

The Directors have pleasure in presenting their Annual Report and Statement of Accounts for the year ended 30 June 2005.

GROUP ACTIVITIES

The principal activities of the Group are the development, investment, operation and/or management of telecommunications, media and technology businesses. The principal activities of the principal subsidiaries, an associated company and a jointly controlled entity are shown in notes 37, 38 and 39 to the Accounts on pages 85 to 87.

ACCOUNTS

The consolidated results of the Group for the year ended 30 June 2005 and the state of the Company's and the Group's affairs at that date are set out in the Accounts on pages 40 to 87.

DIVIDENDS

The Directors have resolved that no dividend be declared for the year ended 30 June 2005.

RESERVES

The details of movements in reserves are set out in note 28 to the Accounts.

Under the Cayman Islands Company Law, the distributable reserves of the Company include contributed surplus, share premium and retained profit. As at 30 June 2005, the Company had no distributable reserves.

FIXED ASSETS

Movements of fixed assets during the year are summarized in note 13 to the Accounts.

SUBSEQUENT EVENT

The details of subsequent event are set out in note 33 to the Accounts.

DONATIONS

During the year, the Group made charitable donations amounting to HK\$2,000.

PRE-EMPTIVE RIGHTS

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

Directors' Report

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed shares during the year. Neither the Company nor any of its subsidiaries has repurchased or sold any of the Company's listed securities during the year ended 30 June 2005.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed minimum public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

DIRECTORS

The Directors who held office during the year and at the date of this report are:

Executive Directors:

Dr Cheng Kar-Shun, Henry
 Mr Wong Chi-Chiu, Albert
 Mr Chan Wing-Tak, Douglas (resigned on 13 July 2004)
 Dr Wai Fung-Man, Norman

Non-executive Directors:

Mr Fu Sze-Shing
 Mr Wilfried Ernst Kaffenberger
 Mr Lee Sean, Sammy
 Mr Yeung Kun-Wah, David (alternate Director to Mr Wilfried Ernst Kaffenberger)
 Mr Lai Hing-Chiu, Dominic (re-designated as Non-executive Director on 28 September 2004)

Independent Non-executive Directors:

Dr Lam Man-Kit, Dominic
 The Honourable Shek Lai-Him, Abraham (appointed on 28 September 2004)
 Mr Kong Chi-How, Johnson (appointed on 28 September 2004)

Messrs Wong Chi-Chiu, Albert, Wai Fung-Man, Norman and Fu Sze-Shing retire in accordance with Article 116 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

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

CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to the requirement of the Listing Rules. The Company considers all of the Independent Non-executive Directors to be independent.

DIRECTORS' INTERESTS IN CONTRACTS

No 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, subsisted at the end of the year or at any time during the year.

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 Director	Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Dr Cheng Kar-Shun, Henry	New World Telephone Holdings Limited group of companies	Telecom services	Director
Mr Wong Chi-Chiu, Albert	New World Telephone Holdings Limited group of companies	Telecom services	Director

As the Board of Directors of the Company is independent from the boards of the aforesaid companies and none of the above 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.

DIRECTORS' RIGHTS 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 or its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangements to enable the Directors 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 30 June 2005, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(A) The Company

Long positions in shares

Name of Director	Number of shares held			Approximate percentage of issued share capital of the Company as at 30.6.2005
	Personal interests	Family interests	Total	
Dr Cheng Kar-Shun, Henry	–	1,000,000	1,000,000	0.11
Mr Chan Wing-Tak, Douglas (Note)	1,300,000	400,000	1,700,000	0.18

Note: Mr Chan resigned as Director of the Company with effect from 13 July 2004 and his interest above refers to the interest as at his resignation date.

DIRECTORS' INTERESTS IN SECURITIES (Continued)

(A) The Company (Continued)

Long positions in underlying shares – share options

Name of Director	Grant date	Exercisable period (Notes)	Options held at 1.7.2004	Options lapsed during the year	Options held at 30.6.2005	Exercise price per share HK\$
Mr Fu Sze-Shing	23 September 1999	(1)	240,000	(240,000)	–	10.20
	23 September 1999	(2)	960,000	(960,000)	–	12.00
Total			1,200,000	(1,200,000)	–	

Notes:

- (1) Exercisable from 1 July 2000 to 1 June 2005.
- (2) Divided into 3 tranches exercisable from 1 July 2001 to 1 June 2005, from 1 July 2002 to 1 June 2005 and from 1 July 2003 to 1 June 2005 respectively.
- (3) The above share options were granted under the share option scheme adopted by the Company on 3 October 1997 and the cash consideration paid by the Director for each grant of the share options is HK\$10.

