
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in NWS Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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新創建集團有限公司*
NWS Holdings Limited

(incorporated in Bermuda with limited liability)

(stock code: 0659)

**PROPOSALS FOR
RE-ELECTION OF DIRECTORS,
GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES
AND ALTERATION OF SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of NWS Holdings Limited to be held at Meeting Room 601, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 21 November 2006 at 11:15 a.m. is set out in Appendix IV to this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrars of NWS Holdings Limited in Hong Kong, Standard Registrars Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish.

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Annual General Meeting”	the annual general meeting of the Company convened to be held at Meeting Room 601, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 21 November 2006 at 11:15 a.m., notice of which is set out in Appendix IV to this circular or, where the context so admits, any adjournment thereof
“Board”	the board of directors of the Company
“Bye-laws”	the bye-laws of the Company
“Company”	NWS Holdings Limited, a company incorporated in Bermuda with limited liability and whose securities are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Eligible Employee(s)”	any employee (whether full time or part time employee, including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any Invested Entity
“Eligible Participant(s)”	any person or entity belonging to any of the classes of participants as set forth in the Share Option Scheme
“General Mandate”	a general mandate proposed to be granted to the Directors to exercise all the powers of the Company to allot, issue and deal with Shares in the manner as set out in ordinary resolution no. 5(I) of the notice of the Annual General Meeting
“Group”	the Company and its subsidiaries
“Hong Kong” or “HKSAR”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Invested Entity”	any entity in which any member of the Group holds any equity interest
“Latest Practicable Date”	19 October 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained herein

DEFINITIONS

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Repurchase Mandate”	a general mandate proposed to be granted to the Directors to exercise all the powers of the Company to repurchase Shares in the manner as set out in ordinary resolution no. 5(II) of the notice of the Annual General Meeting
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended and supplemented from time to time
“Share(s)”	the share(s) of HK\$1.00 each in the capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted pursuant to an ordinary resolution of the Company passed on 6 December 2001 and such scheme was varied by adoption of amended rules of the scheme pursuant to an ordinary resolution of the Company passed on 12 March 2003
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

LETTER FROM THE CHAIRMAN



新創建集團有限公司*
NWS Holdings Limited

(incorporated in Bermuda with limited liability)

(stock code: 0659)

Directors:

Dr. Cheng Kar Shun, Henry (*Chairman*)
Mr. Doo Wai Hoi, William (*Deputy Chairman*)
Mr. Chan Kam Ling (*Chief Executive Officer*)
Mr. Tsang Yam Pui
Mr. Wong Kwok Kin, Andrew
Mr. Lam Wai Hon, Patrick
Mr. Cheung Chin Cheung
Mr. William Junior Guilherme Doo
Mr. Wilfried Ernst Kaffenberger
Mr. To Hin Tsun, Gerald
Mr. Dominic Lai
Mr. Yeung Kun Wah, David
(alternate director to Mr. Wilfried Ernst Kaffenberger)
Mr. Kwong Che Keung, Gordon #
Mr. Cheng Wai Chee, Christopher #
The Honourable Shek Lai Him, Abraham #

Independent Non-executive Directors

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Principal place of business
in Hong Kong:*

28/F., New World Tower
18 Queen's Road Central
Hong Kong

27 October 2006

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR
RE-ELECTION OF DIRECTORS,
GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES
AND ALTERATION OF SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

At the Annual General Meeting, resolutions will be proposed to approve (i) the re-election of Directors; (ii) the grant of the General Mandate and the Repurchase Mandate; and (iii) the alteration of Share Option Scheme.

* *For identification purposes only*

LETTER FROM THE CHAIRMAN

The purpose of this circular is to provide you with all the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the Annual General Meeting.

RE-ELECTION OF DIRECTORS

Pursuant to Bye-law 86(2), the Board has the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next general meeting of the Company and shall then be eligible for re-election (but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting). Accordingly, Mr. William Junior Guilherme Doo, who was appointed as Director on 19 December 2005, shall retire from office.

Pursuant to Bye-law 87, at every general meeting, one-third of the relevant number of Directors or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office. Accordingly, Mr. Lam Wai Hon, Patrick, Mr. Cheung Chin Cheung, Mr. Wilfried Ernst Kaffenberger and Mr. Cheng Wai Chee, Christopher shall retire from office.

The aforementioned Directors, being eligible, shall offer themselves for re-election at the Annual General Meeting. Details of such Directors are set out in Appendix I to this circular.

GENERAL MANDATE AND REPURCHASE MANDATE

The existing general mandates to issue and repurchase Shares will expire at the conclusion of the Annual General Meeting.

In order to provide flexibility and discretion to the Directors to issue new Shares, an ordinary resolution will be proposed at the Annual General Meeting that the Directors be granted the General Mandate to allot and issue new Shares up to an amount not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing such resolution and a separate ordinary resolution will also be proposed to extend the General Mandate by adding the nominal amount of any Shares repurchased by the Company pursuant to the Repurchase Mandate.

At the Annual General Meeting, an ordinary resolution will be proposed to the Shareholders that the Directors be granted the Repurchase Mandate to repurchase Shares up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing such resolution. An explanatory statement as required by the Listing Rules to provide the requisite information concerning the Repurchase Mandate is set out in Appendix II to this circular.

LETTER FROM THE CHAIRMAN

ALTERATION OF SHARE OPTION SCHEME

An ordinary resolution will be proposed at the Annual General Meeting to amend certain rules of the Share Option Scheme to, in summary,

- (a) clarify the rights of exercise of share options of Eligible Employees in the events of termination of employment; and
- (b) clarify the basis of adjustment to be made as a result of the alteration of capital structure of the Company.

Set out below is a comparison of the scheme rules involved before and after the proposed amendments:

Rule number	Before amendment	After amendment
8.1	Subject to the following paragraphs of these Rules, an Option may be exercised by an Eligible Participant in accordance with the terms of the grant and the Scheme at such time and for such portion of the Shares granted under the relevant Option as the Directors shall in their absolute discretion see fit during the Option Period commencing on the date on which an Option is granted by resolution of the Directors and notwithstanding that the Scheme Period may have expired. However, in any event the Options must be exercised within 10 years from the date of grant of the Options.	Subject to the following paragraphs of these Rules, an Option may be exercised by an Option Holder in accordance with the terms of the grant and the Scheme at such time and for such portion of the Shares granted under the relevant Option as the Directors shall in their absolute discretion see fit during the Option Period commencing on the date on which an Option is granted by resolution of the Directors and notwithstanding that the Scheme Period may have expired. However, in any event the Options must be exercised within the Option Period. Unless otherwise determined by the Directors and stated in the terms of the grant in respect of the Options, there is no minimum period for which an Option must be held before it can be exercised.

