

IMPORTANT

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

If you have sold or transferred all your shares in NWS Holdings Limited, you should at once hand this Circular to the purchaser or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

This Circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of NWS Holdings Limited.



新創建集團有限公司*
NWS Holdings Limited

(formerly known as Pacific Ports Company Limited)
(incorporated in Bermuda with limited liability)

CONNECTED TRANSACTIONS
ALTERATION OF SHARE OPTION SCHEME
RENEWAL OF 10% GENERAL LIMIT ON GRANT OF OPTIONS
UNDER SHARE OPTION SCHEME
AND
GRANT OF GENERAL MANDATES TO ISSUE SHARES
AND TO REPURCHASE SHARES

Independent Financial Adviser to the Independent Board Committee
COMMERZBANK AG Hong Kong Branch

COMMERZBANK 

A letter from the Board is set out on pages 6 to 21 of this Circular and a letter from the Independent Board Committee is set out on pages 22 to 23 of this Circular. In addition, a letter from Commerzbank, the independent financial adviser to the Independent Board Committee, containing its advice to the Independent Board Committee is set out on pages 24 to 37 of this Circular.

A notice convening a special general meeting of the shareholders of NWS Holdings Limited to be held at Rooms 606 and 607, Level 6, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 12 March 2003 at 10:30 a.m. is set out on pages 60 to 63 of this Circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time fixed for holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

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DEFINITIONS

In this Circular, the following expressions have the meaning set out below unless the context requires otherwise:

“Acquisitions”	the Infrastructure Assets Acquisition and the Services Assets Acquisition
“Associates”	as defined in the Listing Rules
“Board”	the board of directors of the Company, including the independent non-executive directors
“Cleaning and Landscaping Services”	cleaning, landscaping and related services previously provided by the NWS Group to the NWD Group before the Reorganisation and which are being provided by the Group to the NWD Group following Completion, as described in Section 2 (Connected Transactions) of the “Letter from the Board” in this Circular
“Commerzbank”	Commerzbank AG acting through its Hong Kong Branch, the independent financial adviser to the Independent Board Committee in relation to the Connected Transactions
“Completion”	completion of the Acquisitions which has taken place on 29 January 2003
“Connected Transactions”	the connected transactions (as described in Section 2 (Connected Transactions) of the “Letter from the Board” in this Circular) which were previously entered into between the NWS Group and the NWD Group before the Reorganisation and which are being entered into between the Group and the NWD Group following Completion
“Construction Services”	construction and related services previously provided by the NWS Group to the NWD Group before the Reorganisation and which are being provided by the Group to the NWD Group following Completion, as described in Section 2 (Connected Transactions) of the “Letter from the Board” in this Circular
“Company”	NWS Holdings Limited (formerly known as Pacific Ports Company Limited), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Directors”	directors of the Company
“E & M Engineering Services”	engineering and related services previously provided by the NWS Group to the NWD Group before the Reorganisation and which are being provided by the Group to the NWD Group following Completion, as described in Section 2 (Connected Transactions) of the “Letter from the Board” in this Circular

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“Eligible Employee”	any employee (whether a full time or a part time employee, including any executive director but excluding any non-executive director) of the Company, any subsidiary or any Invested Entity
“Eligible Participant”	any Eligible Employee, non-executive directors (including independent non-executive directors) of the Company, any subsidiary or any Invested Entity, any suppliers or customers of any member of the Group or any Invested Entity, any persons or entities that provide research, development or other technological support to the Group or any Invested Entity, any shareholder of or holder of any securities issued by any member of the Group or any Invested Entity, any adviser or consultant to any area of business or development of any member of the Group or any Invested Entity and any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity, more particularly set forth in paragraph 3 of Appendix I to this Circular
“Engagement Undertaking”	the deed of non-compete and engagement undertakings dated 29 January 2003 entered into between NWD and the Company
“Facility Management Services”	facility management and related services previously provided by the NWS Group to the NWD Group before the Reorganisation and which are being provided by the Group to the NWD Group following Completion, as described in Section 2 (Connected Transactions) of the “Letter from the Board” in this Circular
“Financial Services”	provision of insurance brokerage and related services previously provided by the NWS Group to the NWD Group before the Reorganisation and which are being provided by the Group to the NWD Group following Completion, as described in Section 2 (Connected Transactions) of the “Letter from the Board” in this Circular
“General Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise all powers of the Company to allot and issue Shares as set out in resolutions numbered 4 and 6 in the notice convening the Special General Meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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“Independent Board Committee”	an independent committee of the Board constituted by Mr. Cheng Wai Chee, Christopher and Mr. Kwong Che Keung, Gordon, 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
“Infrastructure Assets”	the effective interests (comprising equity and shareholder’s loans and advances) in various companies which operate toll roads, bridges, tunnel, water treatment and power plants in Hong Kong, Macau and the PRC which the Company acquired from NWI
“Infrastructure Assets Acquisition”	the acquisition of all the Infrastructure Assets by the Company from NWI pursuant to the Infrastructure Assets Sale Agreement
“Infrastructure Assets Sale Agreement”	the conditional sale and purchase agreement between NWI and the Company dated 21 October 2002 relating to the Infrastructure Assets Acquisition
“Invested Entity”	any entity in which any member of the Group holds any equity interest
“Latest Practicable Date”	18 February 2003, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained in this Circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NWCL”	New World China Land Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“NWD”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
“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
“NWI”	New World Infrastructure Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange

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“NWS”	New World Services Limited, a company incorporated in the Cayman Islands with limited liability and a non-wholly-owned subsidiary of the NWD Group before Completion, which has become a wholly-owned subsidiary of the Group upon Completion
“NWS Group”	NWS, its subsidiaries and its associated companies
“PRC”	the People’s Republic of China
“Pre-consolidation Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company before the Share Consolidation became effective on 10 February 2003
“Property Management Services”	property management and related services previously provided by the NWS Group to the NWD Group before the Reorganisation and which are being provided by the Group to the NWD Group following Completion, as described in Section 2 (Connected Transactions) of the “Letter from the Board” in this Circular
“Reorganisation”	the Acquisitions and the distribution of certain shares in the Company to shareholders of NWI as more fully described in the Company’s circular to Shareholders dated 18 November 2002
“Repurchase Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise all powers of the Company to repurchase Shares as set out in resolution numbered 5 in the notice convening the Special General Meeting
“RMB”	Renminbi (yuan), the lawful currency of the PRC
“Security and Guarding Services”	security and related services previously provided by the NWS Group to the NWD Group before the Reorganisation and which are being provided by the Group to the NWD Group following Completion, as described in Section 2 (Connected Transactions) of the “Letter from the Board” in this Circular
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance, Chapter 396 of the Laws of Hong Kong
“Services Assets”	the businesses of the NWS Group which comprise facilities, contracting, transport, financial and environmental services
“Services Assets Acquisition”	the acquisition of the entire issued share capital of NWS by the Company pursuant to the Services Assets Sale Agreement

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“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 Acquisition
“Share Consolidation”	the consolidation of every 10 Pre-consolidation Shares (issued and unissued) into one Share which became effective on 10 February 2003
“Share Option Scheme”	the share option scheme of the Company adopted pursuant to an ordinary resolution of the Company passed on 6 December 2001, and, where the context so admits, such scheme as varied by adoption of the amended rules of the scheme pursuant to ordinary resolution numbered 2 proposed to be passed at the Special General Meeting
“Shareholders”	the shareholders of the Company
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company and in respect of any time period before the Share Consolidation became effective, includes a reference to the Pre-consolidation Shares on the basis that one Share equals 10 Pre-consolidation Shares
“Special General Meeting”	the special general meeting of the Company to be held on 12 March 2003, notice of which is set out on pages 60 to 63 of this Circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under section 2 of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Terminated Scheme”	the share option scheme of the Company adopted on 11 April 1997 and expired on 11 April 2000
“US\$”	United States dollars, the lawful currency of the United States of America
“Waiver”	the waiver for the current and next two financial years of the Company ending 30 June 2005 from the relevant requirements of the Listing Rules in respect of the Connected Transactions and matters arising out of or in connection with such Connected Transactions, subject to the conditions set out in Section 5 (Application for Waiver) of the “Letter from the Board” in this Circular
“%”	per cent

For the purposes of illustration only and unless otherwise specified in this Circular, amounts denominated in RMB have been translated into HK\$ at the rate of RMB1.07 = HK\$1.00 and amounts denominated in US\$ have been translated into HK\$ at the rate of US\$1.00 to HK\$7.80.

LETTER FROM THE BOARD



新創建集團有限公司*
NWS Holdings Limited

(formerly known as Pacific Ports Company Limited)
(incorporated in Bermuda with limited liability)

Executive Directors:

Dr. Cheng Kar Shun, Henry (*Chairman*)
Mr. Doo Wai Hoi, William (*Deputy Chairman*)
Mr. Chan Kam Ling
Mr. Wong Kwok Kin, Andrew
Mr. Lam Wai Hon, Patrick

Head office and

principal place of business:
17th Floor
New World Tower 2
18 Queen's Road Central
Hong Kong

Non-Executive Directors:

Mr. Wilfried Ernst Kaffenberger
Mr. To Hin Tsun, Gerald
Mr. Yeung Kun Wah, David
(*alternate director to Mr. Wilfried Ernst Kaffenberger*)

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Independent Non-Executive Directors:

Mr. Wong Kin Chow, Michael
Mr. Kwong Che Keung, Gordon
Mr. Cheng Wai Chee, Christopher
Mr. Dominic Lai

To the Shareholders

21 February 2003

Dear Sir or Madam,

CONNECTED TRANSACTIONS
ALTERATION OF SHARE OPTION SCHEME
RENEWAL OF 10% GENERAL LIMIT ON GRANT OF OPTIONS
UNDER SHARE OPTION SCHEME
AND
GRANT OF GENERAL MANDATES TO
ISSUE SHARES AND TO REPURCHASE SHARES

1 INTRODUCTION

On 29 January 2003, the Company announced that, 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 was a non-wholly-owned subsidiary of the NWD Group and has become a wholly-owned subsidiary of the Group on Completion.

