eagle Development Co., Ltd.	Property development in Wuhan	Director
Mr. Chan Kam-ling	Grand New World Hotel Company Limited	Hotel operation in Xian	Director
Mr. Chow Kwai-cheung	Beijing Chang Le Real Estates Development Co., Ltd.	Property development 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
	Beijing Po Garden Real Estates Development Co., Ltd.	Property development in Beijing	Director
	北京市天竺花園別墅發展有限公司	Property development in Beijing	Director
	Tianjin Tianzheng Property & Merchants Co., Ltd.	Land improvement in Tianjin	Director
	廣州金湖住宅發展有限公司	Property development in Guangzhou	Director
	廣州紅丰房地產有限公司	Property development in Guangzhou	Director
	增城永裕房地產有限公司	Property development in Guangzhou	Director
Mr. Chow Yu-chun, Alexander	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

Name of directors	Name of entities with competing businesses	Business activities of the entities	Nature of interest of directors in the entities
	Huizhou New World Enterprises Development Co., Ltd.	Property development in Huizhou	Director
	New Bei Fang Hotel Ltd.	Property investment	Director
	Qingyuan New World Housing Development Ltd.	Property development in Qingyuan	Director
	Wuhan New Eagle Development Co., Ltd.	Property development in Wuhan	Director
Mr. Fong Shing-kwong, Michael	Beijing Jiang Guang Centre Co., Ltd.	Hotel operation in Beijing	Director
	Beijing Fu Wah Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Beijing Niceline Real Estates Development Co., Ltd.	Property development in Beijing	Director
	Grand New World Hotel Company Limited	Hotel operation in Xian	Director
	Wuxi New City Development Co., Ltd.	Hotel operation in Wuxi	Director

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

Substantial shareholders' interests in shares

As at 30th June 2004, the register of substantial shareholders maintained under Section 336 of the SFO showed that the following parties had interests in 5% or more of the issued share capital of the Company:

Name	Number of shares			Percentage to the issued share capital
	Beneficial interest	Corporate interest	Total	
Chow Tai Fook Enterprises Limited (note 1)	—	1,050,768,800	1,050,768,800	70.58
New World Development Company Limited ("NWD") (note 2)	1,011,714,293	39,054,507	1,050,768,800	70.58

Notes:

- (1) Chow Tai Fook Enterprises Limited and its subsidiaries have interests in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares deemed to be interested by NWD.
- (2) NWD directly held 1,011,714,293 shares and is deemed to be interested in 22,508,064 shares held by Great Worth Holdings Limited, its 59% owned subsidiary, together with 16,546,443 shares held by High Earnings Holdings Limited, its 54% 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 2004.

Share option schemes

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

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

	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, representing approximately 4.41% of the shares in issue as at the date of this report. No further options will be granted under the 2000 Share Option Scheme	The Company had granted share options representing the rights to subscribe for 6,660,400 shares under the 2002 Share Option Scheme. The Company may further grant share options to subscribe for 141,534,029 shares of the Company, representing approximately 9.50% of the shares in issue 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 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

	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	<p>The exercise price shall be determined by the directors, being the higher of:</p> <p>(a) not less than 80% of the average closing price of shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of offer; or</p> <p>(b) the nominal value of a share</p>	<p>The exercise price shall be determined by the directors, being at least the higher of:</p> <p>(a) the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a business day; and</p> <p>(b) the average closing price of shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of offer</p>
The remaining life of the schemes	The 2000 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 18th December 2000	The 2002 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 26th November 2002

Share option schemes (continued)

During the year ended 30th June 2004, movement of share options granted to the directors and employees of the Group under the 2000 Share Option Scheme and the 2002 Share Option Scheme was as follows:

(A) Movement of share options to directors was disclosed under the heading "Directors' interests in securities" above.

(B) Movement of share options to employees was as follows:

Under the 2000 Share Option Scheme

Date of grant	Number of share options (note 1)					Subscription price per share HK\$
	Balance as at 1st July 2003	Granted during the year	Exercised during the year (note 4)	Lapsed during the year	Outstanding as at 30th June 2004	
5th February 2001 to 2nd March 2001	29,373,600	—	(5,062,400)	(1,972,800)	22,338,400	1.955
2nd May 2001 to 29th May 2001	458,400	—	(56,400)	—	402,000	2.605
29th June 2001 to 26th July 2001	2,328,000	—	—	(230,800)	2,097,200	3.192
31st August 2001 to 27th September 2001	2,130,000	—	(339,200)	(1,200,800)	590,000	2.380
26th March 2002 to 22nd April 2002	1,543,200	—	(128,000)	(554,000)	861,200	2.265
Total	35,833,200	—	(5,586,000)	(3,958,400)	26,288,800	

