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If you are in any doubt as to any aspect of this document or as to the action you should take, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in **NEW WORLD DEVELOPMENT COMPANY LIMITED**, you should at once hand this document and the accompanying proxy form to the purchaser or to the bank, the licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser.

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新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 0017)

**PROPOSALS INVOLVING
GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE SHARES,
ADOPTION OF SHARE OPTION SCHEME OF
NEW WORLD DEVELOPMENT COMPANY LIMITED,
APPROVAL OF ALTERATION OF SHARE OPTION SCHEME OF
NWS HOLDINGS LIMITED
AND RE-ELECTION OF RETIRING DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening an annual general meeting of New World Development Company Limited (the “Company”) to be held at Meeting Room 201B (New Wing), Hong Kong Convention & Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Friday, 24 November 2006, at 11:00 a.m. is set out on pages 38 to 44 of this document. Whether or not you propose to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the registered office of the Company at 30th Floor, New World Tower, 18 Queen’s Road Central, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or the adjourned meeting (as the case may be). Completion and return of a proxy form will not preclude shareholders from attending and voting at the annual general meeting if they so wish.

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DEFINITIONS

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

“Adoption Date”	the date on which the Share Option Scheme is approved and adopted by resolution of the shareholders of the Company
“Annual General Meeting”	the annual general meeting of the Company to be held at Meeting Room 201B (New Wing), Hong Kong Convention & Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Friday, 24 November 2006 at 11:00 a.m., notice of which is set out on pages 38 to 44 of this document
“Business Day”	a day (other than a Saturday or a Sunday) on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance, the shares of which are listed on the Stock Exchange
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Latest Practicable Date”	23 October 2006, being the latest practicable date prior to the printing of this document
“Listing Committee”	the listing sub-committee of the directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NWS Holdings Limited”	NWS Holdings Limited, 56.20% owned subsidiary of the Company, incorporated in Bermuda, the shares of which are listed on the Stock Exchange
“NWS Share Option Scheme”	the share option scheme of NWS Holdings Limited adopted pursuant to an ordinary resolution of NWS Holdings Limited passed on 6 December 2001 and such scheme was varied by adoption of amended rules of the scheme pursuant to an ordinary resolution of NWS Holdings Limited passed on 12 March 2003

DEFINITIONS

“Option”	a right to subscribe for Shares pursuant to the Share Option Scheme
“Repurchase Proposal”	the proposal to give a general mandate to the Directors to exercise the powers of the Company to repurchase during the period as set out in the Repurchase Resolution Shares up to a maximum of 10% of the issued share capital of the Company as at the date of the Repurchase Resolution
“Repurchase Resolution”	the proposed ordinary resolution as referred to in resolution no. 5 of the notice of the Annual General Meeting
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	fully paid-up share(s) of HK\$1.00 each in the share capital of the Company
“Share Option Scheme”	the share option scheme to be adopted by the Company, a summary of the principal terms of which is set out in Appendix II to this circular
“Share Repurchase Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing on the Stock Exchange of their own securities on the Stock Exchange
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

LETTER FROM THE MANAGING DIRECTOR



新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 0017)

Directors:

Executive Directors:

Dato' Dr. CHENG Yu-Tung (*Chairman*)
Dr. CHENG Kar-Shun, Henry (*Managing Director*)
Dr. SIN Wai-Kin, David
LIANG Chong-Hou, David
LEUNG Chi-Kin, Stewart

Registered Office:

30th Floor,
New World Tower,
18 Queen's Road Central,
Hong Kong.

Non-executive Directors:

Lord SANDBERG, Michael*
CHENG Yue-Pui
YEUNG Ping-Leung, Howard*
Dr. CHA Mou-Sing, Payson, JP*
CHENG Kar-Shing, Peter
CHOW Kwai-Cheung
HO Hau-Hay, Hamilton
LEE Luen-Wai, John, JP*
LIANG Cheung-Biu, Thomas
CHA Mou-Zing, Victor
(*alternate director to Dr. CHA Mou-Sing, Payson*)

* *Independent non-executive director*

31 October 2006

To the shareholders,

Dear Sir or Madam,

**PROPOSALS INVOLVING
GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE SHARES,
ADOPTION OF SHARE OPTION SCHEME OF
NEW WORLD DEVELOPMENT COMPANY LIMITED,
APPROVAL OF ALTERATION OF SHARE OPTION SCHEME OF
NWS HOLDINGS LIMITED
AND RE-ELECTION OF RETIRING DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to provide you with information, and to seek your approval for the proposals involving general mandates to allot, issue and deal with Shares and to repurchase Shares, adoption of the Share Option Scheme, alteration of NWS Share Option Scheme and re-election of retiring Directors at the Annual General Meeting.

LETTER FROM THE MANAGING DIRECTOR

2. GENERAL MANDATE TO REPURCHASE SHARES

At the annual general meeting of the Company held on 30 November 2005, a general mandate was given to the Directors to exercise the powers of the Company to repurchase Shares. Such mandate will lapse at the conclusion of the Annual General Meeting. The Directors propose to seek your approval of the Repurchase Resolution to be proposed at the Annual General Meeting. An explanatory statement as required under the Share Repurchase Rules to provide the requisite information of the Repurchase Proposal is set out in Appendix I hereto.

3. GENERAL MANDATE TO ISSUE SHARES

It will also be proposed at the Annual General Meeting two ordinary resolutions respectively granting to the Directors a general mandate to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company at the date of the resolution and adding to such general mandate so granted to the Directors any Shares representing the aggregate nominal amount of the Shares repurchased by the Company after the granting of the general mandate to repurchase up to 10% of the issued share capital of the Company at the date of the Repurchase Resolution.

4. ADOPTION OF SHARE OPTION SCHEME

At the Annual General Meeting, an Ordinary Resolution will be proposed for the Company to approve the adoption of the Share Option Scheme for the eligible participant pursuant to which the eligible participant may be granted options to subscribe for Shares upon and subject to the terms and conditions of the Share Option Scheme. As at the Latest Practicable Date, no share option scheme has ever been adopted by the Company.

