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Pacific Ports Company Limited

太平洋港口有限公司

(Proposed to be renamed as NWS Holdings Limited)

(incorporated in Bermuda with limited liability)

APPLICATION FOR A WAIVER FOR PROPOSED ON-GOING CONNECTED TRANSACTIONS

Reference is made to the Joint Announcements by the Company, NWD and NWI in relation to, inter alia, the Acquisitions. A circular of the Company containing, inter alia, details of the Acquisitions has been despatched to the Shareholders on 18 November 2002.

The SGM has been held on 12 December 2002 and resolutions have been passed to approve the Acquisitions, the increase in authorised share capital of the Company, the Share Consolidation and the Change of Name. Completion has taken place on 29 January 2003.

Following the Reorganisation, the Group is expected to engage in a number of transactions with the NWD Group which will constitute connected transactions of the Company under the Listing Rules.

As the Connected Transactions are expected to be of a recurrent nature and will occur on a regular and continuous basis in the ordinary and usual course of business of the Group, the Company has applied to the Stock Exchange for a waiver for the current and next two financial years ending 30 June 2005 from strict compliance with the relevant disclosure and approval requirements in respect of the Connected Transactions under the Listing Rules.

The Circular containing, inter alia, details of the Connected Transactions, a letter from each of the Independent Board Committee and the independent financial adviser to the Independent Board Committee, together with a notice to Shareholders convening a special general meeting to approve the Connected Transactions, will be despatched to Shareholders as soon as practicable.

A. BACKGROUND

Reference is made to the announcements made jointly by the Company, NWD and NWI dated 21 October 2002, 15 November 2002, 12 December 2002 and 29 January 2003 (the “**Joint Announcements**”) in relation to, inter alia, the acquisition of the Infrastructure Assets by the Company from NWI, the acquisition of the Services Assets by the Company from the NWS Shareholders, the distribution of the PPC Distribution Shares by NWI, the despatch of circulars by the Company, NWD and NWI to their respective shareholders, the Share Consolidation and the results of the SGM and Completion. Unless otherwise defined, terms used in this announcement shall have the same meanings as those defined in the Joint Announcements.

A circular of the Company containing, inter alia, details of the Acquisitions, the advice of the PPC Independent Board Committee, the letter of advice from the independent financial adviser to the PPC Independent Board Committee, details of the Share Consolidation, the change in board lot size and the Change of Name together with a notice convening the SGM has been despatched to the Shareholders on 18 November 2002.

The SGM has been held on 12 December 2002 and resolutions have been passed to approve the Acquisitions, the increase in authorised share capital of the Company, the Share Consolidation and the Change of Name.

Completion has taken place on 29 January 2003.

B. CONNECTED TRANSACTIONS

Following the Reorganisation, the Company is expected to engage in a number of transactions of a recurrent nature which will constitute connected transactions between the Group and the NWD Group under the Listing Rules. NWS is currently a non-wholly-owned subsidiary of the NWD Group and will become a wholly-owned subsidiary of the Group on Completion.

The Connected Transactions are also entered into pursuant to the deed of non-compete and engagement undertakings between NWD and PPC (which requires NWD to engage PPC for services such as the Connected Transactions, details of the deed are set out in Section C below).

The NWD Group is principally engaged in property development, property investments, hotel and infrastructure investments, services and telecommunications and technology businesses, primarily in Hong Kong and the PRC.

Most of such transactions were services of various natures provided by the NWS Group to the NWD Group in the past and they are expected to continue after Completion. Upon Completion, such transactions will therefore constitute connected transactions of the Company. The Connected Transactions can be categorised as follows:

- Construction Services
- E & M Engineering Services
- Facility Management Services
- Property Management Services
- Security and Guarding Services
- Cleaning and Landscaping Services
- Financial Services
- Others

As the different categories of services are and will continue to be entered into between the vast number of subsidiaries and associates concerned from time to time, those services are to be provided pursuant to a large number of separate contracts between the relevant parties as negotiated at the relevant time (subject to the criteria set out in Section E below).