Under the 2002 Share Option Scheme

Date of grant	Number of share options (note 1)					Subscription price per share HK\$
	Balance as at 1st July 2003	Granted during the year (note 3)	Exercised during the year (note 5)	Lapsed during the year	Outstanding as at 30th June 2004	
3rd January 2003 to 30th January 2003	1,344,000	—	(472,400)	(194,800)	676,800	1.33
12th May 2003 to 6th June 2003	2,214,400	—	(431,600)	(238,800)	1,544,000	1.00
28th October 2003 to 22nd November 2003	—	265,600	(28,000)	—	237,600	1.81
18th December 2003 to 14th January 2004	—	1,300,000 (note 2)	—	—	1,300,000	1.83
25th March 2004 to 21st April 2004	—	976,000	—	—	976,000	2.47
Total	3,558,400	2,541,600	(932,000)	(433,600)	4,734,400	

Notes:

- (1) The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of each grant when the offers of share options were accepted, provided that the maximum number of share options that can be exercised during a year is 20% of the total number of the share options granted together with any unexercised share options carried forward from the previous year(s), except otherwise specified in note 2.
- (2) The share options are exercisable during a period of two years commencing from the expiry of one month after the dates of each grant when the offers of share options were accepted, provided that the maximum number of share options that can be exercised during a year is 50% of the total number of share options granted together with any unexercised share options carried forward from the previous year.

- (3) The closing prices per share immediately before 28th October 2003, 18th December 2003 and 25th March 2004, the dates of grant, were HK\$1.78, HK\$1.8 and HK\$2.475 respectively.
- (4) The weighted average closing price of the shares immediately before the dates on which share options were exercised under the 2000 Share Option Scheme was HK\$2.61.
- (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\$2.27.

The fair values of the share options granted during the year with subscription prices per share of HK\$1.81, HK\$1.83 and HK\$2.47 are estimated at HK\$1.23, HK\$1.25 and HK\$1.15 respectively using the Black-Scholes option pricing model. Values are estimated based on the risk-free rate of 0.717% per annum with reference to the rate prevailing on the Exchange Fund Notes, a one-year period historical volatility of 0.8, assuming no dividends and an expected option life of 5 years.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. As the characteristics of the options granted during the year are significantly different from those of publicly traded options and changes in the subjective inputs may materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair values of the share options.

Management contracts

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

Major customers and suppliers

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

Continuing obligations under Chapter 13 of the Listing Rules

(A) Advances and guarantees to entities

In accordance with the requirements under rule 13.20 of Listing Rules the directors of the Company reported below details of advances and guarantees made by the Group to the following entities which individually exceeded 8% of the Company's market capitalisation as at 30th June 2004, as follows:

Names of affiliated companies	Attributable interest held by the Group	Advances as at 30th June 2004		Interest rate per annum	Guarantee given (C)	Total (A+B+C)
		Interest bearing (A)	Non-interest bearing (B)			
		HK\$'000	HK\$'000		HK\$'000	HK\$'000
Associated companies						
Global Perfect Development Limited	50%	—	461,160	—	23,364	484,524
Grand Make International Limited	45%	—	321,584	—	333,278	654,862
Sub-total (D)		—	782,744		356,642	1,139,386

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

Names of affiliated companies	Attributable interest held by the Group	Advances as at 30th June 2004		Interest rate per annum	Guarantee given (C)	Total (A+B+C)
		Interest bearing (A)	Non-interest bearing (B)			
		HK\$'000	HK\$'000		HK\$'000	HK\$'000
Jointly controlled entities						
Beijing Chong Wen-New World Properties Co., Ltd.	70%	1,414,655	—	8.5%	467,290	1,881,945
Beijing Chong Yu Real Estate Development Co., Ltd.	70%	1,132,645	—	8.5%	981,308	2,113,953
Beijing Xin Lian Hotel Co., Ltd.	55%	301,441	46,160	8.5%	—	347,601
China New World Electronic Ltd.	70%	1,149,427	—	HK prime rate	—	1,149,427
Guangzhou Fong Chuen New World Properties Development Co., Ltd.	60%	143,187	4,072	HK prime rate	322,430	469,689
Guangzhou Jixian Zhuang New World City Garden Development Limited	60%	270,881	41,048	10%	394,424	706,353
Jinan New World Sunshine Development Ltd.	65%	55,352	23,271	5.85% to 5.94%	357,159	435,782
Tianjin New World Housing Development Co., Ltd.	60%	680,723	121,114	10%	—	801,837
Tianjin New World Properties Development Co., Ltd.	70%	638,448	—	9% to 10%	—	638,448
Wuhan New World Housing Development Limited	60%	483,779	254,533	5.31%	467,290	1,205,602
Sub-total (E)		6,270,538	490,198		2,989,901	9,750,637
Total (D+E)		6,270,538	1,272,942		3,346,543	10,890,023