The Directors considers that in order to encourage the eligible participants to perform their best in achieving the goals of the Group and to allow the eligible participants to enjoy the results of the Company attained through their effort and contribution, it is important that the Group should continue to provide such eligible participants with an additional incentive by offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the long term success of the business of the Group. The Directors therefore proposes to recommend to the Shareholders at the Annual General Meeting to approve the adoption of the Share Option Scheme.

Under the rules of the Share Option Scheme, the Directors has discretion to set a minimum period for which an Option has to be held before the exercise of the subscription rights attaching thereto. This discretion allows the Directors to provide incentive to eligible participants to remain eligible participants and thereby enable the Group to continue to benefit from the services and contributions of the eligible participants. This discretion, coupled with the power of the Directors to impose any performance target or other restrictions as it considers appropriate before the Option can be exercised, enable the Group to provide incentives to the eligible participants to use their best endeavours in assisting the growth and development of the Group. Although the Share Option Scheme does not provide for the granting of Options with rights to subscribe for Shares at a discount to the traded prices of the Shares on the Stock Exchange, the Directors are of the view that the flexibility given to the Directors in granting Options to eligible participants and to impose minimum period for which the Options have to be held and performance targets and other conditions that have to be achieved before the Options can be exercised, will place the Group in a better position to attract human resources that are valuable to the growth and development of the Group as a whole.

LETTER FROM THE MANAGING DIRECTOR

A summary of all the principal terms of the rules of the Share Option Scheme which is proposed to be approved and adopted by the Company at the Annual General Meeting is set out in Appendix II to this circular. A copy of the Share Option Scheme is available for inspection at the registered office of the Company at 30th Floor, New World Tower, 18 Queen's Road Central, Hong Kong during normal business hours from the date hereof up to and including 24 November 2006 prior to the Annual General Meeting.

The Share Option Scheme is conditional upon:

- (i) the passing of an ordinary resolution at the Annual General Meeting approving the adoption of the Share Option Scheme; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, any new Shares which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the options that may be granted under the Share Option Scheme.

Under the Share Option Scheme, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company, if any (excluding, for this purpose, options lapsed in accordance with the terms of the Share Option Scheme) must not in aggregate exceed 10% of the Shares in issue as at the Adoption Date. Based on the existing issued share capital of 3,663,884,647 Shares as at the Latest Practicable Date and assuming that no further Shares will be issued or repurchased by the Company on or before the Annual General Meeting, up to 366,388,464 Shares may be issued to the eligible participant under the Share Option Scheme under Rule 17.03(3) of the Listing Rules, should the Share Option Scheme be adopted.

The Company may however obtain approval from Shareholders to refresh the said 10% limit, provided that the maximum number of Shares to be issued upon exercise of all outstanding options under the Share Option Scheme and any other share option schemes of the Company, if any, must not exceed 30% of the issued share capital of the Company from time to time.

The Directors considers that it is not appropriate to state the value of all options that can be granted pursuant to the Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the value of the option have not been determined. Such variables include the exercise price, exercise period, any lock up period, any performance targets set and other variables. The Directors believe that any calculation of the value of the options as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

Application will be made to the Listing Committee for approval of the listing of, and permission to deal in, the new Shares which may fall to be issued pursuant to the exercise of the subscription rights attaching to the Options that may be granted under the Share Option Scheme.

LETTER FROM THE MANAGING DIRECTOR

5. APPROVAL OF ALTERATION OF NWS SHARE OPTION SCHEME

An ordinary resolution will be proposed at the Annual General Meeting to approve the alteration of NWS Share Option Scheme to, in summary,

- (a) clarify the right 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 NWS Holdings Limited.

Set out in Appendix III and IV to this circular are a comparison of the rules of NWS Share Option Scheme involved before and after the proposed amendments and a summary of the principal terms of the amended NWS Share Option Scheme respectively.

6. RE-ELECTION OF THE RETIRING DIRECTORS

Pursuant to Article 103(A) of the existing Articles of Association of the Company, Dr. CHENG Kar-Shun, Henry, Mr. LEUNG Chi-Kin, Stewart, Mr. CHENG Kar-Shing, Peter, Lord SANDBERG, Michael and Dr. CHA Mou-Sing, Payson shall retire from office and being eligible, offer themselves for re-election at the Annual General Meeting. Details of the retiring Directors proposed to be re-elected at the Annual General Meeting are set out in Appendix V hereto.

7. ANNUAL GENERAL MEETING

Set out on pages 38 to 44 of this document is the notice convening the Annual General Meeting to be held at Meeting Room 201B (New Wing), Hong Kong Convention & Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Friday, 24 November 2006 at 11:00 a.m.

At the Annual General Meeting, resolutions will be proposed to the Shareholders in respect of ordinary business to be considered at the Annual General Meeting, including the re-election of Directors, and special business to be considered at the Annual General Meeting, being the Ordinary Resolutions proposed to approve the general mandates to repurchase Shares and to issue new Shares, the extension of the general mandate to issue new Shares, adoption of the Share Option Scheme and alteration of NWS Share Option Scheme.

8. ACTION TO BE TAKEN

A proxy form for use at the Annual General Meeting is enclosed herewith. Whether or not you intend to attend the Annual General Meeting, you are requested to complete the proxy form and return it to the registered office of the Company at 30th Floor, New World Tower, 18 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting or the adjourned meeting (as the case may be). Completion and return of a proxy form will not prevent Shareholders from attending and voting at the Annual General Meeting if they so wish.

LETTER FROM THE MANAGING DIRECTOR

9. RIGHT TO DEMAND A POLL

Pursuant to existing Article 74 of the Articles of Association of the Company, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the Listing Rules or any other applicable laws, rules or regulations or unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the Chairman of the meeting; or
- (ii) by at least three Shareholders present in person or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any Shareholder or Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) by a Shareholder or Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and holding Shares 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 the Shares conferring that right.