Brief details of those categories of Connected Transactions are as follows:

(a) Construction Services

The Group will continue to provide Construction Services to the NWD Group from time to time in its ordinary course of business. Such transactions will include building and general construction, civil engineering, design, building repair, renovation maintenance and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction management and the supply of construction and building equipment and materials.

For each of the three years ended 30 June 2002, Construction Services provided by the NWS Group to the NWD Group amounted to approximately HK\$3,408 million, HK\$1,601 million, and HK\$1,115 million, representing approximately 26.86%, 12.74% and 8.99% of the pro forma turnover of the Group over the same period.

Construction Services are provided on contract terms no less favourable than those provided to independent third party customers of the NWS Group. Similar pricing policies will be adopted by the Group following the Reorganisation.

(b) E & M Engineering Services

The Group will continue to provide E&M Engineering Services to the NWD Group from time to time in its ordinary course of business. Such transactions will include electrical and mechanical engineering works, supply and installation of air-conditioning, heating and ventilation systems, fire services systems, plumbing and drainage systems and electrical systems and system design and consultancy and computer aided drafting services.

Income which the NWS Group receives from the NWD Group for the provision of E&M Engineering Services are made in the normal course of business at prices and terms no less favourable than those charged to and contracted with other independent third party customers of the NWS Group. Similar pricing policies will be adopted by the Group following the Reorganisation.

For each of the three years ended 30 June 2002, E&M Engineering Services provided by the NWS Group to the NWD Group amounted to approximately HK\$236 million, HK\$286 million and HK\$164 million, representing approximately 1.86%, 2.27% and 1.33% of the pro forma turnover of the Group over the same period.

(c) Facility Management Services

The Group will continue to provide Facility Management Services to the NWD Group from time to time in its ordinary course of business. Such transactions will include provision of convention and exhibition facilities, related functions and services, food and beverage catering services at the Hong Kong Convention and Exhibition Centre and other locations, food processing, trading and supply.

Income which the NWS Group receives from the NWD Group for the provision of Facility Management Services are made in the normal course of business at prices and terms no less favourable than those charged to and contracted with other independent third party customers of the NWS Group. Similar pricing policies will be adopted by the Group following the Reorganisation.

For each of the three years ended 30 June 2002, Facility Management Services provided by the NWS Group to the NWD Group amounted to approximately HK\$6 million, HK\$6 million and HK\$5 million, representing approximately 0.05%, 0.04% and 0.04% of the pro forma turnover of the Group over the same period.

(d) Property Management Services

The Group will continue to provide Property Management Services to the NWD Group from time to time in its ordinary course of business. Such transactions will include property management, property sales, letting agency services, pre-marketing consultancy services, technical services and the sale of car parking, management and related services.

Sales of car parking services to the NWD Group are made in the normal course of business at a discount of up to 20% off the prices charged to other independent third party customers of the NWS Group. Property management fee income which the NWS Group receives from the NWD Group are made in the normal course of business based on a cost-plus basis. Technical fee income which the NWS Group receives from the NWD Group are made in the normal course of business based on 50% of the property management fee income received by the NWD Group during the relevant years. Consultancy fee expenses which the NWS Group pays to the NWD Group are made in the normal course of business based on 50% of the property management fee income received from the NWD Group during the relevant years. Such Property Management Services are provided at prices and terms no less favourable than those charged to and contracted with other independent third party customers of the NWS Group. Similar pricing policies will be adopted by the Group following the Reorganisation.

For each of the three years ended 30 June 2002, Property Management Services provided by the NWS Group to the NWD Group (excluding those which amounted to consumer services) amounted to approximately HK\$35 million, HK\$26 million and HK\$24 million, representing approximately 0.28%, 0.20% and 0.20% of the pro forma turnover of the Group over the same period.

(e) Security and Guarding Services

The Group will continue to provide Security and Guarding Services to the NWD Group from time to time in its ordinary course of business. Such transactions will include the provision of security guards, security systems installation and maintenance services, armoured transport services and supply of security products.