* For identification purposes only

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The Connected Transactions are also being entered into pursuant to the Engagement Undertaking between NWD and the Company (which requires NWD to engage the Company for services such as the Connected Transactions, details of the Engagement Undertaking are set out in Section 3 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 the Connected Transactions were services of various natures provided by the NWS Group to the NWD Group in the past and they are continuing to be provided after Completion. Upon Completion, such transactions have therefore constituted connected transactions of the Company.

The Company adopted the Share Option Scheme pursuant to an ordinary resolution passed at its annual general meeting convened on 6 December 2001. Under the existing rules of the Share Option Scheme, persons eligible to be granted options thereunder are confined to directors and full-time employees of the Company or its subsidiaries. Following completion of the Infrastructure Assets Acquisition and the Services Assets Acquisition, the Company's scope of business has been considerably broadened. It would be desirable for the Company to be given the flexibility to provide incentives to persons other than the Group's directors and full-time employees, such as customers, suppliers, consultants and advisers for making contribution to the growth of the Group by granting them options to subscribe for Shares. It is therefore proposed that the rules of the Share Option Scheme be amended by extending the class of persons eligible to be granted options thereunder.

The total number of Shares which may be issued upon the exercise of all options granted under the Share Option Scheme is limited to 20,599,680 Shares, being 10% of the Company's issued share capital as at the date of adoption of the Share Option Scheme. Following completion of the Reorganisation on 29 January 2003, the total number of issued Shares has increased by approximately 8.6 times, from 205,996,800 to 1,780,759,001. The existing limit of the Share Option Scheme is equal to approximately 1.16% of the total number of issued Shares as at the Latest Practicable Date.

Having regard to the proposal for the extension of the class of eligible participants under the Share Option Scheme, the broadening of the Group's business scope and the increase in number of employees of the Group brought about by the Reorganisation, the Board considers it to be in the interest of the Group to provide flexibility to the Directors in the operation of the Share Option Scheme by renewing the 10% general limit on the number of options that can be granted under the Share Option Scheme to 10% of the current number of issued Shares.

This letter serves also to (i) present the proposals for the adoption of the amended rules of the Share Option Scheme, renewal of the 10% general limit on the grant of options under the Share Option Scheme and the renewal of the General Mandate and the Repurchase Mandate; and (ii) provide you with the notice of the Special General Meeting at which the necessary ordinary resolutions will be proposed to consider and, if thought fit, to approve the adoption of the amended rules of the Share Option Scheme, the renewal of the 10% general limit on the grant of options under the Share Option Scheme and the renewal of the General Mandate and the Repurchase Mandate.

Terms defined in the Circular have the same meanings when used in this letter.

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2 CONNECTED TRANSACTIONS

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 5 below).

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

(a) Construction Services

The Group is providing and will continue to provide Construction Services to the NWD Group from time to time in its ordinary course of business. Such transactions 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.

Construction Services are provided in the ordinary course of business on contract terms no less favourable than those provided to independent third party customers of the NWS Group. In pricing its services to independent third party customers, the NWS Group takes into consideration factors which are common and normal for providers of similar services such as market conditions, competition, profit margin, direct and indirect costing, opportunity cost, project duration and all relevant risk factors including client risk. Similar pricing policies have been and will continue to be adopted by the Group following the Reorganisation.

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.

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(b) E & M Engineering Services

The Group is providing and will continue to provide E&M Engineering Services to the NWD Group from time to time in its ordinary course of business. Such transactions 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 ordinary 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. In pricing its services to independent third party customers, the NWS Group takes into consideration factors which are common and normal for providers of similar services such as market conditions, competition, profit margin, direct and indirect costing, opportunity cost, project duration and all relevant risk factors including client risk. Similar pricing policies have been and will continue to 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 is providing and will continue to provide Facility Management Services to the NWD Group from time to time in its ordinary course of business. Such transactions 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 ordinary 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. In pricing its services to independent third party customers, the NWS Group takes into consideration factors which are common and normal for providers of similar services such as market conditions, competition, profit margin, direct and indirect costing, opportunity cost, project duration and all relevant risk factors including client risk. Similar pricing policies have been and will continue to 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 is providing and will continue to provide Property Management Services to the NWD Group from time to time in its ordinary course of business. Such transactions

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include property management, property sales, letting agency services, pre-marketing consultancy services, technical services and the sale of car parking, management and related services.

Car parking services are sold in the ordinary course of business to the NWD Group in the form of car parking coupons which are issued to customers of its relevant outlets. These car parking coupons are sold at discounts of up to 20% based on bulk purchase which are equally available to 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 ordinary course of business based on a cost-plus basis. The cost element includes all direct costs incurred, such as staff costs, electricity, water and air-conditioning charges, depreciation, cleaning, rent and rates, repair and maintenance, etc and other indirect or common costs allocated on turnover or other equitable basis. In pricing its services, the NWS Group takes into consideration factors which are common and normal for providers of similar services such as market conditions, competition, profit margin, direct and indirect costing, opportunity cost, project duration and all relevant risk factors including client risk.

Technical fee income which the NWS Group receives from the NWD Group are made in the ordinary 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 ordinary course of business based on 50% of the property management fee income received from the NWD Group during the relevant years.

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. In pricing its services to independent third party customers, the NWS Group takes into consideration factors which are common and normal for providers of similar services such as market conditions, competition, profit margin, direct and indirect costing, opportunity cost, project duration and all relevant risk factors including client risk. Similar pricing policies have been and will continue to 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 is providing and will continue to provide Security and Guarding Services to the NWD Group from time to time in its ordinary course of business. Such transactions 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 ordinary 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. The cost element includes all direct

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costs incurred, such as staff costs and public liability insurance and other indirect or common costs allocated on turnover or other equitable basis. In pricing its services to independent third party customers, the NWS Group will take into consideration factors which are common and normal for providers of similar services such as market conditions, competition, profit margin, direct and indirect costing, opportunity cost, project duration and all relevant risk factors including client risk. Similar pricing policies have been and will continue to 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 is providing and will continue to provide cleaning and landscaping services to the NWD Group from time to time in its ordinary course of business. Such transactions 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 ordinary 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. In pricing its services to independent third party customers, the NWS Group takes into consideration factors which are common and normal for providers of similar services such as market conditions, competition, profit margin, direct and indirect costing, opportunity cost, project duration and all relevant risk factors including client risk. Following the Reorganisation, the pricing policies for landscaping services have been brought in line with the pricing policies for cleaning services such that both services have been and will continue to 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 is providing and 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 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 ordinary 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. In pricing its services to independent third party customers, the NWS Group takes into consideration factors which are common and normal for providers of

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similar services such as market conditions, competition, profit margin, direct and indirect costing, opportunity cost, and all relevant risk factors including client risk. Similar pricing policies have been and will continue to 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 0.24% 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 is providing and will continue to provide management services to the NWD Group from time to time in its ordinary course of business. Such transactions 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 ordinary course of business on a cost-plus basis. The cost element includes all direct costs incurred, such as staff costs, electricity, water and air-conditioning charges, depreciation, cleaning, rent and rates, repair and maintenance, etc and other indirect or common costs allocated on turnover or other equitable basis. No such services are currently being provided by the NWS Group to independent third parties. Similar pricing policies have been and will continue to 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.

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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.

3 REASONS 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 the Engagement Undertaking will be entered into between NWD and the Company upon Completion. Such Engagement Undertaking has been entered into between NWD and the Company on Completion. Pursuant to the Engagement Undertaking, NWD has, inter alia (subject to certain qualifications), undertaken 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. 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.

4 APPROVAL BY INDEPENDENT SHAREHOLDERS

As NWD indirectly owns 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, 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 and its Associates in the Company, NWD and its Associates will abstain from voting in relation to the resolutions approving the Connected Transactions. The Independent Board Committee has been 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, has also been appointed to advise the Independent Board Committee regarding the terms of the Connected Transactions.

5 APPLICATION FOR WAIVER

Under the Listing Rules, the Connected Transactions as stated in Section 2 (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 the Waiver for the current and next two financial years of the Company ending

LETTER FROM THE BOARD

30 June 2005 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: (1) 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 (2) (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: (1) in accordance with the terms of the agreements governing such Connected Transactions; or (2) (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.

LETTER FROM THE BOARD

(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;

LETTER FROM THE BOARD

- (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 Section 2 (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.

6 ALTERATION OF THE SHARE OPTION SCHEME

The Company adopted the Share Option Scheme pursuant to an ordinary resolution passed at its annual general meeting convened on 6 December 2001. Under the existing rules of the Share Option Scheme, persons eligible to be granted options thereunder are confined to directors and full-time employees of the Company or its subsidiaries.

At time of adoption of the Share Option Scheme, the Group operated only a single line of business, namely the development, operation and management of, terminals in seaports and riverports and related businesses. Following completion of the Infrastructure Assets Acquisition and the Services Assets Acquisition on 29 January 2003, the Group's scope of business has been considerably broadened and has become more diversified. The Group's business portfolio currently includes (i) building and general construction, civil engineering, electrical and mechanical engineering works and services, design and operation of convention and exhibition facilities, property management and related agency and consultancy services, public transportation, security and guarding services, financial and environmental services businesses; (ii) development, investment, operation and/or management of and in toll roads, expressways, bridges and tunnel, water treatment plants and water treatment equipment manufacturing business and power stations; and (iii) container terminals, cargo handling and storage businesses.

The broadening and diversification of the Group's business have led to the placing of greater reliance on the continuing support from and the strengthening of the relationship with the Group's customers, suppliers, advisers, consultants, joint venture partners, business affiliates and other persons and entities having business dealings with the Group. In addition the opportunity for these persons and entities to contribute to the success, continuing growth and development of the Group has been considerably broadened. Accordingly it would be in the interest of the Company for the Directors to be given the flexibility to provide incentives to persons other than the Group's directors and full-time employees, such as customers, suppliers, consultants and advisers for making contribution to the growth of the Group by granting them options to subscribe for Shares under the

LETTER FROM THE BOARD

Share Option Scheme. It is therefore proposed that the rules of the Share Option Scheme be amended by extending the class of persons eligible to be granted options under the Share Option Scheme. The Board is of the view that the proposed alteration to the terms of the Share Option Scheme is in the interest of the Group as a whole.