10. RECOMMENDATION

The Directors believe that the Repurchase Proposal, the proposed general mandate for Directors to issue new Shares, the proposed adoption of the Share Option Scheme, the proposed alteration of NWS Share Option Scheme and the proposed re-election of the retiring Directors are all in the best interests of the Company and its Shareholders. Accordingly, the Directors recommend that all Shareholders should vote in favour of the resolutions to be proposed at the Annual General Meeting to give effect to them.

Yours faithfully,
For and on behalf of
New World Development Company Limited
CHENG Kar-Shun, Henry
Managing Director

This appendix serves as an explanatory statement required under Rule 10.06(1)(b) of the Listing Rules to provide you with the information necessary for your consideration of the Repurchase Proposal.

This appendix also constitutes the memorandum required under Section 49BA(3) of the Companies Ordinance.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 3,663,884,647 Shares.

Subject to the passing of the Repurchase Resolution and 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 Resolution to repurchase a maximum of 366,388,464 Shares representing not more than 10% of the issued share capital of the Company at the Latest Practicable Date.

2. REASONS FOR REPURCHASE

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

3. FUNDING OF REPURCHASE

In repurchasing any Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the Companies Ordinance. The Companies Ordinance provides that the amount of capital repaid in connection with a share repurchase may only be paid from the distributable profits of the Company and/or the proceeds of a new issue of Shares, made for the purpose of the repurchase to such an extent allowable under the Companies Ordinance.

There might be an 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 for the year ended 30 June 2006 in the event that the power to repurchase Shares pursuant to the Repurchase Proposal was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the power to repurchase Shares pursuant to the Repurchase Proposal to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

4. SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange in each of the previous twelve months before the Latest Practicable Date are as follows:

	Shares	
	Highest	Lowest
	HK\$	HK\$
October 2005	10.45	9.30
November 2005	10.55	9.00
December 2005	13.20	10.05
January 2006	11.55	10.65
February 2006	12.80	11.05
March 2006	13.85	11.80
April 2006	14.60	12.95
May 2006	15.40	11.80
June 2006	12.85	10.40
July 2006	13.74	11.90
August 2006	14.20	12.84
September 2006	14.12	13.06
October 2006 (up to the Latest Practicable Date)	14.26	13.16

5. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Resolution and in accordance with the Listing Rules and the applicable laws of Hong Kong.

None of the Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, their associates, have any present intention to sell any Shares to the Company or its subsidiaries under the Repurchase Proposal if such is approved by the shareholders.

No other connected persons of the Company (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company or its subsidiaries, or have undertaken not to do so, in the event that the Repurchase Proposal is approved by the shareholders.

6. TAKEOVERS CODE

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Proposal, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, Cheng Yu Tung Family (Holdings) Limited held on a beneficial basis 1,331,610,701 Shares representing approximately 36.34% of the issued share capital of the Company. In the event the Directors exercised in full the power to repurchase Shares pursuant to the Repurchase Proposal, then (if the present shareholdings remains the same) the attributable interest of Cheng Yu Tung Family (Holdings) Limited would be increased to approximately 40.38% of the issued share capital of the Company.

In the event that the Repurchase Proposal is exercise in full, an obligation to make a general offer to shareholders under Rules 26 and 32 of the Takeovers Code may arise. The Directors have no present intention to exercise the power to repurchase Shares pursuant to the Repurchase Proposal to such an extent as to result in takeover obligations. In the event that the Repurchase Proposal is exercise in full, the number of Shares held by the public would not fall below 25%.

7. SHARE REPURCHASES MADE BY THE COMPANY

The Company had not purchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

The following is a summary of the principal terms of the Share Option Scheme to be approved at the Annual General Meeting. It does not form part of, nor is it intended to be part of the rules of the Share Option Scheme and it should not be taken as affecting the interpretation of the rules of the Share Option Scheme. The Directors reserve the right at any time prior to the Annual General Meeting to make such amendments to the Share Option Scheme as they may consider necessary or appropriate provided that such amendments do not conflict with any material aspects with the summary in this appendix:

1. PURPOSE OF THE SHARE OPTION SCHEME

The purpose of the Share Option Scheme is designed primarily as a means of rewarding directors and employees of the Group for past service or performance, providing incentive, motivation or reward to eligible participants for increasing performance or making contribution to the Group, attracting and retaining 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 and allowing the eligible participants to enjoy the results of the Company attained through their relationship, efforts and/or contribution.

2. PERFORMANCE TARGET

Unless the Directors otherwise determined and stated in the terms of offer for the grant of the options (the “Option(s)”), no performance target is required to be achieved before any Option can be granted to the eligible participant(s) or exercised by the holder of the Option (“Option Holder”).

3. GRANT OF OPTIONS AND ELIGIBLE PARTICIPANT

- (i) The Share Option Scheme shall take effect subject to the passing of an ordinary resolution of the Shareholders in general meeting approving the adoption of the Share Option Scheme and authorising the Directors to grant Options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any Options granted under the Share Option Scheme and conditional upon the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of Options under the Share Option Scheme, the Directors may during the period of ten years commencing from the date of adoption of the Share Option Scheme (the “Scheme Period”) at their absolute discretion and subject to such conditions as they may think fit and the restrictions herein contained, offer to an eligible participant an Option to subscribe for such number of Shares as they may determine at the exercise price (i.e. the price per Share payable on the exercise of an Option which must be at least 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”)) during the period as specified by the Directors for the whole or parcel(s) of Shares subject to the Option, which shall not be more than ten (10) years from date of grant (the “Option Period”).