Fees which the NWS Group receives from the NWD Group for the provision of Security and Guarding Services are made in the normal course of business on a cost-plus basis at prices and terms no less favourable than those charged to and contracted with other independent third party customers of the NWS Group. Similar pricing policies will be adopted by the Group following the Reorganisation.

For each of the three years ended 30 June 2002, Security and Guarding Services provided by the NWS Group to the NWD Group (excluding those which amounted to consumer services) amounted to approximately HK\$35 million, HK\$41 million and HK\$33 million, representing approximately 0.28%, 0.33% and 0.27% of the pro forma turnover of the Group over the same period.

(f) Cleaning and Landscaping Services

The Group will continue to provide cleaning and landscaping services to the NWD Group from time to time in its ordinary course of business. Such transactions will include general cleaning, landscaping and plant maintenance, the supply of plants and laundry services.

Income which the NWS Group receives from the NWD Group for the provision of cleaning and landscaping services are made in the normal course of business, and in the case of cleaning services, were provided at prices and terms no less favourable than those charged to and contracted with other independent third party customers of the NWS Group. Following the Reorganisation, the pricing policies for landscaping services will be brought in line with the pricing policies for cleaning services such that both services will be provided at prices and terms no less favourable than those charged to and contracted with other independent third party customers of the NWS Group.

For each of the three years ended 30 June 2002, Cleaning and Landscaping Services provided by the NWS Group to the NWD Group amounted to approximately HK\$67 million, HK\$90 million and HK\$79 million, representing approximately 0.53%, 0.72% and 0.63% of the pro forma turnover of the Group over the same period.

(g) Financial Services

The Group will continue to provide international risk management and insurance broking services to the NWD Group from time to time in its ordinary course of business. Such transactions will include risk management, insurance management, global and regional management, alternate risk financing and reinsurance broking services.

Income which the NWS Group receives from the NWD Group for the provision of Financial Services are made in the normal course of business at prices and terms no less favourable than those charged to and contracted with other independent third party customers of the NWS Group. Similar pricing policies will be adopted by the Group following the Reorganisation.

For each of the two years ended 30 June 2002 (as the NWS Group did not provide such services for the year ended 30 June 2000), Financial Services provided by the NWS Group to the NWD Group amounted to approximately HK\$5 million and HK\$12 million, representing approximately 0.04% and 0.09% of the pro forma turnover of the Group for the same period.

(h) Others

(i) Rental of properties

The Group has entered into and will continue to enter into various tenancy agreements with the NWD Group for the rental and use of office, commercial, storage and carparking spaces from the NWD Group. The tenancy agreements are and will be for various terms of between 6 to 36 months. The total annual rental which will be payable by the Group under these tenancy agreements is expected to be approximately HK\$29 million, representing approximately 0.2% of the pro forma turnover of the Group in respect of the year ended 30 June 2002. These tenancy agreements were and will be entered into on normal commercial terms, and were and will be negotiated on an arm's length basis.

It is intended that the Group may, upon the expiry of these tenancy agreements, renew such tenancies, and may also rent additional or alternative premises from the NWD Group. Any such renewal and rental of additional premises will be at market rent and on other terms to be negotiated with the NWD Group on an arm's length basis and at rentals and on terms comparable to those applied by the NWD Group to tenants who are independent third parties.

(ii) Management fees

The Group will continue to provide management services to the NWD Group from time to time in its ordinary course of business. Such transactions will include management for hotel related businesses and other development projects in Hong Kong and the PRC.

Fees which the NWS Group receives from the NWD Group for the provision of hotel related management services are made in the normal course of business on a cost-plus basis. No such services are currently being provided by the NWS Group to independent third parties. Similar pricing policies will be adopted by the Group following the Reorganisation.

For each of the three years ended 30 June 2002, management services provided by the NWS Group to the NWD Group amounted to approximately HK\$5 million, HK\$32 million and HK\$5 million, representing approximately 0.04%, 0.25% and 0.04% of the turnover of the Group over the same period.