LETTER FROM THE CHAIRMAN

Rule number	Before amendment	After amendment
8.2	<p>If an Option Holder, being an Eligible Employee, ceases to be an Eligible Employee:-</p> <p>(i) by reason of ill-health, disability (all evidenced to the satisfaction of the Directors) or death or retirement in accordance with the retirement provisions of his contract of employment, he or (as the case may be) his personal representatives may exercise all his Options within a period being the earlier of 6 months after he so ceases or the expiration of the relevant Option Period. Any Options not so exercised shall lapse and determine at the end of the said period;</p> <p>(ii) by reason of voluntary resignation, or by termination of his employment in accordance with the termination provisions of his contract of employment by his employing company, (otherwise than on redundancy), or his employing company ceases to be a member of the Group or an Invested Entity, all his Options shall lapse and determine on the date he so ceases;</p> <p>(iii) by reason of misconduct or on certain other grounds, his Options shall thereupon lapse forthwith;</p> <p>Provided that in any such case the Directors in their absolute discretion may otherwise determine subject to such conditions or limitations as the Directors may decide.</p>	<p>If an Option Holder, being an Eligible Employee, ceases to be an Eligible Employee under any of the following circumstances:-</p> <p>(i) <i>On ill-health, disability, death or retirement of an Eligible Employee</i></p> <p>in the event that the employment of an Eligible Employee is terminated by reason of ill-health, disability (all evidenced to the satisfaction of the Directors) or death or retirement in accordance with the retirement provisions of his contract of employment, he or (as the case may be) his personal representative(s) may exercise all his Options within a period being the earlier of 6 months after the termination of employment or the expiration of the relevant Option Period. Any Option not so exercised shall lapse and determine at the end of the said period;</p> <p>(ii) <i>On voluntary termination by an Eligible Employee</i></p> <p>in the event that the employment of an Eligible Employee is terminated by him voluntarily for reasons other than ill-health, disability, death or retirement in accordance with the retirement provisions of his contract of employment, all his Options shall lapse and determine upon the termination of employment;</p>

LETTER FROM THE CHAIRMAN

Rule number	Before amendment	After amendment
8,2 (cont'd)		<p>(iii) <i>On cessation of an Eligible Employee's employing company being a member of the Group or an Invested Entity</i></p> <p>in the event that the Eligible Employee's employing company ceases to be a member of the Group or an Invested Entity, (a) Options granted to such Eligible Employee, to the extent vested at the time of his employing company ceases to be a member of the Group or an Invested Entity, shall be exercisable within a period being the earlier of 6 months after his employing company ceases to be a member of the Group or an Invested Entity or the expiration of the relevant Option Period; and (b) Options granted to such Eligible Employee, to the extent not vested at the time of his employing company ceases to be a member of the Group or an Invested Entity, shall expire upon his employing company ceases to be a member of the Group or an Invested Entity;</p> <p>(iv) <i>Termination for cause</i></p> <p>in the event that the employment of an Eligible Employee is terminated by reason of the Eligible Employee's misconduct justifying summary dismissal (i.e. termination without notice or payment in lieu of notice), all outstanding Options granted to such Eligible Employee shall expire upon the termination of employment;</p>

LETTER FROM THE CHAIRMAN

Rule number	Before amendment	After amendment
8,2 (<i>cont'd</i>)		<p>(v) <i>Termination other than for cause</i></p> <p>in the event that the Eligible Employee ceases to be an Eligible Employee or whose employment is terminated, for any reason other than for the circumstances provided in Rules 8.2(i) to (iv) above, (a) Options granted to such Eligible Employee, to the extent vested at the time of termination of employment, shall be exercisable within a period being the earlier of 6 months after the termination of employment or the expiration of the relevant Option Period; and (b) Options granted to such Eligible Employee, to the extent not vested at the time of termination of employment, shall expire upon the termination of employment,</p> <p>provided that in any of the above cases, the Directors may in their absolute discretion otherwise determine and/or subject to such conditions or limitations as the Directors may reasonably consider appropriate.</p>

LETTER FROM THE CHAIRMAN

Rule number	Before amendment	After amendment
12.1	<p>In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), such corresponding alterations (if any) shall be made in:</p> <ul style="list-style-type: none">(i) the subject matter of the Option so far as unexercised; and/or(ii) the Exercise Price; and/or(iii) the method of exercise of the Option, <p>as the Auditors shall certify in writing to the Directors to be in their opinion fair and reasonable, provided that any alteration shall be made on the basis that the proportion of the issued share capital of the Company to which an Eligible Participant is entitled to subscribe pursuant to the Option held by him or her after such alteration shall remain the same as that to which he was entitled before such alteration, but so that no such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value. The capacity of the Auditors in this Rule 12 is that of experts and not of arbitrators and their certification shall in the absence of manifest error be final and binding on the Company and all the Eligible Participants.</p>	<p>In the event of any alteration in the capital structure of the company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), such appropriate adjustments (if any) shall be made in:</p> <ul style="list-style-type: none">(i) the Exercise Price; and/or(ii) the number of Option so far as unexercised, <p>in such manner as the Directors (having received a confirmation in writing from the Auditors or an independent financial adviser to the Company (as the case may be), acting as experts and not as arbitrators, that in their opinion the adjustments proposed are fair and reasonable and satisfy the requirements set out in rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes (the “Supplementary Guidance”), except in the case of a capitalisation issue where no such confirmation from the Auditors or any independent financial adviser to the Company (as the case may be) shall be required unless otherwise expressly required by the Directors) may deem appropriate provided always that:</p> <ul style="list-style-type: none">(a) no increase shall be made in the aggregate subscription price relating to any Option;