- (ii) For the purposes of the Share Option Scheme, an eligible participant may be a person or entity belonging to any of the following classes (the “Eligible Participant”):
 - (a) any eligible employee (i.e. any employee (whether full time or part time employee, including any executive director but excluding any non-executive director) of the Company, any subsidiary or any entity in which any member of the Group holds any equity or economic interest (the “Invested Entity”)) (the “Eligible Employee”);
 - (b) any non-executive directors (including independent non-executive directors) of the Company, any subsidiary or any Invested Entity;
 - (c) any person seconded or nominated by the Group to represent the Group’s interest in any of the Invested Entity or any other company or organization;
 - (d) any supplier of goods or services to any member of the Group or any Invested Entity;
 - (e) any customer of any member of the Group or any Invested Entity;
 - (f) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;
 - (g) 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
 - (h) 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.
- (iii) For the purposes of the Share Option Scheme, an offer for grant of any Option may be made to any company wholly owned by one or more Eligible Participants.
- (iv) 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 taking into account such factors as the board of Directors may at its discretion consider appropriate.
- (v) For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person falling within any of the classes of Eligible Participants shall not automatically be deemed or construed as a grant of Option under the Scheme, unless otherwise determined by the Directors.

4. RESTRICTIONS ON THE TIME OF GRANT OF OPTION

No offer shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published pursuant to the requirements of the Listing Rules. The Directors’ determination of what constitutes price sensitive information shall be final and conclusive unless such determination is made in bad faith. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the board of Directors (as such date is first notified by the Company to the Stock Exchange in

accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Option may be granted.

5. NUMBER OF SHARES FOR WHICH OPTIONS MAY BE GRANTED

- (i) Subject to sub-paragraph (iv) below, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other schemes of the Company, if any, must not in aggregate exceed 10% of the ordinary share capital of the Company in issue as at the date of approval of the Share Option Scheme (the "10% Limit"). Options lapsed in accordance with the terms of the Share Option Scheme and any other schemes of the Company, if any, will not be counted for the purpose of calculating the 10% Limit.
- (ii) Subject to sub-paragraph (iv) below, the Company may seek approval by its Shareholders in general meeting for "refreshing" the 10% Limit under the Share Option Scheme and any other schemes of the Company, if any. However, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other schemes of the Company, if any, under the limit as "refreshed" must not exceed 10% of the ordinary share capital of the Company in issue as at the date of approval of the "refreshed" limit. Options previously granted under the Share Option Scheme and any other schemes of the Company, if any, including those outstanding, cancelled, lapsed or exercised options in accordance with the Share Option Scheme and any other schemes of the Company, if any, will not be counted for the purpose of calculating the limit as "refreshed".
- (iii) Subject to sub-paragraph (iv) below, the Company may seek separate approval by its Shareholders in general meeting granting Options beyond the 10% Limit provided the Options in excess of the limit are granted only to Eligible Participants specifically identified by the Company before such approval is sought.
- (iv) Notwithstanding any provision in sub-paragraphs (i) to (iii) above and subject to paragraph 13 below, the limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company, if any, must not exceed 30% of the ordinary share capital of the Company in issue from time to time. No Option may be granted under any schemes of the Company (or the subsidiary) if this will result in the limit being exceeded.

6. GRANTING OF OPTIONS TO CONNECTED PERSONS

- (i) Subject to sub-paragraphs (i) and (ii) of paragraph 7 below, any grant of options to a director, 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 independent non-executive director who or whose associate is the proposed grantee of the Option).

- (ii) Subject to sub-paragraphs (i) and (ii) of paragraph 7 below, any grant of Options to an independent non-executive director of the Company who is the grantee of the Options must abstain from voting for approving such grant and that the consent for giving such grant from the other independent non-executive director(s) of the Company under the resolution of the Directors must also be obtained.
- (iii) Where any grant of Options to a substantial shareholder or an independent non-executive directors 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:
 - (a) representing in aggregate over 0.1% of the Shares in issue; and
 - (b) 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.
- (iv) 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 at general meeting.

7. MAXIMUM ENTITLEMENT OF EACH PARTICIPANT

- (i) Subject to sub-paragraph (ii) below, 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 ordinary share capital of the Company in issue.
- (ii) Notwithstanding sub-paragraph (i) above, 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 ordinary share capital of the Company in issue, such further grant must be separately approved by the Shareholders in general meeting with that Eligible Participant and his associates abstaining from voting.

8. ACCEPTANCE OF OFFERS OF OPTIONS

- (i) An offer of the grant of an Option shall be made to an Eligible Participant by letter in such form as the Directors may from time to time determine, specifying (inter alia) the matters set forth in sub-paragraph (iv) below, and shall be open for acceptance in writing received by the company secretary of the Company or the Directors at the registered office of the Company for the time being in Hong Kong for a period of 14 days from the date of offer provided that no such offer shall be open for acceptance after the expiry of the Scheme Period. An Option shall be deemed to have been granted and accepted on the date of offer

provided that acceptance of such offer is received by the Company within the said period of 14 days together with a remittance in favour of the Company of HK\$10 by way of consideration for the grant thereof are received by the Company. Such remittance shall under no circumstances be refundable. The Company shall within 7 days of its receipt of acceptance of the offer of the grant of an Option issue option certificate(s) under the seal of the Company in such form as the Directors may from time to time determine.

- (ii) Any Offer may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. To the extent that any offers of the grant of Options not accepted within the said period of 14 days and in the manner stipulated in this paragraph shall lapse.
- (iii) 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). Where the Option Holder is a company, any change of its controlling shareholder or any substantial change in its management (which is to be determined by the board of Directors at its absolute discretion) will be deemed to be a sale or transfer of interest aforesaid). Any breach of the foregoing by an Option Holder shall entitle the board of Directors to cancel any outstanding Option or part thereof.
- (iv) An offer for the grant of an Option shall state (i) the name, address and position of the Eligible Participant; (ii) the number of Shares in respect of the Option and the Exercise Price for such Shares; (iii) the Option Period(s) in respect of the whole or separate parcels of Shares comprised in the offer; (iv) the performance target (if any) that must be attained by the Eligible Participant before the Option can be exercised; (v) such other terms and conditions of the offer as may be imposed by the Directors as are not inconsistent with the Share Option Scheme and (vi) a statement requiring the Eligible Participant to undertake to hold the Option on the terms on which it is granted and to be bound by the provisions of the Share Option Scheme.