At the Special General Meeting, an ordinary resolution will be proposed for the Company to amend the terms of the Share Option Scheme by extending the class of persons and entities eligible to be granted options under the Share Option Scheme to the Eligible Participants, stating the circumstances under which options granted to the Eligible Participants, not being an Eligible Employee, will lapse prior to the prescribed option period and making other consequential or suitable changes.

Under the existing rules of the Share Option Scheme, any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall be approved by the Stock Exchange. The Company has applied to the Stock Exchange for approval of the amended rules of the Share Option Scheme.

A summary of the principal terms of the amended Share Option Scheme is set out in Appendix I to this Circular.

None of the Directors are appointed as trustees of the Share Option Scheme or have a direct or indirect interest in the trustees of the Share Option Scheme.

As at the Latest Practicable Date, no option has been granted under the Share Option Scheme.

If any options are granted under the Share Option Scheme prior to the Special General Meeting, all such options shall remain valid and exercisable in accordance with the terms of the amended Share Option Scheme. The amendments proposed to be made to the Share Option Scheme do not have the effect of abrogating or altering adversely any of the subsisting rights of holders of options granted, if any, prior to the Special General Meeting since no option has so far been granted under the Share Option Scheme.

Value of options

The Directors consider that it is not appropriate or helpful to Shareholders to state the value of all options that may be granted pursuant to the Share Option Scheme as if they had been granted at the Latest Practicable Date. The Directors believe that any statement regarding the value of the options as at the Latest Practicable Date will not be meaningful to the Shareholders, since the options to be granted are personal to the grantees and may not be transferred, charged, mortgaged or assigned. In addition, calculation of the value of the options is based on a number of variables such as exercise price, exercise period, interest rate, timing of the grant, expected volatility, nature of performance target and other conditions which the Directors may impose on the grant and other relevant variables. The subscription price payable for the Shares upon exercise depends on the traded price of the Shares as quoted on the Stock Exchange, which in turn depends on when the Directors is to grant options under the Share Option Scheme.

The Directors are of the view that the estimation of the value of the options as at the Latest Practicable Date is dependent on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of speculative assumptions.

LETTER FROM THE BOARD

Accordingly, the Directors believe that any calculation of the value of the options will not be meaningful and may be misleading to the Shareholders.

7 RENEWAL OF 10% GENERAL LIMIT ON SHARE OPTION SCHEME

Apart from the Share Option Scheme, the Terminated Scheme which was adopted by the Company on 11 April 1997 remains in effect. Under the Terminated Scheme the Directors may, at their discretion and during the period of 3 years commencing from 11 April 1997, grant options to executive Directors or full-time employees of the Company or its subsidiaries to subscribe for Shares. As at the Latest Practicable Date, options carrying the rights to subscribe for up to a total of 2,000,000 Shares (representing approximately 0.11% of the Shares in issue) remain outstanding under the Terminated Scheme. As the Terminated Scheme expired on 11 April 2000, no further share options can be granted under the Terminated Scheme. However, share options granted under the Terminated Scheme prior to 11 April 2000 are still exercisable.

The Company has no share option scheme which remains in effect other than the Share Option Scheme and the Terminated Scheme. As at the Latest Practicable Date, no option has been granted under the Share Option Scheme. The total number of new Shares falling to be issued upon the exercise of all outstanding options granted under the Share Option Scheme and all other share option schemes of the Company is accordingly 2,000,000 as at the Latest Practicable Date.

Under the existing rules of the Share Option Scheme (no amendments are proposed to be made to the restrictions contained in the rules regarding the limits stated below):

- (1) the maximum 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 share option schemes of the Company must not in aggregate exceed 30% of the Shares of the Company in issue from time to time (the “**30% Limit**”); and
- (2) the total number of Shares which may be issued upon the exercise of all options granted under the Share Option Scheme and any other share option schemes of the Company is limited to 10% of the Shares of the Company in issue as at the date of adoption of the Share Option Scheme (the “**10% Limit**”).

The Company may seek approval from the Shareholders in general meeting for refreshing the 10% Limit so that the total number of Shares which may be issued upon the exercise of all options granted under the Share Option Scheme and any other share option schemes of the Company shall be re-set at 10% of the Shares of the Company in issue as at the date of the approval of the limit as “refreshed”. In this connection, options previously granted under the Share Option Scheme and any other share option schemes of the Company (including options outstanding, cancelled, lapsed or exercised) will not be counted for the purpose of calculating the 10% Limit as “refreshed”.

The existing 10% Limit is 20,599,680 Shares, being 10% of the Shares of the Company in issue as at the date of adoption of the Share Option Scheme. As stated above, the total number of new Shares falling to be issued upon the exercise of all outstanding options granted under the Share Option Scheme and all other share option schemes of the Company is 2,000,000 as at the Latest Practicable Date. Unless the 10% Limit is “refreshed”, only up to 18,599,680 Shares (representing approximately 1.04% of the total number of issued Shares as at the Latest Practicable Date) may be issued pursuant to the grant of further options under the Share Option Scheme.

LETTER FROM THE BOARD

Following completion of the Reorganisation on 29 January 2003, the total number of issued Shares has increased by approximately 8.6 times, from 205,996,800 to 1,780,759,001. The existing 10% Limit of 20,599,680 Shares on the Share Option Scheme is equal to approximately 1.16% of the total number of issued Shares as at the Latest Practicable Date.

Completion of the Infrastructure Assets Acquisition and the Services Assets Acquisition has also increased the number of directors and employees of the Group from 149 to 24,851. If the proposed adoption of the amended rules of the Share Option Scheme is approved by the Shareholders at the Special General Meeting, the number of participants eligible for the grant of options under the Share Option Scheme will increase even further.

The purpose of the Share Option Scheme is to provide reward and incentive to Directors and full-time employees of the Group (and to other Eligible Participants if the amended rules are adopted) for making contributions to the Group. For the effective administration and operation of the Share Option Scheme and so that the Share Option Scheme can serve the purpose for which it is established and for the benefits of the Group and its Shareholders, it is essential to afford the Directors sufficient flexibility in the formation of policies and making of decisions for the grant of options, subject to limits and restrictions under the rules of the Share Option Scheme. Such flexibility is lacking unless the 10% Limit is refreshed.

Having regard to the proposal for the extension of the class of eligible participants under the Share Option Scheme, the considerable broadening of the Group's business scope after the Acquisitions, the increase in number of employees of the Group brought about by the Acquisitions, and the need to maintain flexibility for the effective administration and operation of the Share Option Scheme, the Board considers to be in the interest of the Group to refresh and reset the 10% Limit on the number of options that can be granted under the Share Option Scheme at 10% of the number of issued Shares as at the Latest Practicable Date.

If the 10% Limit is "refreshed", on the basis of 1,780,759,001 Shares in issue and assuming that no Shares are issued or repurchased by the Company prior to the Special General Meeting, (i) the 10% Limit will be re-set to 178,075,900 Shares and the Company will be allowed to grant further options under the Share Option Scheme and other share option schemes carrying the rights to subscribe for a maximum of 178,075,900 Shares and (ii) the 30% Limit will be adjusted to 534,227,700 Shares. As at the Latest Practicable Date, other than the outstanding options granted under the Terminated Scheme carrying the rights to subscribe for up to a total of 2,000,000 Shares, there are no securities of the Company in issue convertible into Shares.

Application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the maximum number of Shares falling to be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme and other share option schemes of the Company within the 10% Limit, as "refreshed" pursuant to the relevant resolution proposed to be passed at the Special General Meeting.

The Directors consider that it will be for the benefit of the Company and its Shareholders as a whole that the 10% Limit is "refreshed" and that Eligible Participants of the Share Option Scheme are granted rights to subscribe for Shares through the grant of options under the Share Option Scheme. The grant of options will incentivise the Eligible Participants to contribute to the business of the Group. With the "refreshed" 10% Limit, the Directors will have the required flexibility in the operation of the Share Option Scheme for the benefit of the Company and its Shareholders as a whole. For these reasons, the Directors will propose the passing of an ordinary resolution at the Special General Meeting for "refreshing" the 10% Limit.

LETTER FROM THE BOARD

8 GENERAL MANDATE TO ISSUE SHARES AND TO REPURCHASE SHARES

At the Special General Meeting, the Shareholders will be asked to consider and, if thought fit, to grant the General Mandate to enable the Directors to exercise the powers of the Company to allot and issue new Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for any Shares or convertible securities of the Company respectively up to 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of the resolution in order to ensure flexibility. The obtaining of such General Mandate is in accordance with the Listing Rules.

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own shares, subject to certain restrictions, on the Stock Exchange. Ordinary resolution will also be proposed at the Special General Meeting for the grant of a new Repurchase Mandate to enable the Directors to exercise the powers of the Company to repurchase Shares on the Stock Exchange up to a maximum of 10% of the share capital of the Company in issue as at the date of the passing of these resolutions and to extend the General Mandate to cover Shares repurchased by the Company.

The mandate for the issue and repurchase of Shares will remain effective until the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held or until revoked or varied by an ordinary resolution by the Shareholders, whichever occurs first.

An explanatory statement containing information necessary to enable the Shareholders to make an informed decision on the proposed resolutions for the grant of the Repurchase Mandate as required by the Listing Rules is set out in Appendix II to this Circular.

9 SPECIAL GENERAL MEETING

Set out at the end of the Circular is a notice of the Special General Meeting to be held at Rooms 606 and 607, Level 6, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong, on Wednesday, 12 March 2003 at 10:30 a.m.. Ordinary resolutions will be proposed at the Special General Meeting to approve the Connected Transactions, the alteration to the Share Option Scheme by adoption of the amended rules, the renewal of the 10% Limit on the grant of options under the Share Option Scheme and the renewal of the General Mandate and the Repurchase Mandate.

In accordance with the Listing Rules, NWD, the controlling shareholder of the Company which is beneficially interested in approximately 54% of the issued share capital of the Company as at the Latest Practicable Date, and its Associates, will abstain from voting on the ordinary resolution numbered 1 to approve the Connected Transactions at the Special General Meeting. NWD and its Associates are however entitled to vote on the other resolutions proposed to be passed at the Special General Meeting.