LETTER FROM THE CHAIRMAN

Rule number	Before amendment	After amendment
12.1 (<i>cont'd</i>)		<ul style="list-style-type: none">(b) the proportion of the issued share capital of the Company to which an Option Holder is entitled after any adjustment shall remain materially the same as that to which he was previously entitled prior to such adjustment;(c) no adjustments shall be made which will enable a Share to be issued at less than its nominal value;(d) any adjustment so made shall be in compliance with the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the Supplementary Guidance); and(e) no adjustments shall be made in the event of an issue of Shares as consideration in respect of a transaction to which the Company is a party.
12.2	<p>The maximum number of Shares subject to the Scheme will be adjusted, in such manner as the Auditors shall certify in writing to the Directors to be fair and reasonable, in the event of any alteration in the capital structure of the Company whether by way of consolidation, sub-division or reduction of the share capital of the Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction to which the Company is a party.</p>	<p>Notice of any such adjustment shall be given to the Option Holders by the Company, which may, but need not, call in Option certificates for endorsement or replacement. The costs of the Auditors or the independent financial adviser to the Company (as the case may be) shall be borne by the Company.</p>

The aforementioned proposed alteration of the Share Option Scheme is also subject to the approval by the shareholders of New World Development Company Limited, the holding company of the Company, pursuant to Rule 17.01(4) of the Listing Rules. An ordinary

LETTER FROM THE CHAIRMAN

resolution will be proposed at the forthcoming annual general meeting of New World Development Company Limited to be held on 24 November 2006 for the approval of the alteration of Share Option Scheme.

For providing further information to the Shareholders, a summary of the principal terms of the amended Share Option Scheme is set out in Appendix III to this circular.

ANNUAL GENERAL MEETING

Set out in Appendix IV to this circular is a notice convening the Annual General Meeting. A form of proxy for use in connection with the Annual General Meeting is enclosed. Whether or not you are able to attend the Annual General Meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrars of the Company in Hong Kong, Standard Registrars Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the Annual General Meeting or any adjourned meeting should you desire.

RECOMMENDATION

The Directors believe that the grant of the General Mandate and the Repurchase Mandate and the proposed alteration of the Share Option Scheme are all in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend you to vote in favour of all the ordinary resolutions as set out in the notice convening the Annual General Meeting.

GENERAL

Your attention is drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
Dr. Cheng Kar Shun, Henry
Chairman

APPENDIX I DETAILS OF DIRECTORS STANDING FOR RE-ELECTION

The following are the particulars of the Directors who will retire and, being eligible, will offer themselves for re-election at the Annual General Meeting:

Mr. William Junior Guilherme Doo, aged 32, was appointed as Director on 19 December 2005. Mr. Doo is a solicitor admitted in the HKSAR and is currently a non-practising solicitor in England and Wales. Before joining the Company, he had more than five years' legal practice experience in one of the largest global law firms specialising in finance and corporate transactions. Since joining the Company in March 2003, Mr. Doo has been holding the position of Assistant to Chairman of the Company and acting as members of various management committees responsible for overseeing the financial and operational performances of the Company and its subsidiaries. He is also acting as an alternate director to Mr. Doo Wai Hoi, William in the board of directors of Citybus Limited and a management committee member of NWS Transport Services Limited, the holding company of Citybus Limited, New World First Bus Services Limited and New World First Ferry Services Limited. Mr. Doo is the son of Mr. Doo Wai Hoi, William, the Deputy Chairman of the Company, and nephew of Dr. Cheng Kar Shun, Henry, the Chairman of the Company.

Save as disclosed above, Mr. Doo did not hold any directorship in other listed public companies in the last three years. He also acts as director of certain members of the Group.

Mr. Doo's service contract provides for a fixed term of three years but also subject to the rotational retirement and re-election requirements at annual general meeting pursuant to the Bye-laws. His emoluments comprise annual salary package, discretionary bonus and share options and a director's fee to be reviewed and determined by the Board annually with the authorisation granted by the Shareholders at an annual general meeting of the Company and taking reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market situation. For the financial year ended 30 June 2006, he was paid HK\$0.07 million as director's fee of the Company and an aggregate amount of HK\$2.28 million as salary and bonus.

Save as disclosed above, Mr. Doo is not connected with any directors, senior management or substantial and controlling shareholders of the Company. Except for the corporate interest in 163,720 shares of the Company, as at the Latest Practicable Date, Mr. Doo does not have other interests in shares of the Company within the meaning of Part XV of the SFO.

Mr. Lam Wai Hon, Patrick, aged 44, was appointed as Executive Director in January 2003 and is currently the Qualified Accountant of the Company. He is also a director of Taifook Securities Group Limited (stock code: 665), Wai Kee Holdings Limited (stock code: 610) and Build King Holdings Limited (stock code: 240) as well as the Assistant General Manager of New World Development Company Limited (stock code: 17), a substantial shareholder of the Company. He is mainly responsible for overseeing the facilities rental business of the Group and managing the financial and human resources aspects of the Company. His area of responsibilities in New World Group includes property investment and development as well as service businesses. Mr. Lam is a Chartered Accountant by training; a

APPENDIX I DETAILS OF DIRECTORS STANDING FOR RE-ELECTION

Fellow of the Institute of Chartered Accountants of England and Wales, and the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Chartered Accountants of Ontario, Canada.

Save as disclosed above, Mr. Lam did not hold any directorship in other listed public companies in the last three years. He also acts as a member of the remuneration committee of the Company and director of certain members of the Group.

Mr. Lam's service contract provides for a fixed term of three years but also subject to the rotational retirement and re-election requirements at annual general meeting pursuant to the Bye-laws. His emoluments comprise annual salary package, discretionary bonus and share options and a director's fee to be reviewed and determined by the Board annually with the authorisation granted by the Shareholders at an annual general meeting of the Company and taking reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market situation. For the financial year ended 30 June 2006, he was paid HK\$0.15 million as director's fee of the Company and an aggregate amount of HK\$3.34 million as salary, bonus and director's fees of the Company's subsidiaries.

Save as disclosed above, Mr. Lam is not connected with any directors, senior management or substantial and controlling shareholders of the Company. Except for the aggregate interest in 961,816 shares of the Company which includes personal interest in 956,921 shares and corporate interest in 4,895 shares, as at the Latest Practicable Date, Mr. Lam does not have other interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Cheung Chin Cheung, aged 50, was appointed as Executive Director in October 2003. He had been an executive director of the Company during the period from May 1998 to January 2003. Mr. Cheung is also a director and the General Manager of NWS Infrastructure Management Limited and NWS Ports Management Limited. He is a director of Sino-French Holdings (Hong Kong) Limited, Sino French Water Development Company Limited and The Macao Water Supply Company Limited as well as a director of a number of companies in Mainland China. Mr. Cheung is a member of the China Trade Advisory Committee and the Infrastructure Development Advisory Committee of the Hong Kong Trade Development Council.