(B) Associated Corporations

NWS Holdings Limited (“NWSH”)

Long positions in shares of NWSH

Name of Director	Number of shares held			Total	Approximate percentage of issued share capital of NWSH as at 30.6.2005
	Personal interests	Family interests	Corporate interests		
Dr Cheng Kar-Shun, Henry	2,000,000	587,000	8,000,000 (Note 1)	10,587,000	0.58
Mr Chan Wing-Tak, Douglas (Note 2)	410,900	–	–	410,900	0.02

Notes:

- (1) These shares are held by a company wholly owned by Dr Cheng Kar-Shun, Henry.
- (2) Mr Chan resigned as Director of the Company with effect from 13 July 2004 and his interest above refers to the interest as at his resignation date.

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES (Continued)

(B) Associated Corporations (Continued)

NWS Holdings Limited ("NWSH") (Continued)

Long positions in underlying shares of NWSH – share options

Name of Director	Grant date	Exercisable period (Notes)	Number of share options			Balance as at 30.6.2005	Exercise price per share (Note 6) HK\$
			Balance as at 1.7.2004	Adjusted during the year (Note 6)	Exercised during the year		
Dr Cheng Kar-Shun, Henry	21 July 2003	(3), (5)	2,000,000	(1,000,000)	(1,000,000)	–	3.725
			–	1,009,849	–	1,009,849	3.719
Mr Chan Wing-Tak, Douglas (Note 1)	11 May 1999	(2)	1,000,000	–	–	1,000,000	6.930
Mr Wilfried Ernst Kaffenberger	21 July 2003	(3), (4)	600,000	(600,000)	–	–	3.725
			–	605,909	–	605,909	3.719
Mr Lai Hing-Chiu, Dominic	21 July 2003	(3), (5)	400,000	(200,000)	(200,000)	–	3.725
			–	201,969	–	201,969	3.719

Notes:

- (1) Mr Chan resigned as Director of the Company with effect from 13 July 2004 and his closing interest above refers to the interest as at his resignation date.
- (2) These share options were granted under the share option scheme adopted by NWSH on 11 April 1997 and were divided into 4 tranches exercisable from 5 November 1999, 5 May 2001, 5 May 2002, 5 May 2003 respectively to 4 November 2004.
- (3) These share options were granted under the share option scheme adopted by NWSH on 6 December 2001. The cash consideration paid by each Director for such options is HK\$10.
- (4) Divided into 3 tranches exercisable from 21 January 2004, 21 July 2004, 21 July 2005 respectively to 20 July 2008.
- (5) Divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 respectively to 20 July 2008.
- (6) The number of share options and exercise price were adjusted by NWSH on 30 June 2005 as a result of the issue of shares by NWSH to its shareholders who have elected to receive shares in lieu of cash for their entitlement of interim dividend as declared and paid by NWSH during the year. The exercise price per share of the share options was adjusted from HK\$3.725 to HK\$3.719 with effect from 30 June 2005.

DIRECTORS' INTERESTS IN SECURITIES (Continued)

(B) Associated Corporations (Continued)

New World China Land Limited ("NWCL")

Long positions in shares of NWCL

Name of Director	Number of shares held			Total	Approximate percentage of issued share capital of NWCL as at 30.6.2005
	Personal interests	Family interests	Corporate interests		
Dr Cheng Kar-Shun, Henry	–	–	52,271,200 (Note)	52,271,200	1.39

Note: These shares are held by a company wholly owned by Dr Cheng Kar-Shun, Henry.

Long positions in underlying shares of NWCL – share options

Name of Director	Grant date	Exercisable period (Note 1)	Number of share options			Balance as at 30.6.2005	Exercise price per share (Note 3) HK\$
			Balance as at 1.7.2004	Adjusted during the year (Note 3)	Exercised during the year		
Dr Cheng Kar-Shun, Henry	7 February 2001	8 March 2001 to 7 March 2006	5,000,000	(5,000,000)	–	–	1.955
			–	12,500,000	–	12,500,000	1.782
Mr Chan Wing-Tak, Douglas (Note 2)	12 February 2001	13 March 2001 to 12 March 2006	500,000	–	–	500,000	1.955

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 share options granted together with any unexercised share options carried forward from the previous anniversary years.
- (2) Mr Chan resigned as Director of the Company with effect from 13 July 2004 and his closing interest above refers to the interest as at his resignation date.