9. RIGHTS OF EXERCISE

- (i) Subject to the following paragraphs of the terms of the Share Option Scheme, an Option may be exercised by an Eligible Participant in accordance with the terms of the grant and the Share Option 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.

- (ii) If an Option Holder, being an Eligible Employee, ceases to be an Eligible Employee:
- (a) 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 (to the extent which has become exercisable and not already exercised) 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;
 - (b) 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 (to the extent which has become exercisable and not already exercised) shall lapse on the 30th day following the date of such cessation which date shall be the last actual working day with the Group, or such longer period as the Directors may determine;
 - (c) by reason of misconduct or on certain other grounds, his Options shall thereupon lapse forthwith;

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.

- (iii) In relation to an Option Holder not being an Eligible Employee, all Options held by such Option Holder (to the extent which has become exercisable and not already exercised) shall forthwith lapse if the Directors shall at any time at their absolute discretion determine that (i) such Option Holder or his associate has committed any breach of any contract entered into between such Option Holder or his associate on the one part and the Group on the other part or that 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 (ii) all Options held by that Option Holder shall lapse. A resolution of the Directors to the effect that any event herein stated leading to the lapse of Options has occurred shall be conclusive.
- (iv) Notwithstanding anything in the Share Option Scheme to the contrary, the Option Period shall not be extended, and on expiry of the Option Period all rights in respect of an Option shall terminate, except in so far as there has been an effective exercise of that Option prior thereto and the Company has not discharged all its duties under the Share Option Scheme in relation to such exercise. No Option may be exercised after the expiry of the Option Period.

10. 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 as mentioned in paragraph 5 above.

11. TAKEOVER OFFERS, LIQUIDATION AND RECONSTRUCTION

- (i) If, in consequences of any general offer made to the holders of Shares (being an offer made in the first instance on a condition such that, if it is satisfied, the offeror will have control of the Company) or otherwise, any person shall have obtained control of the Company, then the Directors shall as soon as practicable thereafter notify every Option Holder accordingly and each Option Holder shall, subject to sub-paragraph (iv) of paragraph 9 above, be entitled at any time within the period of 6 months after such control has been obtained to exercise any Option in whole or in part, and to the extent that it has not been so exercised, any Option shall upon the expiry of such period cease and determine PROVIDED THAT if, during such period, such person becomes entitled to exercise rights of compulsory acquisition of Shares pursuant to Section 168 of the Companies Ordinance and gives notice in writing to any holders of Shares that he intends to exercise such rights, the Options shall, subject to sub-paragraph (iv) of paragraph 9, be and remain exercisable until one month from the date of such notice and, to the extent that they have not been exercised, shall thereupon cease and determine.
- (ii) If notice is duly given of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Company, all Options shall, subject to sub-paragraph (iv) of paragraph 9 above, be exercisable in whole or in part (but so that any exercise hereunder shall only be valid if, at the time of such resolution being passed, the Option shall not have ceased and determined in accordance with the foregoing provisions of the Share Option Scheme) at any time thereafter until the resolution is duly passed or defeated or the meeting concluded or adjourned sine die, whichever shall first occur. If such resolution is duly passed, all Options shall, to the extent that they have not been exercised, thereupon cease and determine.
- (iii) If under Section 166 of the Companies Ordinance a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all Option Holders on the same date as it despatches the notice which is sent to each member or creditor of the Company convening the meeting to consider such a compromise or arrangement, and thereupon each Option Holder (or where permitted his personal representatives) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date 2 calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the Court be entitled to exercise his Option, but the exercise of an Option as aforesaid 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 shall lapse except insofar as exercised under this paragraph. The Company may thereafter require each Option Holder to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the Option Holder in the same position as nearly as may be as would have been the case had such Shares been subject to such compromise or arrangement.

- (iv) The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the articles of association of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date the name of the Option Holder is registered in the register of members of the Company, in particular but without prejudice to the generality of the foregoing, 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 when the name of the Option Holder is entered into the register of members of the Company other than any dividend or distribution to be paid or made if the record date therefor shall be before the date the name of the Option Holder is registered in the register of members.

Provided always that when the date of exercise of the Option falls on a date upon when the register of members is closed then the exercise of the Option shall become effective on the first Business Day in Hong Kong on which the register of members of the Company re-opens.

12. EXERCISE OF OPTIONS

- (i) In order for exercise of an Option to be effective, the company secretary of the Company must, prior to the expiry of the Option Period, have received:
 - (a) a written notice (which may be endorsed on the Option certificates) exercising the Option in accordance with sub-paragraph (i) of paragraph 9 above, signed by or on behalf of the Option Holder and specifying the number of Shares in respect of which the Option is being exercised;
 - (b) Option certificates sufficient to cover the number of Shares in respect of which the Option is being exercised; and
 - (c) payment in full of the Subscription Price.

Unless otherwise agreed between the Company and the Option Holder, Shares in respect of an Option shall be issued to the Option Holder and/or his nominee within 30 days of the date upon which exercise of an Option becomes effective (being the date of such receipt).

- (ii) 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.
- (iii) All allotments and issues of Shares will be subject to any necessary consents under any relevant enactments or regulations for the time being in force in Hong Kong or elsewhere and it shall be the responsibility of the Option Holder to comply with any requirements to be fulfilled in order to obtain or obviate the necessity for any such consent.
- (iv) If the number of Shares, to which certificates lodged under sub-paragraph (i) above relate, exceeds the number of Shares comprised in the notice of exercise thereof, the Company shall provide a certificate in relation to the balance to the person or persons lodging the same.

- (v) The Company shall use all reasonable endeavours to procure that Shares to be issued upon the exercise of an Option shall, upon the issue thereof (or as soon thereafter as reasonably practicable), become listed on those stock exchanges upon which Shares already in issue are listed.

13. ADJUSTMENTS

- (i) 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:

- (a) the number of Shares the subject matter of the Option so far as unexercised; and/or
- (b) the Exercise Price,

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/she 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 paragraph 13 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.

- (ii) The maximum number of Shares subject to the Share Option 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.