Save as disclosed above, Mr. Cheung did not hold any directorship in other listed public companies in the last three years. He also acts as director of certain members of the Group.

Mr. Cheung's service contract provides for a fixed term of three years but also subject to the rotational retirement and re-election requirements at annual general meeting pursuant to the Bye-laws. His emoluments comprise annual salary package, discretionary bonus and share options and a director's fee to be reviewed and determined by the Board annually with the authorisation granted by the Shareholders at an annual general meeting of the Company and taking reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market situation. For the financial year ended 30 June 2006, he was paid HK\$0.15 million as director's fee of the Company and an aggregate amount of HK\$3.30 million as salary and bonus.

APPENDIX I DETAILS OF DIRECTORS STANDING FOR RE-ELECTION

Mr. Cheung is not connected with any directors, senior management or substantial and controlling shareholders of the Company. Except for the personal interest in 973,692 shares of the Company, as at the Latest Practicable Date, Mr. Cheung does not have other interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Wilfried Ernst Kaffenberger, aged 62, was appointed as Non-executive Director in January 2003. He is the Chief Executive Officer of AIG Asian Infrastructure Fund II, a US\$1.67 billion direct equity investment pool he organised in 1997. Mr. Kaffenberger is also the Managing Director of Emerging Markets Partnership (“EMP”), a Washington-based asset management firm. Prior to joining EMP, he was the Vice President, Operations, of International Finance Corporation (“IFC”), a World Bank affiliate. His career at IFC covered 25 years. Moreover, Mr. Kaffenberger had been a director of New World TMT Limited, which was privatised since 2005, during the last three years.

Save as disclosed above, Mr. Kaffenberger did not hold any directorship in other listed public companies in the last three years. He does not hold any positions with the Company or any member of the Group other than acting as a non-executive director of the Company.

Mr. Kaffenberger’s service contract provides for a fixed term of three years but also subject to the rotational retirement and re-election requirements at annual general meeting pursuant to the Bye-laws. His director’s fee will be reviewed and determined by the Board with authorisation granted by the shareholders of the Company at an annual general meeting and taking reference to his duties and responsibilities with the Company, the Company’s performance and the prevailing market situation. For the financial year ended 30 June 2006, he was paid HK\$150,000 as director’s fee of the Company.

Mr. Kaffenberger is not connected with any directors, senior management or substantial and controlling shareholders of the Company. Except for the 607,248 outstanding share options granted by the Company, as at the Latest Practicable Date, Mr. Kaffenberger does not have other interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Cheng Wai Chee, Christopher, aged 58, was appointed as Independent Non-executive Director in January 2003. He is the Chairman of USI Holdings Limited (stock code: 369) and Winsor Properties Holdings Limited (stock code: 1036) and a non-executive director of several listed and unlisted companies in Hong Kong, including New World China Land Limited (stock code: 917), PICC Property and Casualty Company Limited (stock code: 2328), Eagle Asset Management (CP) Limited (as manager of Champion Real Estate Investment Trust (stock code: 2778)) and DBS Bank (Hong Kong) Limited. Mr. Cheng plays an active role in the public services, particularly noteworthy are his efforts in promoting the development of Hong Kong as an international trade, commercial and financial centre. He currently serves as a non-executive director of the Hong Kong Securities and Futures Commission and a member of the Exchange Fund Advisory Committee. He is also a former Chairman of the Hong Kong General Chamber of Commerce. Mr. Cheng has a keen interest in management of the public services and is acting as the Chairman of the Standing Committee on Judicial Salaries and Conditions of

APPENDIX I DETAILS OF DIRECTORS STANDING FOR RE-ELECTION

Service. He is a Steward of the Hong Kong Jockey Club and serves on the Council of The University of Hong Kong. Mr. Cheng holds a BBA from the University of Notre Dame, Indiana, USA and an MBA from Columbia University, New York.

Save as disclosed above, Mr. Cheng did not hold any directorship in other listed public companies in the last three years. He does not hold any positions with the Company or any member of the Group other than acting as an independent non-executive director and a member of the audit committee of the Company.

Mr. Cheng's service contract provides for a fixed term of three years but also subject to the rotational retirement and re-election requirements at annual general meeting pursuant to the Bye-laws. His director's fee will be reviewed and determined by the Board with authorisation granted by the shareholders of the Company at an annual general meeting and taking reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market situation. For the financial year ended 30 June 2006, he was paid HK\$250,000 as director's fee of the Company.

Save as disclosed above, Mr. Cheng is not connected with any directors, senior management or substantial and controlling shareholders of the Company. Except for the personal interest in 703,288 shares of the Company, as at the Latest Practicable Date, Mr. Cheng does not have other interests in the shares of the Company within the meaning of Part XV of the SFO.

Besides, there is no other matters that need to be brought to the attention of the Shareholders in relation to the re-election of the above retiring Directors nor any information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules.

This explanatory statement contains the information required by the Listing Rules. Its purpose is to provide to Shareholders with all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the resolution approving the Repurchase Mandate.

(a) Share Capital

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,966,502,146 fully paid up Shares. Subject to the passing of the relevant ordinary resolution approving the Repurchase Mandate on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 196,650,214 Shares.

(b) Reasons for Repurchases

The Directors believe that the Repurchase Mandate is in the best interests of the Company and its shareholders and will provide the Directors the flexibility to repurchase Shares in the market when appropriate and beneficial to the Company. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets value of the Company and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

(c) Funding of Repurchases

Pursuant to the Listing Rules, repurchases must be financed out of funds legally available for the purpose in accordance with the Company's constitutive documents and the laws of the jurisdiction in which the Company is incorporated or otherwise established.