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

Note: The market capitalisation of the Company as at 30th June 2004 amounted to HK\$2,921,147,821 based on the total number of 1,488,862,294 shares of the Company in issue on 30th June 2004 and the average closing price per share of HK\$1.962 for the five business days immediately preceding 30th June 2004.

(B) Financial assistance and guarantees to affiliated companies

In accordance with the requirements under rule 13.22 of the Listing Rules, the directors of the Company reported below details of advances to, and guarantees given for the benefit of its affiliated companies as at 30th June 2004, which in aggregate exceeded 8% of the Company's market capitalisation as at 30th June 2004.

As at 30th June 2004, the Company and its subsidiaries had advanced an aggregate amount of HK\$9,148,422,000 (2003: HK\$7,847,201,000) to affiliated companies (included in amounts disclosed in notes 15 and 16 to the accounts), guaranteed bank loans and other borrowing facilities for the benefit of the affiliated companies in the amount of HK\$2,598,081,000 (2003: HK\$2,068,623,000) (included in the amounts disclosed in note 31 to the accounts) and contracted to further provide an aggregate amount of HK\$1,437,585,000 (2003: HK\$1,337,372,000) in capital and loans to affiliated companies. The advances are unsecured and are interest free except for an aggregate amount of HK\$7,118,102,000 (2003: HK\$6,236,782,000) which carry interest ranging from 4% to 12% per annum (2003: 1.5% above HIBOR to 12% per annum). Other than an amount of HK\$311,526,000 (2003: HK\$336,449,000) which is repayable by instalments up to December 2016, the advances have no fixed repayment terms. Contracted capital and loan contributions to affiliated companies would be funded by proceeds from internal resources and bank and other borrowings of the Group.

In addition, in accordance with the requirements under rule 13.22 of the Listing Rules, the Company is required to include in its annual report a proforma combined balance sheet of its affiliated companies which should include significant balance sheet classifications and state the attributable interest of the Company in the affiliated companies. The Company has numerous affiliated companies and is of the opinion that it is not practical nor meaningful to prepare a proforma combined balance sheet and such information may be misleading. Pursuant to rule 13.22 of the Listing Rules, the Company made an application to, and has received a waiver from, the Stock Exchange as an alternative to provide the following statement.

As at 30th June 2004, the Group's total exposure on the combined indebtedness reported by such affiliated companies (including amounts owing to the Group) amounted to approximately HK\$15,537,481,000 (2003: HK\$13,356,749,000). Such affiliated companies reported no capital commitments and contingent liabilities as at 30th June 2004 (2003: Nil).

(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 9th May 2002, the Company was granted a 4-year term loan facility of up to HK\$500,000,000 and on 16th July 2002, Guangzhou Xin Yi Development Limited ("Xin Yi"), a 90.5% owned subsidiary, was granted a 4-year term loan facility of up to HK\$171,600,000 and a revolving loan facility of up to RMB228,250,000. Upon the granting of each of these loan facilities, the Company undertook to the respective lender that NWD would retain a holding of at least 51% beneficial interest in the issued share capital of the Company throughout the term of each of the facility. Failure to perform the undertaking which continues for a period of 14 days following the date of notice given by the lender will constitute an event of default.

As at 30th June 2004, the loans drawn under the aforesaid loan facilities to the Company and Xin Yi were fully repaid.

Code of best practice

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the year, except that the non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at annual general meeting in accordance with Article 116 of the Company's Articles of Association.

Model code for securities transactions by directors

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transaction by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules.

Confirmation of independence of independent non-executive directors

The Company has received from Messrs. Cheng Wai-chee, Christopher, Tien Pei-chun, James and Lo Hong-sui, independent non-executive directors of the Company, written confirmation of independence pursuant to the new independence guidance as set out in the Listing Rules and the Company still considers them to be independent.

Statement of public float sufficiency

Based on information that is publicly available to the Company and within the knowledge of the directors at the date of this report, the Company has sufficient number of shares held by the public.

Auditors

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

On behalf of the Board

Dr. Cheng Kar-shun, Henry
Chairman and Managing Director

Hong Kong, 15th October 2004