A form of proxy for use at the Special General Meeting is enclosed. Whether or not you are able to attend the Special General Meeting, you are requested to complete and return the enclosed form of proxy to the office of the Company's branch registrars in Hong Kong, Standard Registrars Limited, at G/F., BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as practicable, and in any event, at least 48 hours before the time appointed for holding the Special

LETTER FROM THE BOARD

General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting should you so wish.

10 RECOMMENDATIONS

Commerzbank has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the terms of the Connected Transactions.

The Independent Board Committee, having taken into account the advice of Commerzbank, considers the terms of the Connected Transactions as a whole to be fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends that the Independent Shareholders should vote in favour of the ordinary resolution numbered 1 to approve the Connected Transactions (together with the relevant upper limits) at the Special General Meeting. The letter from Commerzbank containing its advice and recommendation and the principal factors and reasons taken into account in arriving at its recommendation is set out on pages 24 to 37 of the Circular.

The Directors consider that the alteration to the Share Option Scheme by adoption of the amended rules, the renewal of the 10% Limit on the grant of options under the Share Option Scheme and the renewal of the General Mandate and the Repurchase Mandate are in the best interests of the Company and its Shareholders and recommend Shareholders to vote in favour of ordinary resolutions numbered 2 to 6 set out in the notice of the Special General Meeting.

11 ADDITIONAL INFORMATION

Your attention is drawn to the letter of the Independent Board Committee set out on page 22 to 23 of the Circular, the letter set out on pages 24 to 37 of the Circular from Commerzbank, the independent financial adviser to the Independent Board Committee in respect of the Connected Transactions, and to the information set out in the appendices to the Circular.

Yours faithfully,
By Order of the Board
NWS Holdings Limited
Dr. Cheng Kar Shun, Henry
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



新創建集團有限公司*
NWS Holdings Limited
(formerly known as Pacific Ports Company Limited)
(incorporated in Bermuda with limited liability)

21 February 2003

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS

INTRODUCTION

We refer to the circular dated 21 February 2003 issued by NWS Holdings Limited (the “Circular”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter.

On 29 January 2003, the Board announced that the Company has made an application to the Stock Exchange for a waiver from compliance with the normal disclosure and shareholders’ approval requirements under the Listing Rules in connection with the Connected Transactions as summarised in the Letter from the Board set out on pages 8 to 16 of the Circular.

We, being the independent non-executive directors of the Company constituting the Independent Board Committee, are writing to you to set out our recommendation in respect of the Connected Transactions. The Independent Board Committee was set up to advise you as an Independent Shareholder whether in its view the terms of the Connected Transactions are in the best interests of the Company and the Independent Shareholders, and are fair and reasonable so far as the Independent Shareholders are concerned.

The terms of the Connected Transactions are summarised in the “Letter from the Board” set out on pages 8 to 16 of the Circular. In addition, the Independent Board Committee has been advised by Commerzbank in considering the Connected Transactions. You are strongly urged to read Commerzbank’s letter to the Independent Board Committee, which is set out on pages 24 to 37 of the Circular.

RECOMMENDATION

As the Independent Board Committee, we have discussed with the management of the Company the reasons for the Connected Transactions. We have also discussed with Commerzbank the basis upon which its advice has been given to the Independent Board Committee.

* For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Taking into account the advice of Commerzbank, the Independent Board Committee considers that the Connected Transactions as described in the “Letter from the Board” in the Circular are in the best interests of the Company and the Independent Shareholders, and the terms of the Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

The Independent Board Committee therefore recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Special General Meeting to approve the Connected Transactions.

Yours faithfully,
The Independent Board Committee
Mr. Cheng Wai Chee, Christopher and
Mr. Kwong Che Keung, Gordon
Independent non-executive directors of the Company

LETTER FROM COMMERZBANK

The following is the text of a letter prepared for the purpose of incorporation in this Circular, received from Commerzbank, the independent financial adviser to the Independent Board Committee.

COMMERZBANK

(Public Limited Company Incorporated in the Federal Republic of Germany)

HONG KONG BRANCH

G.P.O. BOX 11378
HONG KONG

telephone 28429666
telex 66 400 cbk hk hx
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21/F, The Hong Kong Club Building
3A Chater Road, Central

21 February 2003

To the Independent Board Committee

Dear Sir or Madam,

CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Connected Transactions. Details of the Connected Transactions, amongst other things, are set out in the circular dated 21 February 2003 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context requires otherwise.

On 29 January 2003, the Board announced that the Company has made an application to the Stock Exchange for the Waiver from strict compliance with normal disclosure and shareholders' approval requirements under the Listing Rules in connection with the Connected Transactions as summarised in the Circular.

Reference shall be made to the Company's announcement dated 29 January 2003. Reference shall also be made to the Joint Announcements dated 21 October 2002, 15 November 2002, 12 December 2002 and 29 January 2003 by the Company, NWD and NWI in relation to, inter alia, the Acquisitions and the relevant circular containing, inter alia, details of the Acquisitions despatched to the Shareholders on 18 November 2002.

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. Our role as the independent financial adviser to the Independent Board Committee is to give our opinion as to whether the terms of the Connected Transactions are carried out in the ordinary and usual course of the Group's business, based on normal commercial terms and are fair and reasonable so far as the Group and the Independent Shareholders are concerned.

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company. We have assumed that all information, opinions and representations contained or referred to in the Circular are true, complete and accurate and we have relied on the same. Also, we have also relied on the representations of the Company that having made all due enquiries and careful decisions, and to the best of their knowledge and belief, there is no other fact or

LETTER FROM COMMERZBANK

representation, the omission of which would make any statement contained in the Circular, including this letter, misleading. We have also assumed that all information and statements and representations made or referred to in the Circular, which have been provided to us by the Company, and for which they are wholly responsible, are true, complete and accurate at the time they were made and continue to be so at the date of despatch of the Circular.

We consider that we have reviewed sufficient information to enable us to reach an informed view regarding the terms of the Connected Transactions and to provide us with a reasonable basis for our recommendation. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances, which would render the information and the representations made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Company, nor have we conducted any independent in-depth investigation into the business and affairs of the Company.

REASONS, BENEFITS AND PRINCIPAL FACTORS CONSIDERED

In assessing the Connected Transactions and giving our independent financial advice to the Independent Board Committee, we have taken into account the following reasons for, benefits and principal factors of the Connected Transactions:

Strategic positioning as a key player in the services industries

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 the Engagement Undertaking will be entered into between NWD and the company upon Completion. Pursuant to the Engagement Undertaking, NWD will, inter alia (subject to certain qualifications), undertake to the Company to engage the Group for the provision of various services in Hong Kong for a period of 15 years from the date of Completion. As stated in the circular dated 18 November 2002, the qualifications of the Engagement Undertaking include, amongst other things, that NWD will not be obliged to engage the Group for provision of any services comprised in the Services Assets if: (i) the businesses and projects for which such services are required are non wholly-owned by NWD, or if NWD does not have the right to select providers of such services for the relevant businesses and projects; (ii) the compliance with the terms of such undertakings are contrary to the terms of the contracts governing the relevant businesses or projects of NWD or any applicable law, regulations or administrative directives promulgated by competent authorities; or (iii) the Group does not have the necessary qualifications to provide the services provided. The Company has confirmed to us that the Engagement Undertaking reflects the long established strategic relationships between the NWS Group and the NWD Group prior to the Reorganisation which can be enjoyed by the Group. Based on discussions with the Company's management, the Company has also confirmed to us that the Group will continue to focus on its services business as previously provided by the NWS Group prior to the Reorganisation and we concur with the Company's view that the entering into of the Connected Transactions, with the protection from the Engagement Undertaking, is essential and beneficial in positioning the Group as a key operator in the services industries in Hong Kong and the PRC. In forming our opinion, we have taken into account that, based on published information on listed companies, the NWD Group is one of the largest listed Hong Kong conglomerates principally engaged in property development, property investments, hotel and infrastructure investments, services and telecommunications and technology businesses, and will require a range of services from contractors. Given the benefits of the Engagement Undertaking and the Group's continuing focus on its services business, we also concur with the Company's view that it would be beneficial to the Group to continue the Connected Transactions which facilitates the operation and development of the Group's business in the services industries following the Reorganisation.

LETTER FROM COMMERZBANK

Contribution to revenue base

In considering the impact of the Connected Transactions on the revenue of the Group, we are informed that the NWD Group has been one of the major customers of certain companies which made up the NWS Group for over 30 years. The Company has also confirmed to us that the provision of services to the NWD Group has contributed a steady revenue base to the NWS Group prior to the Reorganisation. The breakdown of the Connected Transactions and their respective contributions to the pro forma turnover of the Group over the three years ended 30 June 2002 are as follows:

Connected Transactions	30 June 2002	30 June 2001	30 June 2000
Construction Services	8.99%	12.74%	26.86%
E&M Engineering Services	1.33%	2.27%	1.86%
Facility Management Services	0.04%	0.04%	0.05%
Property Management Services	0.20%	0.20%	0.28%
Security and Guarding Services	0.27%	0.33%	0.28%
Cleaning and Landscaping Services	0.63%	0.72%	0.53%
Financial Services	0.09%	0.04%	n/a
Others	0.28%	0.25%	0.04%
TOTAL	11.83%	16.59%	29.90%

Based on the above, it is noted that the revenue arising from the Connected Transactions has positively contributed to the overall turnover of the Group and has provided a steady revenue stream for the Group. As also noted in the Circular, 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 of which the Connected Transactions accounted for approximately 29.90%, 16.59% and 11.83% respectively. Following the Reorganisation, the Company is expected to continue in engaging the Connected Transactions (a number of which are of a recurrent nature), as was in the past, in the ordinary and usual course of business of the Group. We have taken into account that the revenue contribution from the Connected Transactions for the past three financial years ended 30 June 2002 was decreasing. Nonetheless, in view of the revenue contribution was not less than 10% in aggregate for each of these years and based on discussions with the Company, we are of the opinion that it is in the interest of the Group and its Shareholders to continue and maintain the present business relationship with one of its major customers, the NWD Group, in respect of the Connected Transactions.

Overall pricing policies and terms of the Connected Transactions

In considering the fairness and reasonableness of the Connected Transactions, we have reviewed and discussed with the Company on the overall pricing policies and terms of the Connected Transactions to assess whether the Connected Transactions are on an arm's length basis and normal commercial terms that are fair and reasonable so far as the Group and the Independent Shareholders are concerned.