The Company is empowered by its Memorandum of Association and Bye-laws to repurchase its Shares. Repurchases will be funded from the Company's available cash flow or working capital facilities. Bermuda law provides that repurchases may only be effected out of the capital paid up on the repurchased Shares or out of the funds of the Company otherwise available for dividend or distribution or out of proceeds of a fresh issue of Shares made for the purpose. Any premium payable on a repurchase over the par value of the Shares to be repurchased must be provided for out of funds of the Company otherwise available for dividend or distribution or out of the Company's share premium account or contributed surplus account. Such repurchase may only be made if at least two Directors of the Company by affidavit declare that taking into account the repurchase, the Company is solvent or that its creditors have consented to the repurchase.

The Directors consider that there might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report of Company for the year ended 30 June 2006) in the event that the Repurchase Mandate was to be exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the

circumstances, have a material adverse impact on the working capital or gearing ratio of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

(d) Undertaking of the Directors

The Directors have undertaken to the Stock Exchange to exercise the powers of the Company to make repurchases under the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Bermuda and in accordance with the regulations set out in the Memorandum of Association and Bye-laws of the Company.

None of the Directors nor, to the best of their knowledge having made all reasonable inquiries, any of their associates (as defined in the Listing Rules) has any present intention to sell Shares to the Company if the Repurchase Mandate is approved by the Shareholders.

No connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company nor have they undertaken not to do so in the event that the Repurchase Mandate is approved by the Shareholders.

(e) Effect of Takeovers Code

Repurchase of Shares may result in an increase in the proportionate interests of a Shareholder in the voting rights of the Company and such increase will be treated as an acquisition of voting rights for the purposes of the Takeovers Code. As a result, a Shareholder, or group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interests, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, so far as is known to any director or chief executive of the Company, the following persons had an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Name	Number of shares			Approximate percentage to the issued share capital of the Company	
	Beneficial interests	Corporate interests	Total	As at the Latest Practicable Date	If the Repurchase Mandate is exercised in full
Cheng Yu Tung Family (Holdings) Limited	–	1,164,971,829	1,164,971,829	59.24%	65.82%
Centennial Success Limited	–	1,164,971,829	1,164,971,829	59.24%	65.82%
Chow Tai Fook Enterprises Limited	59,831,893	1,105,139,936	1,164,971,829	59.24%	65.82%
New World Development Company Limited	726,260,992	378,878,944	1,105,139,936	56.20%	62.44%
Mombasa Limited	331,578,383	–	331,578,383	16.86%	18.73%

In the event that the Directors shall exercise in full the Repurchase Mandate, the total interests of the above Shareholders would be increased to approximately the percentages shown in the last column of the above table and such increase will not give rise to an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code and will not reduce the amount of Shares held by the public to be less than 25%.

(f) Share Prices

The highest and lowest market prices at which the Shares were traded on the Stock Exchange during each of the previous 12 months preceding the Latest Practicable Date were as follows:

		Per Share	
		Highest Price	Lowest Price
		<i>HK\$</i>	<i>HK\$</i>
2005:	October	12.90	11.50
	November	12.45	11.60
	December	12.45	11.10
2006:	January	12.45	11.20
	February	13.60	12.30
	March	14.55	11.80
	April	15.50	13.95
	May	15.50	13.40
	June	13.90	12.30
	July	15.20	13.50
	August	16.30	14.51
	September	16.28	14.20
	October (up to the Latest Practicable Date)	16.16	15.32

(g) Share Repurchase made by the Company

The Company has not repurchased any of its Shares on the Stock Exchange or otherwise during the previous six months from the Latest Practicable Date.

The following is a summary of the principal terms of the amended Share Option Scheme (the “Scheme”) to be approved by the Shareholders at the Annual General Meeting:

1. Purpose of the Scheme

The primary purpose of the Scheme is to reward directors and employees of the Group for past service and performance, to provide incentive, motivation or reward to Eligible Participants for increase performance or making contribution to the Group, to attract and retain persons of right caliber with the necessary experience to work for or make contribution to the Group and to foster a sense of corporate identity.

2. Duration of the Scheme

The duration of the Scheme is 10 years from 6 December 2001 when it was adopted by the Company pursuant to an ordinary resolution passed on that date. The Company may, however, by resolution in general meeting terminate the Scheme at any time.

3. Who may join

Any person falling within any class of the Eligible Participants may, at the discretion of the Board, be offered options under the Scheme to subscribe for such number of new Shares as the Board may determine at the exercise price calculated in accordance with paragraph 5 below. An Eligible Participant may be a person or entity belonging to any of the following cases:

- (i) any Eligible Employee;
- (ii) any non-executive director (including independent non-executive director) of the Company, any subsidiary or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of any member of the Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.

The basis of eligibility of any of the Eligible Participants to an offer for grant of any option shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group.

Upon acceptance of the option, the grantee shall pay the sum of HK\$10 to the Company by way of consideration for the grant.

4. Performance target

Unless the Directors otherwise determined and stated in the terms of offer for the grant in respect of the option, no performance target is required to be achieved before any option can be granted to or exercised by the grantee.

5. Exercise price

The price per Share payable on exercise of an option shall be the higher of: (i) the closing price of the Share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a dealing day; and (ii) the average closing price of the Share as stated in the Stock Exchange's daily quotations sheets for the five dealing days immediately preceding the date of grant. The exercise price is subject to adjustment in the circumstances stated in paragraph 15(a).

6. Limit on number of Shares that can be issued

(a) Outstanding options limit

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time. No option may be granted under any share options schemes of the Company if this will result in the limit being exceeded.

(b) Renewable 10% limit

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the Scheme (the "10% Limit"). Options lapsed in accordance with the terms of the Scheme and any other schemes will not be counted for the purpose of calculating the 10% Limit.

(c) Approval for renewal of 10% limit

The Company may seek approval from the Shareholders for "refreshing" the 10% Limit. However, the total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company under the limit as "refreshed" must not exceed 10% of the Shares in issue as

at the date of approval of the “refreshed” limit. Options previously granted under the Scheme and any other share option schemes of the Company, including those outstanding, cancelled, lapsed or exercised options in accordance with the Scheme and any other share option schemes of the Company will not be counted for the purpose of calculating the limit as “refreshed”.

(d) Specific approval for excess grant

The Company may seek separate approval from the Shareholders for the grant of options beyond the 10% Limit provided that the options in excess of the limit are granted only to Eligible Participants specifically identified by the Company before such approval is sought.

7. Single participant limit

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue.