The unaudited pro forma turnover of the Group for the three years ended 30 June 2002 were approximately HK\$12,687 million, HK\$12,559 million and HK\$12,409 million respectively.

C. REASONS FOR AND BENEFITS OF THE CONNECTED TRANSACTIONS

The Connected Transactions are expected to be of a recurrent nature and will occur on a regular and continuous basis in the ordinary and usual course of business of the Group. As explained in the shareholders' circular dated 18 November 2002 of the Company containing, inter alia, details of the Acquisitions, it is a term of the Services Assets Sale Agreement that a deed of non-compete and engagement undertakings will be entered into between NWD and PPC upon completion of the Acquisitions. Pursuant to such deed, NWD will, inter alia (subject to certain qualifications), undertake to the Company, in relation to all requirements in Hong Kong of the NWD Group for the provision of any services comprised in the Services Assets, to engage the Group for the provision of such services for a period of 15 years from the date of completion of the Acquisitions. Entering into such transactions is essential for the Group's enforcement of such undertakings of NWD. These transactions will continue to be agreed on an arm's length basis in the ordinary and usual course of business on normal commercial terms and the Board is of the view that these transactions will be entered into with terms that are fair, reasonable and in the best interests of the Company and the Shareholders. Due to the long-term relationships between the NWS Group and the NWD Group prior to the Reorganisation, the Board considers it to be beneficial to the Group to continue the Connected Transactions as these transactions will facilitate the operation of the Group's business following the Reorganisation.

D. APPROVAL BY INDEPENDENT SHAREHOLDERS

As NWD will directly own an aggregate of approximately 54% of the issued share capital of the Company following the Reorganisation, transactions between: (i) the NWD Group; and (ii) the Company or its subsidiaries, will constitute connected transactions for the Company under the Listing Rules and (depending on the size of the transactions) may be subject to approval from the Independent Shareholders and proper disclosure.

In view of the interests of NWD in the Company, NWD will abstain from voting in relation to the resolutions approving the Connected Transactions. The Independent Board Committee will be appointed to advise the Independent Shareholders on whether or not the terms of the Connected Transactions are in the best interests of the Company and are fair and reasonable so far as the Independent Shareholders are concerned. An independent financial advisor, Commerzbank AG Hong Kong Branch, has also been appointed to advise the Independent Board Committee regarding the terms of the Connected Transactions.

E. APPLICATION FOR WAIVER

Under the Listing Rules, the Connected Transactions as stated in the paragraph headed "Connected Transactions" above would normally require full disclosure and/or prior Independent Shareholders' approval. However, as such transactions will continue to be carried out in the ordinary and usual course of business and occur on a regular basis on normal commercial terms and on terms that are fair and reasonable so far as the Group and the Independent Shareholders are concerned, the Board considers that it would not be practical to make disclosure or, if necessary, obtain Shareholders' approval for each relevant transaction as it arises. Accordingly, the Company has applied to the Stock Exchange for a waiver for the current and next two financial years ending 30 June 2005 (the "**Waiver**") from the relevant requirements of the Listing Rules in respect of the Connected Transactions as described above and matters arising out of or in connection with such Connected Transactions on the conditions that:

(a) Normal commercial terms:

The Connected Transactions shall be:

- (i) entered into by the Company in the ordinary and usual course of its business;
- (ii) conducted either: (a) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities); or (b) (where there is no available comparison) on terms that are fair and reasonable so far as the Shareholders are concerned; and
- (iii) entered into either: (a) in accordance with the terms of the agreements governing such Connected Transactions; or (b) (where there are no such agreements) on terms no less favourable than those available to or from independent third parties.

(b) Disclosure:

Details of the Connected Transactions, including the date, the identity of the parties, a brief description of the transactions and their purposes, the consideration, the nature of the parties' relationship and the extent of interest of the connected persons, as set out in Rules 14.25(1) (A) to (D) of the Listing Rules, will be disclosed in the Company's next and each successive annual report whilst the Waiver remains in effect together with a statement of the opinion of the Company's independent non-executive directors.