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To render our opinion, we have reviewed and discussed with the Company (i) the overall basis of the pricing policies and terms in relation to the Connected Transactions and (ii) the overall pricing policies and terms of similar transactions entered into with independent third party customers as a comparison. The comparison is based on a sample review of some services contracts and analysis and discussions with the Company in understanding the pricing policies and terms of services provided by the Group. Our assessment on whether the overall pricing policies and terms of the Connected Transactions are fair and reasonable is made in the context of comparison with independent third party customers. We consider that the Group's services contracts with independent third party customers are at arm's length therefore serving a sufficient basis for us to render an opinion on the fairness and reasonableness of the Connected Transactions.

Set out below is a summary on the details of the Connected Transactions as given in the Circular:

Category	Transaction Nature	Overall Pricing Policies and Terms
Construction Services	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.	<p>In the ordinary course of business on contract terms that are no less favourable than those with independent third party customers.</p> <p>In pricing its services to independent third party customers, the NWS Group will take into consideration factors which are common and normal for providers of similar services such as market conditions, competition, profit margin, direct and indirect costing, opportunity cost, project duration and all relevant risk factors including client risk.</p>
E&M Engineering Services	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.	<p>In the ordinary course of business at prices and terms that are no less favourable than those with independent third party customers.</p> <p>In pricing its services to independent third party customers, the NWS Group takes into consideration factors which are common and normal for providers of similar services such as market conditions, competition, profit margin, direct and indirect costing, opportunity cost, project duration and all relevant risk factors including client risk.</p>

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Category	Transaction Nature	Overall Pricing Policies and Terms
Facility Management Services	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.	<p>In the ordinary course of business at prices and terms that are no less favourable than those with independent third party customers.</p> <p>In pricing its services to independent third party customers, the NWS Group takes into consideration factors which are common and normal for providers of similar services such as market conditions, competition, profit margin, direct and indirect costing, opportunity cost, project duration and all relevant risk factors including client risk.</p>
Property Management Services		
(i) Car parking sale services	Sale of car parking and related services.	Car parking services are sold in the ordinary course of business in the form of car parking coupons at discounts of up to 20% based on bulk purchase which are equally available to independent third party customers.

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Category	Transaction Nature	Overall Pricing Policies and Terms
(ii) Property management fee income	Property management, property sales, letting agency services, pre-marketing consultancy services and technical services.	<p>(a) Property management fee income in the ordinary course of business based on a cost-plus basis. The cost element includes all direct costs incurred, such as staff costs, electricity, water and air-conditioning charges, depreciation, cleaning, rent and rates, repair and maintenance, etc and other indirect or common costs allocated on turnover or other equitable basis. In pricing its services to independent third party customers, the NWS Group will take into consideration factors which are common and normal for providers of similar services such as market conditions, competition, profit margin, direct and indirect costing, opportunity cost, project duration and all relevant risk factors including client risk.</p> <p>(b) Technical fee income in the ordinary course of business based on 50% of the property management fee income.</p>

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Category	Transaction Nature	Overall Pricing Policies and Terms
		<p>(c) Consultancy fee expenses which the NWS Group pays to the NWD Group in the ordinary course of business based on 50% of the property management fee income received from the NWD Group.</p> <p>The prices and terms are no less favourable than those with independent third party customers. In pricing its services to independent third party customers, the NWS Group takes into consideration factors which are common and normal for providers of similar services such as market conditions, competition, profit margin, direct and indirect costing, opportunity cost, project duration and all relevant risk factors including client risk.</p>
Security and Guarding Services	Security guards, security systems installation and maintenance services, armoured transport services and supply of security products.	<p>Fees in the ordinary course of business based on a cost-plus basis at prices and terms that are no less favourable than those with independent third party customers.</p> <p>The cost element includes all direct costs incurred, such as staff costs and public liability insurance and other indirect or common costs allocated on turnover or other equitable basis. In pricing its services to independent third party customers, the NWS Group will take into consideration factors which are common and normal for providers of similar services such as market conditions, competition, profit margin, direct and indirect costing, opportunity cost, project duration and all relevant risk factors including client risk.</p>

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Category	Transaction Nature	Overall Pricing Policies and Terms
Cleaning and Landscaping Services	General cleaning, landscaping and plant maintenance, the supply of plants and laundry services.	<p>At prices and terms as applicable from time to time in the ordinary course of business. Pricing policies for landscaping services will be brought in line with the pricing policies for cleaning services. Both services will be provided at prices and terms no less favourable than those with other independent third party customers.</p> <p>In pricing its services to independent third party customers, the NWS Group takes into consideration factors which are common and normal for providers of similar services such as market conditions, competition, profit margin, direct and indirect costing, opportunity cost, project duration and all relevant risk factors including client risk.</p>
Financial Services	Risk management, insurance management, global and regional management, alternate risk financing and reinsurance broking services.	<p>In the ordinary course of business at prices and terms that are no less favourable than those with independent third party customers.</p> <p>In pricing its services to independent third party customers, the NWS Group takes into consideration factors which are common and normal for providers of similar services such as market conditions, competition, profit margin, direct and indirect costing, opportunity cost, and all relevant risk factors including client risk.</p>

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Category	Transaction Nature	Overall Pricing Policies and Terms
Others:		
(i) Rental of properties	Rental and use of office, commercial, storage and carparking spaces.	At prices and terms that are on normal commercial terms and on an arm's length basis and are comparable to those applied to independent third parties.
(ii) Management fees	Management for hotel related businesses and other development projects in Hong Kong and the PRC.	<p>In the ordinary course of business on a cost-plus basis. No similar services being provided to independent third parties.</p> <p>The cost element includes all direct costs incurred, such as staff costs, electricity, water and air-conditioning charges, depreciation, cleaning, rent and rates, repair and maintenance, etc and other indirect or common costs allocated on turnover or other equitable basis.</p>

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In considering the overall fairness and reasonableness of the Connected Transactions:

We have taken into account that there are and will be various different categories of services which 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 relevant parties as negotiated at the relevant time. Given the uniqueness and diversity of pricing policies and terms of these contracts, we have reviewed and focused on the overall pricing policies and terms of the Connected Transactions for each of the above categories and analysed and discussed with the Company further on some sub-categories where we consider appropriate. In particular, we have considered and reviewed the overall pricing policies and terms of the services provided by the NWS Group to the NWD Group in the past and have taken a comparison with the overall pricing policies and terms of similar transactions of the NWS Group entered into with independent third parties in the past based on information provided by the Company. Based on discussions with the Company, we have used the comparison of historical pricing policies and terms of the transactions as the basis for our overall review in assessing the fairness and reasonableness of the Connected Transactions. In our opinion, the historical comparison is considered appropriate given that it is not possible to project or estimate future terms of the Connected Transactions on an accurate basis. Using this historical basis, we have taken a sample review of some services contracts and undertaken discussions and analysis with the Company.

Based on the Company information provided to us and our discussions with the Company, we have been informed that the overall pricing policies and terms of the Connected Transactions are and will be based on arm's length and commercial negotiations in the ordinary course of the business. The Company has also confirmed to us that the Connected Transactions are and will be on the same identical terms or in line with those as provided to or contracted with independent third parties, and are hence on an arm's length basis and on normal commercial terms. In the circumstances where a cost-plus pricing policy is adopted for the Connected Transactions, we have also confirmed with the Company that the historical margins charged on a cost-plus basis to the NWD Group are and will be in line with those applicable to independent third parties.

In considering each category of the Connected Transactions, save for the management fees transactions, it is stated in the Circular and confirmed based on our discussions with the Company that all the Connected Transactions are and will be conducted no less favourable than those or on a comparable basis otherwise applicable to independent third parties. In forming our opinion, the Company has also confirmed and stated in the Circular that similar pricing policies will be adopted by the Group following the Reorganisation.

As for the management fees transactions, the NWD Group has been the only customer of the NWS Group in respect of the services. Since the NWD Group is the only customer, there is no comparable information available for review and we are required to rely upon confirmations by the Company that the transactions have been and will be entered into on normal commercial terms and on an arm's length basis.

Based on the above, we have taken into account that the vast majority of the Connected Transactions are and will be entered into by the NWS Group as the services provider. Given that the NWS Group is a provider of services, we consider the most valid and relevant independent source of assessing the fairness and reasonableness of the Connected Transactions is the similar independent third party transactions provided by the NWS Group to its customers. As noted above,

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we have undertaken a sample review and discussed with the Company on these similar independent third party transactions as a comparison. We consider that the Group's services contracts with independent third party customers are at arm's length therefore serving a sufficient basis for us to render an opinion on the fairness and reasonableness of the Connected Transactions. We are of the view that the overall pricing policies and terms of the Connected Transactions as stated in the Circular are and should continue to be fair and reasonable so far as the Group and Independent Shareholders are concerned, and are based on an arm's length basis and on normal commercial terms.

Having considered the above, we are of the overall view that the Connected Transactions are and will continue to be conducted (i) on a fair and reasonable basis, (ii) on normal commercial terms and on an arm's length basis, (iii) and in the interest of the Company and its Shareholders as a whole.

APPLICATION FOR WAIVER

Under the Listing Rules, the Connected Transactions as stated in the Circular 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. We concur with the view of the Company that it would not be practical to make disclosure or, if necessary, obtain Shareholders' approval for each relevant transaction as it arises. As indicated in the Circular, the Company has applied to the Stock Exchange for the Waiver for the current and next two financial years of the Company ending 30 June 2005 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.

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(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;

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- (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 Section 2 (Connected Transactions) in the "Letter from the Board" contained in the Circular) 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 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.