Where any further grant of options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to that Eligible Participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by Shareholders with that Eligible Participant and his associates abstaining from voting.

8. Grant of options to Connected Persons

(a) Grant to Director, chief executive or substantial shareholder

Each grant of options to a Director (excluding independent non-executive directors), chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors of the Company (excluding any non-executive director who or whose associate is the proposed grantee of the option).

(b) Grant to independent non-executive director

If a grant of options is made to an independent non-executive director of the Company, that director must abstain from voting for approving such grant and that the consent for making such grant from the other independent non-executive director(s) of the Company under the resolution of the Directors must also be obtained.

(c) Limit on grants within 12 months

Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, will result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares as at the date of such grant, in excess of HK\$5 million,

such further grant of options must be approved by the Shareholders.

(d) Variation of terms

Any change in the terms of options granted to an option holder who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates must be approved by the Shareholders.

9. Procedures for acceptance of options

An offer of the grant of options shall be made to an Eligible Participant by letter in such form as the Directors may from time to time determine and shall be open for acceptance within a period of 14 days from the offer date. An option shall be deemed to have been granted and accepted on the offer date provided that acceptance is received by the Company within the 14-day's period together with the required payment of consideration for such grant. Any offer of the grant of options not accepted within the 14-day's period shall lapse.

10. Restriction on transfer of options

An option shall be personal to the option holder and shall not be transferred, charged, mortgaged or assigned (save that the option holder may have the Shares to be issued on the exercise of his option to be registered in the name of a nominee holding in trust for him).

11. Exercise of options

An option may be exercised by the option holder in accordance with the terms of the offer for the grant during such option period (being not more than 10 years from the date of grant) for the whole or such parcels of the Shares as shall be granted as the Directors shall determine and notified to the option holder.

Unless otherwise determined by the Directors and stated in the terms of the grant in respect of the options, there is no minimum period required under the Scheme for the holding of an option before it can be exercised.

An option can be exercised in whole or in part provided it is exercised in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiples thereof by giving written notice to the Company stating that the option is thereby exercised and the number of Shares in respect of which the option is exercised. Each notice must be accompanied by option certificates sufficient to cover the number of Shares in respect of which the option is being exercised and payment in full of the subscription price therefor. Unless otherwise agreed between the Company and the option holder, the Company shall issue the relevant Shares to the grantee and/or his nominee within 30 days from receipt of the option exercise notice.

12. Lapse of options

(a) Expiry of option period

An option shall lapse and cease to be exercisable (to the extent not already exercised) on expiry of the option period as specified by the Directors under the grant.

(b) On cessation of being an Eligible Employee

If an option holder, being an Eligible Employee, ceases to be an Eligible Employee under any of the following circumstances:

(i) On ill-health, disability, death or retirement of an Eligible Employee

in the event that the employment of an Eligible Employee is terminated by reason of ill-health, disability (all evidenced to the satisfaction of the Directors) or death or retirement in accordance with the retirement provisions of his contract of employment, he or (as the case may be) his personal representative(s) may exercise all his options within a period being the earlier of 6 months after the termination of employment or the expiration of the relevant option period. Any options not so exercised shall lapse and determine at the end of the said period;

(ii) On voluntary termination by an Eligible Employee

in the event that the employment of an Eligible Employee is terminated by him voluntarily for reasons other than ill-health, disability, death or retirement in accordance with the retirement provisions of his contract of employment, all his options shall lapse and determine upon the termination of employment;

(iii) On cessation of an Eligible Employee's employing company being a member of the Group or an Invested Entity

in the event that the Eligible Employee's employing company ceases to be a member of the Group or an Invested Entity, (aa) options granted to such Eligible Employee, to the extent vested at the time of his employing company ceases to be a member of the Group or an Invested Entity, shall be exercisable within a period being the earlier of 6 months after his employing company ceases to be a member

of the Group or an Invested Entity or the expiration of the relevant option period; and (bb) options granted to such Eligible Employee, to the extent not vested at the time of his employing company ceases to be a member of the Group or an Invested Entity, shall expire upon his employing company ceases to be a member of the Group or an Invested Entity;

(iv) Termination for cause

in the event that the employment of an Eligible Employee is terminated by reason of the Eligible Employee's misconduct justifying summary dismissal (i.e. termination without notice or payment in lieu of notice), all outstanding options granted to such Eligible Employee shall expire upon the termination of employment;

(v) Termination other than for cause

in the event that the Eligible Employee ceases to be an Eligible Employee or whose employment is terminated, for any reason other than for the circumstances provided in paragraphs 12(b)(i) to (iv) above, (aa) options granted to such Eligible Employee, to the extent vested at the time of termination of employment, shall be exercisable within a period being the earlier of 6 months after the termination of employment or the expiration of the relevant option period; and (bb) options granted to such Eligible Employee, to the extent not vested at the time of termination of employment, shall expire upon the termination of employment,

provided that in any of the above cases, the Directors may in their absolute discretion otherwise determine and/or subject to such conditions or limitations as the Directors may reasonably consider appropriate.

(c) On breach of contract or insolvency for other Eligible Participants

In relation to an option holder not being an Eligible Employee, all his options (to the extent not already exercised) shall lapse if the Directors shall at any time determine that (aa) such option holder or his associate has committed any breach of contract between him or his associate and the Group or such option holder has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; and (bb) all options held by that option holder shall lapse.

(d) On takeover offers

If, in consequences of any general offer made to the Shareholders or otherwise, any person shall have obtained control of the Company, then the option holder shall be entitled at any time within the period of 6 months after such control has been obtained exercise his options in whole or, in part, all options (to the extent not already exercised) shall lapse upon expiry of such 6-month's period provided that if, during

such 6-month's period, such person becomes entitled to exercise rights of compulsory acquisition of Shares pursuant to Section 103 of The Companies Act 1981 of Bermuda (as amended from time to time) and gives notice to any Shareholder that he intends to exercise such acquisition rights, the options shall remain exercisable until the expiry of 1 month after the date of such notice and all options (to the extent not already exercised) shall lapse upon expiry of such 1-month's period.

(e) On liquidation

If notice is given of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Company, the options shall be exercisable in whole or in part (but so that such exercise shall only be valid if, at the time of such resolution being passed, the option shall not have otherwise lapsed) at any time thereafter until the resolution is duly passed or defeated or the general meeting concluded or adjourned sine die, whichever shall first occur. If such winding-up resolution is duly passed, all options (to the extent not already exercised) shall thereupon lapse.