(c) Independent non-executive directors' review:

The Company's independent non-executive directors will, whilst the Waiver remains in effect, review annually the Connected Transactions entered into during that financial year and confirm in the Company's annual report of the relevant financial year that:

- (i) such Connected Transactions have been entered into in the ordinary and usual course of the business of the relevant member of the Group;
- (ii) such Connected Transactions have been entered into on terms that are fair and reasonable so far as the Group and the Independent Shareholders are concerned;
- (iii) such Connected Transactions have been entered into on normal commercial terms either in accordance with the terms of the agreements governing such transactions, or where there is no such agreement, on terms no less favourable than terms available to or from (as the case may be) independent third parties; and
- (iv) such Connected Transactions have been entered into within the limits stated in condition (e) below.

(d) Auditors' agreed-upon procedures:

The auditors of the Company will be engaged annually by the Company to conduct procedures on the Connected Transactions entered into during the relevant financial year and report to the Board with a letter stating whether:

- (i) such Connected Transactions have been approved by the Board;
- (ii) such Connected Transactions have been entered into in accordance with the terms of the agreements governing such transactions and (or where there is no such agreement) on the pricing policies of the Group; and
- (iii) the upper limits as set out in condition (e) below have not been exceeded.

For the purpose of the above agreed-upon procedures to be conducted by the Company's auditors, NWD has undertaken to the Company that, whilst the Waiver remains in effect, it will provide the auditors with access to its and its Associates' relevant accounting records.

The letter of the auditors is to be addressed to the Board and a copy of which is to be provided to the Stock Exchange. Where for whatever reason, the auditors decline to accept the engagement or are unable to provide such letter, the Board will contact the Stock Exchange immediately.

(e) Upper limits:

Connected Transactions of the following types entered into during any relevant financial year of the Group must not exceed the upper limits set out below:

- (i) transactions between the Group and the NWD Group for the provision of Construction Services in any financial year must not exceed 25% of the Group's consolidated turnover of the same financial year;
- (ii) transactions between the Group and the NWD Group for the provision of E&M Engineering Services in any financial year must not exceed 2.5% of the Group's consolidated turnover of the same financial year;
- (iii) transactions between the Group and the NWD Group for the provision of Facility Management Services in any financial year must not exceed 0.1% of the Group's consolidated turnover of the same financial year;
- (iv) transactions between the Group and the NWD Group for the provision of Property Management Services in any financial year must not exceed 0.35% of the Group's consolidated turnover of the same financial year;
- (v) transactions between the Group and the NWD Group for the provision of Security and Guarding Services in any financial year must not exceed 0.35% of the Group's consolidated turnover of the same financial year;

- (vi) transactions between the Group and the NWD Group for the provision of Cleaning and Landscaping Services in any financial year must not exceed 0.8% of the Group's consolidated turnover of the same financial year;
- (vii) transactions between the Group and the NWD Group for the provision of Financial Services in any financial year must not exceed 0.1% of the Group's consolidated turnover of the same financial year; and
- (viii) transactions between the Group and the NWD Group for the rental of properties and the provision of other services as described in sub-paragraph (h) of the paragraph headed "Connected Transactions" above in any financial year must not exceed 0.3% of the Group's consolidated turnover of the same financial year.

The upper limits set out above are based on the highest of the historical and projected aggregate amounts in respect of each category of Connected Transactions (as compared to the pro forma consolidated turnover of the Group) for the past three financial years and the next three financial years, rounded up to an appropriate number. The projected figures are based on an extension of historical figures, adjusted for non-recurring or extraordinary items, and on the principal assumptions that, for the duration of the projected period: (i) the Company's business comprising the Services Assets will continue to grow at a rate which is consistent with past patterns; (ii) there will be no occurrence of extraordinary items; (iii) there will be no material adverse change or disruption in market conditions, operation and business environment or government policies which may affect the Group's business; and (iv) the services industries in which the Group operates will remain static.