Having considered the above, and relying on the confirmation by the Company that the Company will comply with the relevant requirements under Chapter 14 of the Listing Rules and the conditions of the Waiver, we are of the view that the interests of the Independent Shareholders will be properly safeguarded through the various measures as set out above, being (i) disclosure, (ii) independent non-executive directors' review, (iii) auditors' agreed-upon procedures and (iv) upper limits. In reviewing the upper limits, we are of the opinion that it is reasonable to use historical and projected amounts and patterns of the Connected Transactions as a basis relative to the turnover in determining the reasonable bounds of the upper limits of the Connected Transactions. We have confirmed with the Company that the services industries are of a dynamic nature and the

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projected amounts and patterns of the Connected Transactions have not taken into account the possibility of various industry conditions in the past which may recur and vary from time to time. As such, we consider that it is reasonable for the Company to take into account the historical amounts and patterns of the Connected Transactions as an element in setting the upper limits. We concur with the Company's view that it is appropriate to take the highest of the historical and projected aggregate amounts in respect of each category of the Connected Transactions for the past and next three financial years, rounded up to an appropriate number, as a basis for the relevant upper limits. We further consider in determining the relevant upper limits that it is reasonable to assume the Services Assets will continue to grow at a rate which is consistent with past patterns given that the NWS Group which has a well established business history with some subsidiaries having more than 30 years of operations. Also, we are of the opinion that the selection of time period from the past three financial years to the next three financial years together with the other principal assumptions as stated above in ascertaining the basis of the upper limits is appropriate as it has taken into account a reasonable long time period reducing cyclical effects in analysis and has adjusted for certain factors due to their abnormal nature (such as extraordinary items; material change or disruption in market conditions, operation and business environment or government policies; and instability of services industries) which may otherwise distort the calculation on the reasonableness of the upper limits. On the basis that the same methodologies applied in determining each of the upper limits, we consider the upper limits for the Connected Transactions as stated in the Circular are fair and reasonable.

As our overall view, we consider that the Waiver is fair and reasonable. We are also of the view that the Waiver can save administrative costs and other related expenses from the perspective of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the above, we are of the view that the Connected Transactions are in the interests of the Group and its Shareholders as a whole and the terms thereof are fair, reasonable and are based on an arm's length basis and on normal commercial terms so far as the Group and its Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Connected Transactions.

Yours faithfully,
For and on behalf of

Commerzbank AG Hong Kong Branch

Johnson Fu

Helen Ho

Regional Head of Corporate Finance

Head of Corporate Finance – M&A Advisory

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

1. Purpose of the Scheme

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

2. Duration of the Scheme

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

3. Who may join

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

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

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

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

4. Performance target

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

5. Exercise price

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

6. Limit on number of Shares that can be issued

(a) Outstanding options limit

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

(b) Renewable 10% limit

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the Scheme (the "10% Limit"). The current 10% Limit is 20,599,680 Shares. Options lapsed in accordance with the terms of the Scheme and any other schemes will not be counted for the purpose of calculating the 10% Limit.

(c) Approval for renewal of 10% limit

The Company may seek approval from the Shareholders for "refreshing" the 10% Limit. However, the total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company under the limit as "refreshed" must not exceed 10% of the Shares in issue as at the date of approval of the "refreshed" limit. Options previously granted under the Scheme and any other share option schemes of the Company, including those outstanding, cancelled, lapsed or exercised options in accordance with the Scheme and any other schemes will not be counted for the purpose of calculating the limit as "refreshed".

At the Special General Meeting, an ordinary resolution will be proposed to approve the renewal of the 10% Limit.

(d) *Specific approval for excess grant*

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

7. Single participant limit

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

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

8. Grant of options to Connected Persons

(a) *Grant to director, chief executive or substantial shareholder*

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

(b) *Grant to independent non-executive director*

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

(c) *Limit on grants within 12 months*

Where any grant of options to a substantial shareholder or an independent non-executive 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:

- (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.

(c) *Variation of terms*

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

9. Procedures for acceptance of options

An offer of the grant of options shall be made to an Eligible Participant by letter in such form as the Directors may 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 if acceptance whereof is received by the Company within the 14-day's period together with the required payment of consideration for such grant. Any offers 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 grantee and shall not be transferred, charged, mortgaged or assigned (save that the grantee may have the Shares to be issued on the exercise of his option registered in the name of a nominee holding in trust for him).

11. Exercise of options

An option may be exercised by the grantee 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 grantee.

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

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

12. Lapse of options

(a) *Expiry of option period*

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

(b) On termination of employment for Eligible Employees

If an option holder, being an Eligible Employee, ceases to be an Eligible Employee (unless the Directors otherwise determine in their discretion):

- (i) by reason of ill-health, disability 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 at the end of such period; or
- (ii) by reason of voluntary resignation, or by termination of his employment in accordance with the termination provisions of his contract of employment by his employing company, (otherwise than on redundancy), or his employing company ceases to be a member of the Group or an Invested Entity, all his options shall lapse on the date he so ceases; or
- (iii) by reason of misconduct or on certain other grounds, his options shall lapse forthwith.

(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 shall lapse if the Directors shall at any time determine that (i) such option holder or his associate has committed any breach of any 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 (ii) all options held by that option holder shall lapse.

(d) On takeover offers

If, in consequences of any general offer made to the Shareholders or otherwise, any person shall have obtained control of the Company, then the option holder may within 6 months after such control has been obtained exercise his options, and any unexercised option shall lapse upon expiry of such 6-month's period save 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 Companies Act and gives notice to any Shareholders that he intends to exercise such acquisition rights, the options shall remain exercisable until the expiry of one month after the date of such notice.

(e) On liquidation

If notice is given of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Company, the options shall be exercisable (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 a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other company, the Company shall give notice thereof to all option holders on the same date as notice of meeting is sent to the members or creditors of the Company, and thereupon each option holder may, within 2 months therefrom 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 Company's Bye-laws and will rank *pari passu* in all respects with other Shares in issue on the date the name of the grantee is registered in the Company's register of members, in particular in respect of voting, transfer, and other rights including those arising on a liquidation of the Company and rights in respect of any dividend or other distribution paid or made after the date of registration other than any dividend or distribution to be paid or made if the record date therefor shall be before the date of registration. If however the date of exercise of the option falls on a date when the Company's 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 is re-opened.

15. Adjustment on alteration of share capital

(a) *Adjustment of option entitlement*

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

- (i) the subject matter of the option so far as unexercised; and/or
- (ii) the exercise price; and/or
- (iii) the method of exercise of the option,

as the auditors of the Company 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 his option 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.

(b) Adjustment of Scheme limits

The maximum number of Shares subject to the Scheme will be adjusted, in such manner as the auditors shall certify 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 Company's share capital save that no 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.

16. Variation of the terms of the Scheme

Any alterations to the terms and conditions of the 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 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 Company's Bye-laws as if the options constituted a separate class of share capital.

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

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

17. Termination of the Scheme

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

APPENDIX II EXPLANATORY STATEMENT ON THE REPURCHASE MANDATE

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

1. Listing Rules relating to the repurchase of securities

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below. The Company is empowered by its memorandum and bye-laws to repurchase its own securities.

2. Share capital

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,780,759,001 Shares.

Subject to the passing of the relevant resolution for the grant of the Repurchase Mandate (resolution numbered 5 as set out in the notice convening the Special General Meeting contained in this Circular), and on the basis of 1,780,759,001 Shares in issue and assuming that no further Shares are issued or repurchased by the Company prior to the Special General Meeting, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 178,075,900 Shares.

3. Reasons for the repurchase

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

4. Funding of repurchases

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

The Company is empowered by its memorandum and bye-laws to repurchase its Shares, Repurchases will be funded from the Company's available cash flow or working capital facilities. Bermuda law provides that repurchases may only be effected out of the capital paid up on the repurchased Shares or out of the funds of the Company otherwise available for dividend or distribution or out of proceeds of a fresh issue of Shares made for the purpose. Any premium payable on a repurchase over the par value of the Shares to be repurchased must be provided for out of funds of the Company otherwise available for dividend or distribution or out of the Company's share premium account or contributed surplus account.

APPENDIX II EXPLANATORY STATEMENT ON THE REPURCHASE MANDATE

The Directors consider that there might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report of Company for the year ended 30 June 2002) in the event that the Repurchase Mandate was to be exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse impact on the working capital or gearing ratio of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

5. Share prices

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

	Price per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2002		
February	0.425	0.390
March	0.450	0.395
April	0.440	0.390
May	0.520	0.390
June	0.490	0.410
July	0.475	0.330
August	0.430	0.370
September	0.465	0.400
October	0.620	0.350
November	0.455	0.335
December	0.425	0.310
2003		
January	0.405	0.280
February (up to 7 February 2003)	0.280	0.232
February (from 10 February 2003 up to the Latest Practicable Date)	2.525	2.200

Note: On 10 February 2003, the 10 into one Share Consolidation became effective

6. Disclosure of interests and minimum public holding

None of the Directors or, to the best of their knowledge and belief, having made all reasonable enquiries, their associates (as defined in the Listing Rules), have any present intention to sell to the Company or its subsidiaries any of the securities in the Company if the Repurchase Mandate is approved at the Special General Meeting and is exercised.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to make repurchases of the Shares pursuant to the Repurchase Mandate in accordance with the Listing Rules, applicable laws of Bermuda and the regulations set out in the memorandum and bye-laws of the Company.

APPENDIX II EXPLANATORY STATEMENT ON THE REPURCHASE MANDATE

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

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, the NWD Group held approximately 54% of the then existing issued Shares. On the basis that 1,780,759,001 Shares will be in issue as at the date of the Special General Meeting, if the Repurchase Mandate were exercised in full, the percentage shareholding of the NWD Group in the Company would increase to approximately 60.1% of the then issued Shares.

On the basis of the current shareholding of the NWD Group, an exercise of the Repurchase Mandate in full will not result in the NWD Group becoming obliged to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors have no intention to exercise the Repurchase Mandate to such an extent that will result in the number of Shares in the hands of public falling below the prescribed minimum percentage of 25%. The Directors also have no intention to exercise the Repurchase Mandate to such an extent that will result in a requirement of the NWD Group to make a general offer under the Takeovers Code.

7. Securities repurchase made by the Company

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

8. Connected parties

No connected person of the Company has notified the Company that he/she/it has a present intention to sell any securities to the Company nor has any such connected person undertaken not to sell any of the securities held by him/her/it to the Company in the event that the Repurchase Mandate is granted.