14. VARIATIONS AND TERMINATION

- (i) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall be approved by the Shareholders, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. Save with the prior approval of Shareholders in general meeting, no alteration shall be made to (i) the provisions relating to the matters contained in Chapter 17 of the Listing Rules or (ii) the authority of the Directors or the administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme. Subject to the aforesaid, the Directors may from time to time in their absolute discretion waive or amend such of the rules of the Share Option Scheme as they deem desirable by resolution of the Directors.

- (ii) No amendments to the Share Option 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 Company's articles of association if the Options constituted a separate class of share capital and if such provisions applied *mutatis mutandis* thereto.
- (iii) The Company by resolution in general meeting may terminate the Share Option Scheme at any time, and in such event no further Options will be offered but in all other respects the provisions of the Share Option 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 Share Option Scheme and Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.
- (iv) In no circumstances shall a person ceasing to be an Eligible Participant for any reason be entitled to any compensation or damages for or in respect of any consequent diminution or extinction of his rights or benefits (actual or prospective) under any Options then held by him or otherwise in connection with the Share Option Scheme.
- (v) The terms of the Share Option Scheme and/or any Options amended pursuant to this paragraph must comply with the applicable requirements of the Listing Rules.
- (vi) The Company must provide to all Option Holders all details relating to the change of the terms of the Share Option Scheme immediately upon such changes taking effect.

APPENDIX III

COMPARISON OF THE RULES OF NWS SHARE OPTION SCHEME INVOLVED BEFORE AND AFTER THE PROPOSED AMENDMENTS

Rule number	Before amendment	After amendment
8.1	<p>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.</p>	<p>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.</p>
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>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>

APPENDIX III

COMPARISON OF THE RULES OF NWS SHARE OPTION SCHEME INVOLVED BEFORE AND AFTER THE PROPOSED AMENDMENTS

Rule number	Before amendment	After amendment
8.2 (<i>Cont'd</i>)	<div> <div>(ii)</div> <div>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;</div> </div> <div> <div>(iii)</div> <div>by reason of misconduct or on certain other grounds, his Options shall thereupon lapse forthwith;</div> </div> <div> <div>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.</div> </div>	<div> <div>(ii)</div> <div> <i>On voluntary termination by an Eligible Employee</i> 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; </div> </div> <div> <div>(iii)</div> <div> <i>On cessation of an Eligible Employee's employing company being a member of the Group or an Invested Entity</i> 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; </div> </div>

APPENDIX III

COMPARISON OF THE RULES OF NWS SHARE OPTION SCHEME INVOLVED BEFORE AND AFTER THE PROPOSED AMENDMENTS

Rule number	Before amendment	After amendment
8.2 (Cont'd)		<div><div><div>(iv) Termination for cause</div><div>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;</div></div><div><div>(v) Termination other than for cause</div><div>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,</div></div><div>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.</div></div>

APPENDIX III COMPARISON OF THE RULES OF NWS SHARE OPTION SCHEME INVOLVED BEFORE AND AFTER THE PROPOSED AMENDMENTS

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> <p>(i) the subject matter of the Option so far as unexercised; and/or</p> <p>(ii) the Exercise Price; and/or</p> <p>(iii) the method of exercise of the Option,</p> <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> <p>(i) the Exercise Price; and/or</p> <p>(ii) the number of Option so far as unexercised,</p> <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> <p>(a) no increase shall be made in the aggregate subscription price relating to any Option;</p>

**APPENDIX III COMPARISON OF THE RULES OF NWS SHARE OPTION SCHEME
INVOLVED BEFORE AND AFTER THE PROPOSED AMENDMENTS**

Rule number	Before amendment	After amendment
12.1 (<i>Cont'd</i>)		<p>(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 adjustments;</p> <p>(c) no adjustments shall be made which will enable a Share to be issued at less than its nominal value;</p> <p>(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</p> <p>(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.</p>
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, subdivision 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 following is a summary of the principal terms of the amended NWS Share Option Scheme (the “Scheme”):

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 NWS Holdings Limited pursuant to an ordinary resolution passed on that date. NWS Holdings Limited 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 NWS Holdings Limited, 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 NWS Holdings Limited 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 NWS Holdings Limited must not exceed 30% of the shares in issue from time to time. No option may be granted under any share options schemes of NWS Holdings Limited 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 NWS Holdings Limited 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

NWS Holdings Limited may seek approval from its 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 NWS Holdings Limited 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 NWS Holdings Limited, including those outstanding, cancelled, lapsed or exercised options in accordance with the Scheme and any other share option schemes of NWS Holdings Limited will not be counted for the purpose of calculating the limit as "refreshed".

(d) *Specific approval for excess grant*

NWS Holdings Limited 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 NWS Holdings Limited 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 NWS Holdings Limited, or any of their respective associates must be approved by the independent non-executive directors of NWS Holdings Limited (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 NWS Holdings Limited, 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 NWS Holdings Limited 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 NWS Holdings Limited, 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 NWS Holdings Limited, 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 NWS Holdings Limited 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 NWS Holdings Limited 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 NWS Holdings Limited and the option holder, NWS Holdings Limited 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 NWS Holdings Limited, 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 NWS Holdings Limited, 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 NWS Holdings Limited and its shareholders or creditors is proposed for the purposes of a scheme for the reconstruction of NWS Holdings Limited or its amalgamation with any other company, NWS Holdings Limited shall give notice thereof to all option holders on the same date as notice of meeting is sent to the shareholders or creditors of NWS Holdings Limited, 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 NWS Holdings Limited's register of members, in particular in respect of voting, transfer, and other rights including those arising on a liquidation of NWS Holdings Limited 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 NWS Holdings Limited'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 NWS Holdings Limited whilst any option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of NWS Holdings Limited (other than an issue of shares as consideration in respect of a transaction to which NWS Holdings Limited 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 NWS Holdings Limited (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 NWS Holdings Limited (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 NWS Holdings Limited 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 NWS Holdings Limited is a party.