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES (Continued)

(B) Associated Corporations (Continued)

New World China Land Limited ("NWCL") (Continued)

- (3) The number of share options and exercise price were adjusted by NWCL on 9 April 2005 as a result of alteration in its capital structure by way of rights issue during the year. The exercise price per share of the share options was adjusted from HK\$1.955 to HK\$1.782 with effect from 9 April 2005.
- (4) The above share options were granted under the share option scheme adopted by NWCL on 18 December 2000 and the cash consideration paid by each Director for each grant of the share options is HK\$10.

New World Mobile Holdings Limited ("NWMH")

Long positions in underlying shares of NWMH – share options

Name of Director	Grant date	Exercisable period	Number of share options			Balance as at 30.6.2005	Exercise price per share HK\$
			Balance as at 1.7.2004	Granted during the year	Exercised during the year		
Dr Cheng Kar-Shun, Henry	28 January 2005	28 January 2005 to 31 December 2010	–	780,000	–	780,000	1.26
Dr Wai Fung-Man, Norman	28 January 2005	28 January 2005 to 31 December 2010	–	482,000	–	482,000	1.26

Note: The above share options were granted under the share option scheme of NWMH and the cash consideration paid by each Director for such options is HK\$1.

Save as disclosed above, as at 30 June 2005, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in the SFO) that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS'/OTHER PERSONS' INTERESTS IN SECURITIES

As at 30 June 2005, the interests or short positions of substantial shareholders (as defined in the Listing Rules) and other persons in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in shares

Name	Number of shares held			Approximate percentage of issued share capital of the Company as at 30.6.2005
	Beneficial interests	Corporate interests	Total	
Chow Tai Fook Enterprises Limited (Note 1)	–	519,919,085	519,919,085	54.60
New World Development Company Limited (“NWD”) (Note 2)	–	519,919,085	519,919,085	54.60
Sea Walker Limited (“SWL”) (Note 3)	–	516,561,485	516,561,485	54.25
Mombasa Limited	516,561,485	–	516,561,485	54.25
AIG Asian Infrastructure Management II Ltd. as general partner of AIG Asian Infrastructure Management II LP as general partner of AIG Asian Infrastructure Fund II LP	–	96,848,750	96,848,750	10.17

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) This interest represents 516,561,485 shares deemed to be held by SWL and 3,357,600 shares directly held by Financial Concepts Investment Limited (“FCIL”). SWL is a wholly-owned subsidiary of NWD and FCIL is a non-wholly owned subsidiary of NWD. NWD is deemed to have interest in the shares held by SWL and FCIL.
- (3) Mombasa Limited is a wholly-owned subsidiary of SWL and its interests in the Company is deemed to be held by SWL.

Directors' Report

SUBSTANTIAL SHAREHOLDERS'/OTHER PERSONS' INTERESTS IN SECURITIES (Continued)

Save as disclosed above, as at 30 June 2005, the Company has not been notified of any interests or short positions in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEMES

Pursuant to the share option schemes adopted on 3 October 1997 (the "1997 Share Option Scheme") and 6 December 2001 (the "2001 Share Option Scheme"), the Company may grant options to Directors and employees of the Company or any of its subsidiaries to subscribe for shares in the Company. No option had been granted under the 2001 Share Option Scheme since its adoption.

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

	1997 Share Option Scheme	2001 Share Option Scheme
Purpose of schemes	As incentive to employees (including any Director) of the Company or any of its subsidiaries.	To provide an opportunity for employees (including any Director) of the Company or any of its subsidiaries 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 Director) of the Company or its subsidiaries.	Full time employees (including any Director) 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	Options to subscribe for a total of 14,687,000 shares were granted under the 1997 Share Option Scheme, and were either exercised or lapsed. No further options will be granted under the 1997 Share Option Scheme upon adoption of the 2001 Share Option Scheme.	The total number of shares which may be issued upon exercise of all options to be granted under the 2001 Share Option Scheme and any other schemes of the Company must not in aggregate exceed 85,533,125 shares, representing approximately 8.98% of the issued share capital as at the date of this annual report. No option has been granted under the 2001 Share Option Scheme since its adoption.

SHARE OPTION SCHEMES (Continued)

	1997 Share Option Scheme	2001 Share Option Scheme
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.
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 6 months after the date of grant of an option and expiring on the last day of the 5-year period.	At any time during a period to be notified by the Directors, which period not to exceed 7 years commencing on the expiry of 1 month after the date of grant of an option and expiring on the last day of the 7-year period.
The minimum period for which an option must be held before it can be exercised	6 months	1 month
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.