1. RESPONSIBILITY STATEMENT

This Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Board collectively and individually accepts full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the following Directors held ordinary shares of HK\$0.10 each in the Company, as follows:

	Number of shares		
	Personal	Family	Corporate
Cheng Kar Shun, Henry	–	587,000	–
Doo Wai Hoi, William	–	–	347,000
Chan Kam Ling	3,991	–	10,254,321
Wong Kwok Kin, Andrew	3,135,015	2,650,051	–
Lam Wai Hon, Patrick	35,800	–	265,139

- (b) As at the Latest Practicable Date, the following Directors held ordinary shares of HK\$1.00 each in NWD, the ultimate holding company of the Company, as follows:

	Number of shares		
	Personal	Family	Corporate
Chan Kam Ling	96,669	–	–
Kwong Che Keung, Gordon	30,000	–	–

- (c) As at the Latest Practicable Date, the following Directors of the Company held ordinary shares of HK\$1.00 each in NWI, an indirect subsidiary of NWD (being the ultimate holding company of the Company), as follows:

	Number of shares		
	Personal	Family	Corporate
Cheng Kar Shun, Henry	–	1,000,000	–
Doo Wai Hoi, William	–	–	12,000,000
Chan Kam Ling	6,800	–	–

(d) As at the Latest Practicable Date, the following Directors held shares in associated corporations (within the meaning of the SDI Ordinance) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance as follows:

Name of Associated Corporation	Name of Director	Number of shares/% equity interest
1 New World China Land Limited	Doo Wai Hoi, William Chan Kam Ling Lam Wai Hon, Patrick	700,000 # 100,000 # 30,000 #
2 Master Services Limited	Chan Kam Ling Wong Kwok Kin, Andrew	16,335 # 44,915 #
3 Grand Make International Limited	Doo Wai Hoi, William	10 #
4 Ramada Property Ltd.	Doo Wai Hoi, William	200 #
5 Faith Yard Property Limited	Doo Wai Hoi, William	1 #
6 Fortune Star Worldwide Limited	Doo Wai Hoi, William	60 #
7 HH Holdings Corporation	Chan Kam Ling	15,000 #
8 Tai Fook Securities Group Limited	Wong Kwok Kin, Andrew	390,000 #
9 Shanghai Ju Yi Real Estate Development Co., Ltd.	Doo Wai Hoi, William	20% participating interest*
10 Fung Seng Estate Development (Shanghai) Co., Ltd.	Doo Wai Hoi, William	20% participating interest*
11 Shanghai Trio Property Development Co., Ltd.	Doo Wai Hoi, William	1.8% participating interest*
12 Zhaoqing New World Property Development Limited	Doo Wai Hoi, William	60% indirect equity interest*
13 Zhaoqing New World Property Management Limited	Doo Wai Hoi, William	60% indirect equity interest*
14 Nanjing Xinlidao Property Development Limited	Doo Wai Hoi, William	35% equity interest*
15 南京新世界長江儀器有限公司	Doo Wai Hoi, William	21.175% equity interest*

Shares held personally

* Equity Interest held through a corporate entity

- (e) As at the Latest Practicable Date, under a share option scheme adopted by NWI, Dr. Cheng Kar Shun, Henry held share options to subscribe for shares in NWI as follows:

Name of Director	Date of grant	Number of share options outstanding with exercise price per share in NWI of	
		HK\$10.20 (Note 1)	HK\$12.00 (Note 2)
Cheng Kar Shun, Henry	2 December 1998	600,000	2,400,000

Notes:

- (1) The share options are exercisable from 1 July 1999 to 1 June 2004.
- (2) The share options are divided into three tranches exercisable from 1 July 2000, 1 July 2001 and 1 July 2002, respectively, to 1 June 2004.
- (f) As at the Latest Practicable Date, under a share option scheme adopted by NWCL, an indirect subsidiary of NWD (being the ultimate holding company of the Company), certain Directors held share options to subscribe for shares in NWCL at a price of HK\$1.955 as follows:

Name of Director	Date of grant	Period during which share options may be exercisable (Note)	Number of share options outstanding
Cheng Kar Shun, Henry	7 February 2001	8 March 2001 to 7 March 2006	5,000,000
Doo Wai Hoi, William	8 February 2001	9 March 2001 to 8 March 2006	2,800,000
Chan Kam Ling	9 February 2001	10 March 2001 to 9 March 2006	400,000

Note: The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of grant when the offers of the share options were accepted, provided that the maximum number of share options that can be exercised during a year is 20% of the total number of the share options granted together with any unexercised share options carried forward from the previous year(s).

- (g) As at the Latest Practicable Date, under a share option scheme adopted by Wai Kee Holdings Limited (“Wai Kee”), an associated corporation of the Company, Mr. Lam Wai Hon, Patrick held share options to subscribe for 500,000 shares in Wai Kee at a price of HK\$0.34 per share. Such share options were granted on 29 November 2000 and are exercisable for the period from 29 November 2001 to 28 November 2004.

Other than the shares and share options set out above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest in the securities of the Company or any associated corporation (within the meaning of the SDI Ordinance) which would be required to be: (i) notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which a Director would be taken or deemed to have under Section 31 of, or Part I of the schedule to, the SDI Ordinance); (ii) entered in the register kept by the Company pursuant to Section 29 of the SDI Ordinance; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

3. SUBSTANTIAL SHAREHOLDERS

- (a) As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons were interested in 10% or more of the share capital of the Company as recorded in the register required to be kept under Section 16 of the SDI Ordinance as follows:

Name	Notes	Number of Shares
Chow Tai Fook Enterprises Limited (“CTFEL”)	(1)	1,018,902,575
NWD		959,070,682
Sea Walker Limited (“SWL”)	(2)	303,453,687
Mombasa Limited (“Mombasa”)	(3)	303,453,687

Notes:

- (1) CTFEL and its subsidiaries have interests in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares deemed to be interested by NWD. CTFEL is also directly interested in 59,831,893 shares in the capital of the Company.
- (2) NWD holds 100% interest in SWL and SWL is accordingly deemed to have an interest in shares held by NWD. NWD is also indirectly interested in 655,616,995 shares in the capital of the Company through its various subsidiaries.
- (3) Mombasa is a wholly-owned subsidiary of SWL and its interests in the Company is deemed to be held by SWL.

Save as disclosed above, no other person was recorded in the register kept pursuant to Section 16 of the SDI Ordinance as having an interest in 10% or more of the issued share capital of the Company as at the Latest Practicable Date.

- (b) As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company and save as otherwise disclosed in this Circular, the persons (other than members of the Group) directly or indirectly interested in 10% or more of the voting power at general meetings of the members of the Group (other than the Company) were as follows:

Name	Name of subsidiary	Percentage of shares held
Just Right Holdings Limited	Millennium Engineering limited	12%
Chan Ting Lai	Kentfull Contracting Limited	30%
Junglesoft Inc.	JungleSoft Net Limited	20%
Smart Concept Trading Limited	Tali Group Limited	12.35%
Chan Ting Lai	Tali Group Limited	17.65%
Island Smart Holdings Limited	True Success Hong Kong Limited	20%
Gold Cycle Limited	True Success Hong Kong Limited	10%
北京市萬勝全物業管理中心	Beijing Kiu Lok Property Management Services Co., Ltd.	40%
珠海市萬泉河科技發展有限公司	深圳香島園花卉有限公司	40%
廣州市新運行汽車運輸有限公司	廣州銳萊停車場設備有限公司	10%
Hong Kong Ticketing Alliance Limited	Hong Kong Ticketing Holdings Limited	50%
Miramar Hotel & Investment Company Limited	Espora Company Limited	50%
Well Born Real Estate Management Limited	Urban-WellBorn Property Management Limited	50%
中國廣州市建設開發物業公司	廣州市富城物業管理有限公司	50%
Architectural Precast Limited	Architectural Precast GRC Limited	35%
Bioforte (Hong Kong) Environmental Engineering and Technology Company Limited	BioEnviroLink Technologies Limited	30%

Name	Name of subsidiary	Percentage of shares held
Cinagro Pte Limited	Cinabel (Singapore) Pte Limited	20%
順德市誠業建築集團公司	Shunde Xiexing Construction Engineering Company Limited	15%
New Concepts Foundation Limited	Barbican-New Concepts Joint Venture	40%
Taisei Corporation	Hip Hing-Taisei Joint Venture	40%
廣州市機電安裝公司	Triguang Engineering (Guangzhou) Company Limited	49%
武漢市工業設備安裝公司	Trihan Engineering (Wuhan) Company Limited	49%
珠海國際經濟技術合作公司	Zhuhai Young's Engineering Company Limited	20%
Gaoming City Traffic Development Co.	Gaoming Xinming Bridge Co., Ltd.	49%
Guangdong Highway-Bridge Construction Development Co.	Zhaoqing Xinde Bridge Limited	25%
Tianjin Highway Construction Development Corporation	Tianjin Yongfa Highway and Bridge Construction Development Limited	10%
Wuhan San Zhen Industry Holding Co. Ltd.	Wuhan Bridge Construction Co., Ltd.	51.14%
Guangzhou Yongtong Freeway Company Ltd.	Guangzhou Northring Freeway Company	10.41%
Asian East Worldwide Limited	Guangzhou Northring Freeway Company	24.30%
Guangxi Wuzhou Heng Tong Development Ltd.	Wuzhou Xinwu Highways Limited	40%
Guangxi Yulin Yu Shi Highway Development Ltd.	Guangxi Yulin Xinyu Highways Limited	40%
Guangxi Yulin City Heng Tong Ltd.	Guangxi Yulin Xinye Highways Limited	40%

Name	Name of subsidiary	Percentage of shares held
Guangxi Yulin City Heng Tong Ltd.	Guangxi Yulin Xintong Highways Limited	40%
Guangxi Cangwu County Electric Power Co. Ltd.	Guangxi Cangwu Xincang Highways Ltd.	30%
Guangxi Beiliu Gaote Co. Ltd.	Guangxi Beiliu Xinbei Highways Ltd.	40%
Guangxi Rongxian Road & Bridge Construction Co. Ltd.	Guangxi Rongxian Xinrong Highways Limited	30%
Zhaoqing Highway Development Ltd.	Zhaoqing Xingao Highway Co., Ltd.	27.36%
Gaoyao City Highway Development Co.	Zhaoqing Xingao Highway Co., Ltd.	20.64%
Zhaoqing Highway Development Ltd.	Guangdong Xinzhaogao Highways Co., Ltd.	12.97%
Gaoyao City Highway Development Co.	Guangdong Xinzhaogao Highways Co., Ltd.	12.87%
Gaoyao City Highway Development Co.	Zhaoqing Gaoyao Xinhua Highways Ltd.	30%
Guangdong Highway-Bridge Construction Development Co.	Guangdong Gaoyao Xinjun Highways Ltd.	27%
Gaoyao City Highway Development Co.	Guangdong Gaoyao Xinwei Highways Ltd.	30%
Gaoyao City Highway Development Co.	Zhaoqing Gaoyao Xinshuang Jin Highways Ltd.	35%
Zhaoqing Highway Development Ltd.	Zhaoqing Xinhui Highways Co., Ltd.	14%
Sihui Highway Development Ltd.	Zhaoqing Xinhui Highways Co., Ltd.	17.61%
Guangdong Highway-Bridge Construction Development Co.	Zhaoqing Xinning Highways Co., Ltd.	12.59%