(b) *Notice of adjustment*

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

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.

NWS Holdings Limited 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

NWS Holdings Limited 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.

Dr. Cheng Kar-Shun, Henry GBS

Aged 59, was appointed as Director in October 1972, Executive Director in 1973 and became Managing Director from 1989. Dr. Cheng is the Chairman and Managing Director of New World China Land Limited (stock code: 917) and the Chairman of NWS Holdings Limited (stock code: 659), New World Mobile Holdings Limited (stock code: 862), Taifook Securities Group Limited (stock code: 665) and International Entertainment Corporation (stock code: 8118). He is also the Managing Director of New World Hotels (Holdings) Limited, a Director of Cheng Yu Tung Family (Holdings) Limited, Centennial Success Limited, Chow Tai Fook Enterprises Limited and HKR International Limited (stock code: 480), and a Non-executive Director of Lifestyle International Holdings Limited (stock code: 1212). He also acts as directors of various subsidiaries of the Company. Except as disclosed, Dr. Cheng did not hold directorship in other listed public companies in the past three years or any position with the Company or other members of the Group. Dr. Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation and a Committee Member of the Tenth Chinese People's Political Consultative Conference of The People's Republic of China. In 2001, Dr. Cheng was awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region.

There is no service contract between the Company and Dr. Cheng. He is not appointed for a specific term except that he is subject to retirement by rotation in accordance with the articles of association of the Company. His emoluments comprise a director's fee to be reviewed and determined by the Board of Directors annually with the authorization granted by the Shareholders at an annual general meeting of the Company annually and with reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market condition. For the financial year ended 30 June 2006, his emoluments comprise director's fee of HK\$200,000 from the Company and other emoluments of HK\$15,400,000 from the Group.

Dr. Cheng is the eldest son of Dato' Dr. Cheng Yu-Tung, brother of Mr. Cheng Kar-Shing, Peter and nephew of Mr. Cheng Yue-Pui. Except as disclosed, Dr. Cheng does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Dr. Cheng has a family interest of 300,000 shares in the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Dr. Cheng is not aware of any other matters or information that need to be brought to the attention of the shareholders of the Company or to be disclosed pursuant to any of the requirements set out in Rules 13.51(2)(h) to (v) of the Listing Rules in connection with his re-election.

Mr. Leung Chi-Kin, Stewart

Aged 67, was appointed as Director in October 1994 and re-designated as Executive Director in August 2004. Mr. Leung has been the Group General Manager since May 1988. He is an Executive Director of New World China Land Limited (stock code: 917), and a director of New World Hotel Company Limited, Hip Hing Construction Company Limited and a number of subsidiaries of the Company. Except as disclosed, Mr. Leung did not hold directorship in other listed public companies in the past three years or any position with the Company or other members of the Group. Mr. Leung is also the Vice Chairman of the Executive Committee of The Real Estate Developers Association of Hong Kong.

There is no service contract between the Company and Mr. Leung. He is not appointed for a specific term except that he is subject to retirement by rotation in accordance with the articles of association of the Company. His emoluments comprise a director's fee to be reviewed and determined by the Board of Directors annually with the authorization granted by the Shareholders at an annual general meeting of the Company annually and with reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market condition. For the financial year ended 30 June 2006, his emoluments comprise director's fee of HK\$200,000 from the Company and other emoluments of HK\$4,400,000 from the Group.

Mr. Leung does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Leung has a personal interest of 32,553 shares in the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Leung is not aware of any other matters or information that need to be brought to the attention of the shareholders of the Company or to be disclosed pursuant to any of the requirements set out in Rules 13.51(2)(h) to (v) of the Listing Rules in connection with his re-election.

Mr. Cheng Kar-Shing, Peter

Aged 54, was appointed as Director in October 1994. Mr. Cheng is an Executive Director of New World China Land Limited (stock code: 917), Deputy Managing Director of New World Development (China) Limited, and a Director of New World Hotels (Holdings) Limited, NWS Service Management Limited, Cheng Yu Tung Family (Holdings) Limited, Centennial Success Limited, Chow Tai Fook Enterprises Limited and various subsidiaries of the Company. Mr. Cheng also acts as Independent Non-executive Director of King Fook Holdings Limited (stock code: 280) and Symphony Holdings Limited (stock code: 1223). He previously held directorship in Billybala Holdings Limited (presently known as China Primary Resources Holdings Limited) (stock code: 8117) and Value Convergence Holdings Limited (stock code: 8101), but had resigned with effect from 19 March 2004 and 19 April 2004 respectively. Except as disclosed, Mr. Cheng did not hold directorship in other listed public companies in the past three years or any position with the Company or other members of the Group.

There is no service contract between the Company and Mr. Cheng. He is not appointed for a specific term except that he is subject to retirement by rotation in accordance with the articles of association of the Company. His emoluments comprise a director's fee to be reviewed and determined by the Board of Directors annually with the authorization granted by the Shareholders at an annual general meeting of the Company annually and with reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market condition. For the financial year ended 30 June 2006, his emoluments comprise director's fee of HK\$150,000 from the Company and other emoluments of HK\$2,900,000 from the Group.

Mr. Cheng is the son of Dato' Dr. Cheng Yu-Tung, brother of Dr. Cheng Kar-Shun, Henry and nephew of Mr. Cheng Yue-Pui. Except as disclosed, Mr. Cheng does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Cheng does not have any interest in shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Cheng is not aware of any other matters or information that need to be brought to the attention of the shareholders of the Company or to be disclosed pursuant to any of the requirements set out in Rules 13.51(2)(h) to (v) of the Listing Rules in connection with his re-election.

LORD SANDBERG, MICHAEL *CBE*

Aged 79, was appointed as Director from October 1972 to May 1977 and re-appointed in January 1987. He was the Chairman of The Hongkong and Shanghai Banking Corporation Limited from September 1977 to December 1986. Lord Sandberg is also an Independent Non-executive Director of Winsor Industrial Corporation, Limited (stock code: 98). Except as disclosed, Lord Sandberg did not hold directorship in other listed public companies in the past three years or any position with the Company or other members of the Group.