F. GENERAL

The Circular containing, inter alia, details of the Connected Transactions, a letter from each of the Independent Board Committee and Commerzbank AG Hong Kong Branch, being the independent financial adviser to the Independent Board Committee, together with a notice to Shareholders convening a special general meeting to approve the Connected Transactions, will be despatched to Shareholders as soon as practicable.

G. DEFINITIONS

Unless otherwise defined, terms used in this announcement have the same meanings as those defined in the Joint Announcements. In addition, the following expressions used in this announcement have the meanings set out below unless the context requires otherwise:

"Associates"	as defined in the Listing Rules
"Board"	the board of directors of the Company, including the independent non-executive directors
"Circular"	the circular to be despatched to Shareholders, which will contain, among other things, details of the Connected Transactions, a letter from each of the Independent Board Committee and the independent financial adviser to the Independent Board Committee, together with a notice to Shareholders convening a special general meeting to approve the Connected Transactions

“Cleaning and Landscaping Services”	cleaning, landscaping and related services currently provided by the NWS Group to the NWD Group and which will be provided by the Group to the NWD Group following Completion as described in sub-paragraph (f) in the paragraph headed “Connected Transactions” in this announcement
“Connected Transactions”	the connected transactions as described in the paragraph headed “Connected Transactions” in this announcement which are currently entered into between the NWS Group and the NWD Group and which will continue to be entered into between the Group and the NWD Group following Completion
“Construction Services”	construction and related services currently provided by the NWS Group to the NWD Group and which will be provided by the Group to the NWD Group following Completion as described in sub-paragraph (a) in the paragraph headed “Connected Transactions” in this announcement
“Company”	Pacific Ports Company Limited (proposed to be re-named as NWS Holdings Limited), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“E & M Engineering Services”	engineering and related services currently provided by the NWS Group to the NWD Group and which will be provided by the Group to the NWD Group following Completion as described in paragraph (b) in the paragraph headed “Connected Transactions” in this announcement
“Facility Management Services”	facility management and related services currently provided by the NWS Group to the NWD Group and which will be provided by the Group to the NWD Group following Completion as described in sub-paragraph (c) in the paragraph headed “Connected Transactions” in this announcement
“Financial Services”	provision of insurance brokerage and related services currently provided by the NWS Group to the NWD Group and which will be provided by the Group to the NWD Group following Completion as described in sub-paragraph (g) in the paragraph headed “Connected Transactions” in this announcement
“Group”	the Company and its subsidiaries immediately following Completion
“Independent Board Committee”	an independent committee of the Board to be constituted by two independent non-executive directors of the Company, for the purpose of considering and advising the Independent Shareholders in respect of the terms of the Connected Transactions
“Independent Shareholders”	Shareholders other than NWD and its Associates

“NWD Group”	(i) at any time before Completion, NWD and its Associates other than the NWS Group; and (ii) at any time after Completion, NWD and its Associates other than the Group
“NWS”	New World Services Limited, a company incorporated with limited liability in the Cayman Islands and a non-wholly-owned subsidiary of the NWD Group before Completion, which will become a wholly-owned subsidiary of the Group upon Completion
“NWS Group”	NWS, its subsidiaries and its associated companies
“Property Management Services”	property management and related services currently provided by the NWS Group to the NWD Group and which will be provided by the Group to the NWD Group following Completion as described in subparagraph (d) in the paragraph headed “Connected Transactions” in this announcement
“Security and Guarding Services”	security and related services currently provided by the NWS Group to the NWD Group and which will be provided by the Group to the NWD Group following Completion as described in subparagraph (e) in the paragraph headed “Connected Transactions” in this announcement
“Services Assets”	the businesses of the NWS Group which comprise facilities, contracting, transport, financial and environmental services
“Services Assets Sale Agreement”	the conditional sale and purchase agreement between NWD, the Company and the shareholders of NWS dated 21 October 2002 relating to the Services Assets
“Shareholders”	the shareholders of the Company

By Order of the Board of
Pacific Ports Company Limited
Dr. Cheng Kar Shun, Henry
Chairman

Hong Kong, 29 January 2003

“Please also refer to the published version of this announcement in SCMP”.