SHARE OPTION SCHEMES (Continued)

	1997 Share Option Scheme	2001 Share Option Scheme
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 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; and</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 Hong Kong 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 Hong Kong Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of offer.</p>
The remaining life of the schemes	<p>The 1997 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 3 October 1997.</p>	<p>The 2001 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 6 December 2001.</p>

SHARE OPTION SCHEMES (Continued)

(A) Share Options to Directors

Details of the share options granted to Directors under the 1997 Share Option Scheme were disclosed under the section headed "Directors' Interests in Securities" above.

(B) Share Options to Employees

All share options granted to employees of the Group under the 1997 Share Option Scheme were either exercised or lapsed.

CONNECTED TRANSACTIONS

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

- (1) On 28 May 2004, the Company and New World Telecommunications Limited ("NWT") entered into a consultancy agreement (the "Consultancy Agreement") pursuant to which NWT agreed to provide to the Company consultancy services to a date which is three years from the date of the Consultancy Agreement at a monthly fee of not exceeding HK\$800,000. The fees paid by the Company to NWT pursuant to the Consultancy Agreement for the year ended 30 June 2005 amounted to approximately HK\$2.19 million.

By virtue of being a wholly-owned subsidiary of NWD, the controlling shareholder of the Company, NWT is a connected person of the Company. The entering into of the Consultancy Agreement constituted a continuing connected transaction for the Company under the Listing Rules.

- (2) Immediately prior to 5 July 2004, 北京信通傳之媒文化發展有限公司 (Beijing Xintong Media & Cultural Development Co. Ltd.) ("Beijing Xintong") was 51% owned by New World Infrastructure (China) Investment Limited ("NWIC", a wholly-owned subsidiary of the Company), 30% owned by Mr Tian Tao ("Mr Tian") and 19% owned by 海南曉越文化發展有限公司 (Hainan Xiao Yue Cultural Development Co. Ltd.) ("Hainan Company").

On 5 July 2004, NWIC entered into:

- (i) a share transfer agreement (the "Tian's Agreement") with Mr Tian regarding the purchase of 0.1% interest in the registered capital of Beijing Xintong from Mr Tian at a consideration of RMB30,000 (approximately HK\$28,000);
- (ii) a share transfer agreement (the "Hainan Agreement") with Hainan Company regarding the purchase of 19% interest in the registered capital of Beijing Xintong from Hainan Company at a consideration of RMB21 million (approximately HK\$19.63 million); and

CONNECTED TRANSACTIONS (Continued)

- (iii) a capital increase agreement (the “Capital Increase Agreement”) with Mr Tian pursuant to which the registered capital of Beijing Xintong will, conditional upon the completion of the Tian’s Agreement and the Hainan Agreement, be increased by RMB70 million (approximately HK\$65.42 million). Such increment will be contributed as to RMB49.07 million (approximately HK\$45.86 million) by NWIC and as to RMB20.93 million (approximately HK\$19.56 million) by Mr Tian and is in proportion to the then percentage of shareholding in Beijing Xintong held by NWIC and Mr Tian.

Mr Tian, being a substantial shareholder of Beijing Xintong and director of most of the subsidiaries of Beijing Xintong, is a connected person of the Company. Hainan Company, which is owned by Mr Tian’s spouse and son, is an associate of Mr Tian under the Listing Rules. Accordingly, the above transactions constituted connected transactions for the Company.

The Hainan Agreement and the Capital Increase Agreement were completed during the year. For the Tian’s Agreement, NWIC had nominated Shenzhen Xiang Long Communication Co., Ltd., a wholly-owned subsidiary of the Company, to hold the 0.1% interest in Beijing Xintong. As at 30 June 2005, the Group held an aggregate of 70.1% interests in the registered capital of Beijing Xintong.

- (3) A tenancy agreement was entered into on 2 March 2005 between the Company and New World Tower Company Limited (“NWTCL”) in respect of the office premises at 2008, 20th Floor, New World Tower 1 occupied by the Company. The term of tenancy is for three years commencing from 1 February 2005 to 31 January 2008 and the total rental paid by the Company to NWTCL for the year ended 30 June 2005 was HK\$495,880.

By virtue of being a wholly-owned subsidiary of NWD, the controlling shareholder of the Company, NWTCL is a connected person of the Company. The entering into of the Tenancy Agreement constituted a continuing connected transaction for the Company under the Listing Rules.

- (4) On 27 May 2005, Apex-Pro Systems Limited (“Apex-Pro”, a 62.75% subsidiary of the Company) and NWT entered into a terms agreement (the “Terms Agreement”) pursuant to which Apex-Pro will develop, maintain and license software systems to NWT for the operation of a portal service marketed by NWT at a monthly fee of 50% of the gross revenue generated and received by NWT from the portal service. The term of the Terms Agreement is one year from the date of the Terms Agreement and is renewable upon mutual agreement of the parties in writing. No payment was received by Apex-Pro pursuant to the Terms Agreement up to 30 June 2005.