(f) On reconstruction

If under Section 99 of The Companies Act 1981 of Bermuda (as amended from time to time) a compromise or arrangement between the Company and its Shareholders or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other company, the Company shall give notice thereof to all option holders on the same date as notice of meeting is sent to the Shareholders or creditors of the Company, and thereupon each option holder may, within 2 months thereafter or (if earlier) until the date on which such compromise or arrangement is sanctioned by the Court, exercise his options, but such exercise shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. Upon such compromise or arrangement becoming effective, all options (to the extent not already exercised) shall lapse.

13. Cancellation and re-grant of options

Options granted but not exercised may be cancelled if the Eligible Participant so agrees and new options may only be made to the same Eligible Participant with available unissued options (excluding the cancelled options) within the limit approved by the Shareholders.

14. Ranking of Shares

The Shares to be allotted upon exercise of options will be subject to all the provisions of the Bye-laws and will rank pari passu in all respects with other Shares in issue on the date the name of the option holder is registered in the Company's register of members, in particular in respect of voting, transfer, and other rights including those arising on a liquidation of the Company and rights in respect of any dividend or other distribution paid or made after the date of registration other than any dividend or distribution to be paid or made if the record date therefor shall be before the date of registration. If however the date

of exercise of options falls on a date when the Company's register of members is closed, then the exercise of the options shall become effective on the first business day in Hong Kong on which the register of members is re-opened.

15. Adjustment on alteration of share capital

(a) *Adjustment of option entitlement*

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), such appropriate adjustments (if any) shall be made in:

- (i) the exercise price; and/or
- (ii) the number of option so far as unexercised,

in such manner as the Directors (having received a confirmation in writing from the auditors or an independent financial advisor to the Company (as the case may be), acting as experts and not as arbitrators, that in their opinion the adjustments proposed are fair and reasonable and satisfy the requirements set out in rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes (the "Supplementary Guidance"), except in the case of a capitalization issue where no such confirmation from the auditors or an independent financial advisor to the Company (as the case may be) shall be required unless otherwise expressly required by the Directors) may deem appropriate provided always that:

- (aa) no increase shall be made in the aggregate subscription price relating to any option;
- (bb) the proportion of the issued share capital of the Company to which an option holder is entitled after any adjustment shall remain materially the same as that to which he was previously entitled prior to such adjustment;
- (cc) no adjustments shall be made which will enable a Share to be issued at less than its nominal value;
- (dd) any adjustment so made shall be in compliance with the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the Supplementary Guidance); and
- (ee) no adjustments shall be made in the event of an issue of Shares as consideration in respect of a transaction to which the Company is a party.

(b) Notice of adjustment

Notice of any such adjustment shall be given to the option holders by the Company, which may, but need not, call in option certificates for endorsement or replacement. The costs of the auditors or the independent financial advisor to the Company (as the case may be) shall be borne by the Company.

16. Variation of the terms of the Scheme

Any alteration to the terms and conditions of the Scheme which are of a material nature shall be approved by the Shareholders, except where the alteration takes effect automatically under the existing terms of the Scheme.

Save with prior approval of the Shareholders in general meeting, no alteration shall be made to (i) the provisions of the Scheme relating to the matters contained in Chapter 17 of the Listing Rules or (ii) the authority of the Directors or the administrators of the Scheme in relation to any alteration to the terms of the Scheme.

No amendments to the Scheme shall be made which would have the effect of abrogating or altering adversely any of the subsisting rights of option holders except with such consent on their part as would be required under the provisions of the Bye-laws as if the options constituted a separate class of share capital.

Save as aforesaid, the Directors may from time to time in their absolute discretion waive or amend such of the rules of the Scheme as they deem desirable by resolution of the Directors. The terms of the Scheme and/or any options amended must comply with the applicable requirements of the Listing Rules.

The Company must provide to all option holders all details relating to the change of the terms of the Scheme immediately upon such changes taking effect.

17. Termination of the Scheme

The Company by resolution in general meeting may terminate the Scheme at any time, and in such event no further options will be offered but in all other respects the provisions of the Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Scheme.

NOTICE IS HEREBY GIVEN THAT the annual general meeting of the Company will be held at Meeting Room 601, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 21 November 2006 at 11:15 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the Reports of the Directors and Auditors for the year ended 30 June 2006.
2. To declare a final dividend.
3. To re-elect Directors and to authorise the Board of Directors to fix the Directors' remuneration.
4. To re-appoint Auditors and to authorise the Board of Directors to fix their remuneration.
5. As special business, to consider and if thought fit, pass with or without amendment, the following resolutions as ordinary resolutions and special resolution, respectively:

ORDINARY RESOLUTIONS

I. "THAT:

- (A) subject to paragraph (C) of this resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company or securities convertible into such shares or options, warrants, or similar rights to subscribe for any shares or convertible securities and to make or grant offers, agreements and options which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (B) the approval in paragraph (A) of this resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (C) the aggregate nominal value of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to the approval granted in paragraph (A) of this resolution, otherwise than pursuant to (i) a Right Issue (as hereinafter defined); (ii) the exercise of any conversion rights attaching to any securities which are convertible into shares of the Company; (iii) the exercise of the rights under any option scheme or similar arrangement for the time being adopted for the grant or issue to Directors and/or employees of the Company and/or any of its subsidiaries of options to subscribe for, or rights to acquire, shares of the Company, or (iv) any issue of shares as scrip dividends or similar

arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company; shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution and the approval granted in paragraph (A) shall be limited accordingly; and

(D) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Right Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange, in any territory outside Hong Kong).”

II. “THAT:

- (A) subject to paragraph (B) of this resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase its own shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or that of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (B) the aggregate nominal amount of shares which may be repurchased by the Company pursuant to the approval in paragraph (A) of this resolution shall not exceed 10% of the aggregate nominal amount of the share capital of the

Company in issue as at the date of the passing of this resolution and the authority granted pursuant to paragraph (A) of this resolution shall be limited accordingly; and

(C) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

III. “THAT conditional upon the Ordinary Resolutions No. I and II being passed, the general mandate granted to the Directors of the Company pursuant to Ordinary Resolution No. I be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted by the Directors of the Company pursuant to such general mandate, an amount representing the aggregate nominal amount of the shares repurchased by the Company under the authority granted pursuant to Ordinary Resolution No. II provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution.”