There is no service contract between the Company and Lord Sandberg. He is not appointed for a specific term except that he is subject to retirement by rotation in accordance with the articles of association of the Company. His emoluments comprise a director's fee to be reviewed and determined by the Board of Directors annually with the authorization granted by the Shareholders at an annual general meeting of the Company annually and with reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market condition. For the financial year ended 30 June 2006, his emoluments comprise director's fee of HK\$250,000 from the Company.

Lord Sandberg does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Lord Sandberg does not have any interest in shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Lord Sandberg is not aware of any other matters or information that need to be brought to the attention of the shareholders of the Company or to be disclosed pursuant to any of the requirements set out in Rules 13.51(2)(h) to (v) of the Listing Rules in connection with his re-election.

Dr. Cha Mou-Sing, Payson *JP, DSSc (Hon)*

Aged 64, was appointed as Director in April 1989. Dr. Cha is the Deputy Chairman of HKR International Limited (stock code: 480) and Chairman of Hanison Construction Holdings Limited (stock code: 896) and Mingly Corporation. He is also an Independent Non-executive Director of Hongkong International Theme Parks Limited, TVB Pay Vision Holdings Limited and Eagle Asset Management (CP) Limited – Manager of Champion Reit (stock code: 2778). Except as disclosed, Dr. Cha did not hold directorship in other listed public companies in the past three years or any position with the Company or other members of the Group. Dr. Cha is a Member of The National Committee of the Chinese People's Political and Consultative Conference.

There is no service contract between the Company and Dr. Cha. He is not appointed for a specific term except that he is subject to retirement by rotation in accordance with the articles of association of the Company. His emoluments comprise a director's fee to be reviewed and determined by the Board of Directors annually with the authorization granted by the Shareholders at an annual general meeting of the Company annually and with reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market condition. For the financial year ended 30 June 2006, his emoluments comprise director's fee of HK\$250,000 from the Company.

Dr. Cha does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Dr. Cha does not have any interest in shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Dr. Cha is not aware of any other matters or information that need to be brought to the attention of the shareholders of the Company or to be disclosed pursuant to any of the requirements set out in Rules 13.51(2)(h) to (v) of the Listing Rules in connection with his re-election.

NOTICE OF ANNUAL GENERAL MEETING



新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 0017)

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be held at Meeting Room 201B (New Wing), Hong Kong Convention & Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Friday, 24 November 2006 at 11:00 a.m. for the following purposes:

1. To consider and adopt the audited Statement of Accounts and the Report of Directors and Auditors for the year ended 30 June 2006.
2. To declare a final dividend.
3. To re-elect Directors and authorise the Directors to fix their remuneration.
4. To re-appoint Joint Auditors and authorise the Directors to fix their remuneration.
5. As special business to consider and, if thought fit, pass with or without modifications, the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“THAT:

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$1.00 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) or any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in connection with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or 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 of the Company which the Directors of the Company is authorised to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution,

NOTICE OF ANNUAL GENERAL MEETING

“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 law to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.”

6. As special business to consider and, if thought fit, pass with or without modifications, the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“**THAT:**

- (a) subject to paragraph (c) below and pursuant to Section 57B of the Companies Ordinance, 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 of HK\$1.00 each in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount 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 in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue, (ii) an issue of shares as scrip dividends pursuant to the articles of association of the Company from time to time; (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iv) an issue of shares upon conversion by the bondholders of their bonds into shares of the Company in accordance with the terms and conditions of an issue of convertible guaranteed bonds by the Company or a special purpose subsidiary wholly owned by the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

- (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 law to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to the holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares as at that date (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 applicable to the Company).”

7. As special business to consider and, if thought fit, pass with or without modifications, the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“**THAT** subject to the passing of Resolution Nos. 5 and 6 set out in the notice convening this meeting, the general mandate granted to the Directors of the Company to allot and deal with additional shares pursuant to Resolution No. 6 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Resolution No. 5 set out in the notice convening this meeting, provided that such amount of shares so repurchased shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the said Resolution.”

8. As special business to consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) granting the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any such options granted under the share option scheme of the Company (the “Share Option Scheme”), the rules of the Share Option Scheme are contained in the document marked “A” produced to the meeting and for the purposes of identification signed by the Chairman thereof, the Share Option

NOTICE OF ANNUAL GENERAL MEETING

Scheme be and is hereby approved and adopted and the Directors be and is hereby authorized to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Share Option Scheme, including but without limitation:

- (i) to administer the Share Option Scheme under which options will be granted to participants eligible under the Share Option Scheme to subscribe for the shares of the Company (“Shares”);
 - (ii) to modify and/or amend the Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Share Option Scheme relating to the modification and/or amendment;
 - (iii) to issue and allot from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options under the Share Option Scheme and subject to the Rules Governing the Listing of Securities on the Stock Exchange;
 - (iv) to make application at appropriate time or times to the Stock Exchange and any other stock exchange upon which the issued Shares may for the time being be listed, for listing of and permission to deal in any Shares which may hereafter from time to time be issued and allotted pursuant to the exercise of options under the Share Option Scheme; and
 - (v) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the Share Option Scheme.”
9. As special business to consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“**THAT** the share option scheme of NWS Holdings Limited (the “NWS Share Option Scheme”) shall be amended as follows:

- (A) Rule 8.1 of NWS 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.’

NOTICE OF ANNUAL GENERAL MEETING

- (B) Rule 8.2 of NWS 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;

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(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 NWS 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;

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- (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 adjustments;
 - (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 NWS 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
LEUNG Chi-Kin, Stewart
Company Secretary

Hong Kong, 31 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, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the registered office of the Company at 30th Floor, New World Tower, 18 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting (as the case may be).
3. The register of members of the Company will be closed from Friday, 17 November 2006 to Friday, 24 November 2006, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the Annual General Meeting, all shares transfers accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Thursday, 16 November 2006.