NWT is a connected person of the Company by reason stated in paragraph (1) above. The entering into of the Terms Agreement constituted a continuing connected transaction for the Company under the Listing Rules.

CONNECTED TRANSACTIONS (Continued)

- (5) On 21 June 2005, a call centre management services agreement (the "NWM Call Centre Management Agreement") was entered into between Shenzhen Xiang Long Communication Co., Ltd. ("XLC", a wholly-owned subsidiary of the Company) and New World PCS Limited ("NWPCS") pursuant to which XLC would provide call centre facilities and management services to NWPCS for 25 months from 1 June 2005 to 30 June 2007 at a monthly services fee based on the number of workstations used. The total services fee paid by NWPCS to XLC for the year ended 30 June 2005 amounted to approximately HK\$1.34 million.

NWPCS is an indirect wholly-owned subsidiary of New World Mobile Holdings Limited which in turn is a subsidiary of NWD, the controlling shareholder of the Company. Hence, NWPCS is a connected person of the Company. The entering into of the NWM Call Centre Management Agreement constituted a continuing connected transaction for the Company under the Listing Rules.

- (6) On 7 July 2005, a call centre management services agreement (the "NWT Call Centre Management Agreement") was entered into between XLC and NWT pursuant to which XLC would provide call centre facilities and management services to NWT for two years from 1 July 2005 to 30 June 2007 at a monthly services fee based on the number of workstations used.

NWT is a connected person of the Company by reason stated in paragraph (1) above. The entering into of the NWT Call Centre Management Agreement constituted a continuing connected transaction for the Company under the Listing Rules.

- (7) On 22 September 2005, Beijing Xindu Fengfan Advertising Co., Ltd. ("Xindu Fengfan"), an indirect 49.07% subsidiary of the Company, entered into advertising agency framework agreements with Beijing Chong Wen-New World Properties Development Co., Ltd. ("Chong Wen") and Beijing Chong Yu Real Estate Development Co., Ltd. ("Chong Yu") respectively. Pursuant to the advertising agency framework agreements, Chong Wen and Chong Yu will each engage Xindu Fengfan as agent for placing advertisements in newspapers in Mainland China. The fees will be determined in separate engagement agreement signed by the relevant parties for each advertisement placing order.

NWD indirectly controls the composition of a majority of the board of directors of Chong Wen and Chong Yu, and hence each of Chong Wen and Chong Yu is a connected person of the Company. The entering into of the advertising agency framework agreements constituted continuing connected transactions for the Company under the Listing Rules.

CONNECTED TRANSACTIONS (Continued)

The continuing connected transactions mentioned in paragraphs (1), (3), (4) and (5) above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

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

The Company has received from the auditors a letter reporting that the continuing connected transactions stated in paragraphs (1), (3), (4) and (5) above:

- (a) have received the approval of the Company's board of Directors;
- (b) have been entered into in accordance with the relevant agreements governing such transactions; and
- (c) have not exceeded the caps disclosed in the relevant press announcements.

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

The aggregate turnover attributable to the Group's five largest customers accounted for approximately 39% (2004: 50%) and the largest customer accounted for approximately 16% (2004: 18%) of the Group's total turnover for the year ended 30 June 2005.

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 31% (2004: 53%) and the largest supplier accounted for approximately 10% (2004: 13%) of the Group's total purchases for the year ended 30 June 2005.

According to the understanding of the Directors, none of the Directors, their associates or any shareholders who owned more than 5% of the Company's share capital had any interest in the five largest customers or suppliers.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with the required standard of dealings set out in such code of conduct throughout the year.

CODE OF BEST PRACTICE

The Company has complied throughout the financial year ended 30 June 2005 with the Code of Best Practice as previously set out in Appendix 14 (which was applicable during the year) to the Listing Rules except that the Non-executive Directors and the Independent 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.

AUDIT COMMITTEE

Following the reconstitution of the audit committee on 28 September 2004, its members currently consist of Messrs Kong Chi-How, Johnson, Shek Lai-Him, Abraham, Lam Man-Kit, Dominic and Lai Hing-Chiu, Dominic. Mr Kong is the chairman of the committee. A principal duty of the audit committee is to review and supervise the Company's financial reporting process and internal controls.

AUDITORS

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

On behalf of the Board

Dr Cheng Kar-Shun, Henry

Chairman

Hong Kong, 6 October 2005