IV. “THAT subject to the approval by the shareholders of New World Development Company Limited, the holding company of the Company, at its annual general meeting to be held on 24 November 2006, the Share Option Scheme shall be amended as follows:

(A) Rule 8.1 of the Share Option Scheme be deleted in its entirety and the following new rule 8.1 be substituted thereof:

‘8.1 Subject to the following paragraphs of these Rules, an Option may be exercised by an Option Holder in accordance with the terms of the grant and the Scheme at such time and for such portion of the Shares granted under the relevant Option as the Directors shall in their absolute discretion see fit during the Option Period commencing on the date on which an Option is granted by resolution of the Directors and notwithstanding that the Scheme Period may have expired. However, in any event the Options must be exercised within the Option Period.

Unless otherwise determined by the Directors and stated in the terms of the grant in respect of the Options, there is no minimum period for which an Option must be held before it can be exercised.'

- (B) Rule 8.2 of the Share Option Scheme be deleted in its entirety and the following new rule 8.2 be substituted thereof:

'8.2 If an Option Holder, being an Eligible Employee, ceases to be an Eligible Employee under any of the following circumstances:—

- (i) *On ill-health, disability, death or retirement of an Eligible Employee*

in the event that the employment of an Eligible Employee is terminated by reason of ill-health, disability (all evidenced to the satisfaction of the Directors) or death or retirement in accordance with the retirement provisions of his contract of employment, he or (as the case may be) his personal representative(s) may exercise all his Options within a period being the earlier of 6 months after the termination of employment or the expiration of the relevant Option Period. Any Option not so exercised shall lapse and determine at the end of the said period;

- (ii) *On voluntary termination by an Eligible Employee*

in the event that the employment of an Eligible Employee is terminated by him voluntarily for reasons other than ill-health, disability, death or retirement in accordance with the retirement provisions of his contract of employment, all his Options shall lapse and determine upon the termination of employment;

- (iii) *On cessation of an Eligible Employee's employing company being a member of the Group or an Invested Entity*

in the event that the Eligible Employee's employing company ceases to be a member of the Group or an Invested Entity, (a) Options granted to such Eligible Employee, to the extent vested at the time of his employing company ceases to be a member of the Group or an Invested Entity, shall be exercisable within a period being the earlier of 6 months after his employing company ceases to be a member of the Group or an Invested Entity or the expiration of the relevant Option Period; and (b) Options granted to such Eligible Employee, to the extent not vested at the time of his employing company ceases to be a member of the Group or an Invested Entity, shall expire upon his employing company ceases to be a member of the Group or an Invested Entity;

(iv) Termination for cause

in the event that the employment of an Eligible Employee is terminated by reason of the Eligible Employee's misconduct justifying summary dismissal (i.e. termination without notice or payment in lieu of notice), all outstanding Options granted to such Eligible Employee shall expire upon the termination of employment;

(v) Termination other than for cause

in the event that the Eligible Employee ceases to be an Eligible Employee or whose employment is terminated, for any reason other than for the circumstances provided in Rules 8.2(i) to (iv) above, (a) Options granted to such Eligible Employee, to the extent vested at the time of termination of employment, shall be exercisable within a period being the earlier of 6 months after the termination of employment or the expiration of the relevant Option Period; and (b) Options granted to such Eligible Employee, to the extent not vested at the time of termination of employment, shall expire upon the termination of employment,

provided that in any of the above cases, the Directors may in their absolute discretion otherwise determine and/or subject to such conditions or limitations as the Directors may reasonably consider appropriate.'

- (C) Rule 12.1 of the Share Option Scheme be deleted in its entirety and the following new rule 12.1 be substituted thereof:

'12.1 In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), such appropriate adjustments (if any) shall be made in:

(i) the Exercise Price; and/or

(ii) the number of Option so far as unexercised,

in such manner as the Directors (having received a confirmation in writing from the Auditors or an independent financial adviser to the Company (as the case may be), acting as experts and not as arbitrators, that in their opinion the adjustments proposed are fair and reasonable and satisfy the requirements set out in rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5

September 2005 to all issuers relating to share option schemes (the “Supplementary Guidance”), except in the case of a capitalisation issue where no such confirmation from the Auditors or an independent financial adviser to the Company (as the case may be) shall be required unless otherwise expressly required by the Directors) may deem appropriate provided always that:

- (a) no increase shall be made in the aggregate subscription price relating to any Option;
- (b) the proportion of the issued share capital of the Company to which an Option Holder is entitled after any adjustment shall remain materially the same as that to which he was previously entitled prior to such adjustment;
- (c) no adjustments shall be made which will enable a Share to be issued at less than its nominal value;
- (d) any adjustment so made shall be in compliance with the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the Supplementary Guidance); and
- (e) no adjustments shall be made in the event of an issue of Shares as consideration in respect of a transaction to which the Company is a party.’

(D) Rule 12.2 of the Share Option Scheme be deleted in its entirety and the following new rule 12.2 be substituted thereof:

‘12.2 Notice of any such adjustment shall be given to the Option Holders by the Company, which may, but need not, call in Option certificates for endorsement or replacement. The costs of the Auditors or the independent financial adviser to the Company (as the case may be) shall be borne by the Company.’”

By Order of the Board
Chow Tak Wing
Company Secretary

Hong Kong, 27 October 2006

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the instrument appointing a proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch registrars in Hong Kong, Standard Registrars Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the appointed time for holding of the meeting or at any adjournment thereof.
3. The register of members of the Company will be closed from Thursday, 16 November 2006 to Tuesday, 21 November 2006, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrars in Hong Kong, Standard Registrars Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 15 November 2006.

The Company's Bye-laws 66 and 67 set out the procedure by which shareholders may demand a poll:

A resolution put to the vote of a general meeting shall be decided on show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by any of the Directors who individually or collectively (with the chairman of the relevant general meeting of the Company) hold proxies in respect of shares holding five (5) per cent. or more of the total voting rights at a particular meeting of members, and if on a show of hands such meeting votes in the opposite manner to that instructed in those proxies; or
- (c) by at least three members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (d) by a member or members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
- (e) by a member or members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a member.

Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against the resolution.