Name	Name of subsidiary	Percentage of shares held
Zhaoqing Highway Development Ltd.	Zhaoqing Xinning Highways Co Ltd.	17.78%
Guangning Highway Development Co.	Zhaoqing Xinjiang Highways Ltd.	40%
Guangdong Highway-Bridge Construction Development Co.	Zhaoqing Xinde Highways Co., Ltd.	32%
Guangdong Deqing Highway Development Co.	Zhaoqing Xinde Highways Co., Ltd.	11%
Guangdong Highway-Bridge Construction Development Co.	Zhaoqing Xinfeng Highways Co., Ltd.	33.85%
Xinxing County Highway-Bridge Company	Yunfu Xinxing Highways Ltd.	40%
Guangdong Deqing Highway Development Co.	Zhaoqing Deqing Xinyue Highways Ltd.	15%
Guangdong Highway-Bridge Construction Development Co.	Zhaoqing Deqing Xinyue Highways Ltd.	20%
Gujiao Highway-Bridge Development & Construction Company	Taiyuan Xinyuan Highways Limited	40%
Taiyuan Tongtai Industry & Commerce General Company	Taiyuan Xintai Highways Limited	40%
Changzhi City Changda Highway Development Company	Shanxi Xinhuang Highways Limited	40%
Changzhi City Changda Highway Development Company	Shanxi Xinda Highways Limited	40%
Qingxin County Communications Construction Development Co.	Qingyuan Xinqing Highways Limited	21%

Name	Name of subsidiary	Percentage of shares held
Wuhan Airport Road Industrial Development Co. Ltd.	Wuhan Airport Road Development Ltd.	33.33%
Tianjin Highway Construction Development Corporation	Tianjin Xinzhan Expressway Company Limited	33.38%
Tianjin Highway Construction Development Corporation	Tianjin Xinyan Expressway Company Limited	33.38%
Tianjin Highway Construction Development Corporation	Tianjin Xinming Expressway Company Limited	33.38%
Tianjin Highway Construction Development Corporation	Tianjin Xinsi Expressway Company Limited	33.38%
Tianjin Highway Construction Development Corporation	Tianjin Xinxiang Expressway Company Limited	33.38%
Tianjin Highway Construction Development Corporation	Tianjin Xinsen Expressway Company Limited	33.38%
Tianjin Highway Construction Development Corporation	Tianjin Xindi Expressway Company Limited	33.38%
Tianjin Highway Construction Development Corporation	Tianjin Xintuo Expressway Company Limited	33.38%
Tianjin Highway Construction Development Corporation	Tianjin Xinqing Expressway Company Limited	33.38%
Tianjin Highway Construction Development Corporation	Tianjin Xintong Expressway Company Limited	33.38%
Tianjin Highway Construction Development Corporation	Tianjin Xinshi Expressway Company limited	33.38%
Tianjin Highway Construction Development Corporation	Tianjin Xinquan Expressway Company Limited	33.38%
Tianjin Highway Construction Development Corporation	Tianjin Xinlu Expressway Company Limited	33.38%
Tianjin Highway Construction Development Corporation	Tianjin Xinlong Expressway Company Limited	33.38%
Shunde Electric Development Corporation Ltd.	Shunde De Sheng Power Plant Co., Ltd.	40%

Name	Name of subsidiary	Percentage of shares held
Sichuan Qianwei Power (Group) Share Co., Ltd.	Sichuan Qianwei Dali Power Co., Ltd.	40%
Nanjing Port Authority	Nanjing Huining Wharfs Co., Ltd.	45%
蘇州通港港口有限公司	Suzhou Huisu International Container Freight Wharfs Co., Ltd.	25%
Xiamen COSCO International Container Freight Station & Transportation Co., Ltd.	Xiamen Xinyuan Container Terminal Co., Ltd.	30%

Save as disclosed above, so far as is known to any Director or chief executive of the Company, no other person had directly or indirectly an interest in 10% or more of the voting power at general meetings of any member of the Group as at the Latest Practicable Date.

4. ADDITIONAL DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement subsisting at the date of this Circular which is significant in relation to the business of the Group.
- (b) As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which is not determinable by the relevant member of the Group within one year without payment of compensation, other than statutory compensation.
- (c) As at the Latest Practicable Date, Commerzbank had no shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (d) As at the Latest Practicable Date, none of the Directors or Commerzbank had any direct or indirect interest in any asset which had been acquired or disposed of by, or leased to, any member of the Group, or was proposed to be acquired or disposed of by, or leased to, any member of the Group, since 30 June 2002, the date to which the latest published audited financial statements of the Group were made up.

5. MATERIAL ADVERSE CHANGE

The Board is not aware of any material adverse change in the financial or trading position of the Group since 30 June 2002, the date to which the latest published audited financial statements of the Group were made up.

6. CONSENT AND QUALIFICATION OF EXPERT

Commerzbank is a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong). Commerzbank has given and has not withdrawn its written consent of the issue of this Circular with the inclusion of its letter of advice in respect of the Connected Transactions, and references to its name in the form and context in which they appear.

7. LITIGATION

No member of the Group is engaged in any litigation or claim of material importance and, so far as the Board is aware, no litigation or claim of material importance is pending or threatened against any member of the Group.

8. MISCELLANEOUS

- (a) The English text of this Circular will prevail over the Chinese text.
- (b) The secretary of the Company is Mr. Lam Wai Hon, Patrick, a Fellow Chartered Accountant.
- (c) The head office and the principal place of business of the Company is at 17th Floor, New World Tower 2, 18 Queen's Road Central, Hong Kong. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The branch share registrars of the Company in Hong Kong is at G/F., BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

9. MATERIAL CONTRACTS

The following contracts (excluding contracts that are entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this Circular, and are or may be material:

- (a) the Infrastructure Assets Sale Agreement;
- (b) the Services Assets Sale Agreement;
- (c) the Engagement Undertaking; and
- (d) a merger agreement dated 28 June 2002 in relation to the merger of certain port investments of the Company in Xiamen of the PRC.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Linklaters at 10th Floor, Alexandra House, 16-20 Chater Road, Hong Kong during normal business hours on any day (except public holidays) up to and including the day before the Special General Meeting:

- (a) the agreements relating to the Connected Transactions entered into between the Company and the NWD Group;
- (b) the memorandum of association and bye-laws of the Company;

- (c) the letter from the Independent Board Committee dated 21 February 2003, the text of which is set out on pages 22 to 23 of this Circular;
- (d) the letter from Commerzbank dated 21 February 2003, the text of which is set out on pages 24 to 37 of this Circular;
- (e) the written consent of Commerzbank referred to in paragraph 6 of this appendix;
- (f) the audited financial statements of the Group for the years ended 30 June 2002 and 2001;
- (g) the material contracts referred to under paragraph 9 of this appendix;
- (h) a copy of each of the circulars issued by the Company dated 31 October 2001, 23 July 2002 and 18 November 2002; and
- (i) the amended rules of the Share Option Scheme.

NOTICE OF THE SPECIAL GENERAL MEETING



新創建集團有限公司*

NWS Holdings Limited

(formerly known as Pacific Ports Company Limited)

(incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting of NWS Holdings Limited (the “Company”) will be held at Rooms 606 and 607, Level 6, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 12 March 2003 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTIONS

1. **“THAT**, subject to compliance with the terms of the waiver granted by The Stock Exchange of Hong Kong Limited (**“Stock Exchange”**) to the Company in respect of the obligations to comply with the approval and/or disclosure requirements under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange in respect of the Connected Transactions, as defined in the section headed “Definitions” and more particularly described in the section headed “Connected Transactions” of the “Letter from the Board” contained in the Company’s circular to shareholders dated 21 February 2003 (a copy of which has been produced to this meeting marked “A” and initialled by the chairman of this meeting for the purpose of identification), together with the relevant upper limits, be and the same are hereby generally and unconditionally approved in respect of each and every occasion when such Connected Transactions arise during the current and next two financial years of the Company ending 30 June 2005 and a general mandate be and is hereby given to the directors of the Company to enter into or continue the Connected Transactions during such period and further the directors of the Company be authorised to do all further acts and things and execute such further documents and take all such steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of the Connected Transactions.”
2. **“THAT**, with effect from the conclusion of this meeting, the rules of the share option scheme (**“Scheme”**) of the Company adopted on 6 December 2001 be altered by adopting the amended rules of the Scheme, the principal terms of the amended rules are summarized in the Company’s circular to shareholders dated 21 February 2003 (a copy each of the circular and the amended rules have been produced to this meeting marked “A” and “B” respectively and initialled by the chairman of this meeting for the purpose of identification) and **THAT** the amended rules be approved and adopted as the new rules of the Scheme in substitution for and to the exclusion of the existing rules of the Scheme and **FURTHER THAT** the directors of the Company be and they are hereby authorised to approve and effect any further amendments to the amended rules of the Scheme as may be required by, acceptable or not objected to by The Stock Exchange of Hong Kong Limited subject to and in accordance with the provisions of the amended rules, and at their absolute discretion to grant options to subscribe for shares in the Company under the Scheme and to allot, issue and deal with shares in the Company pursuant to the exercise of options granted under the Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Scheme.”

* For identification purposes only

NOTICE OF THE SPECIAL GENERAL MEETING

3. “**THAT** pursuant to Rule 4.2 of the Rules of the share option scheme (“**Scheme**”) adopted by the Company on 6 December 2001 (or, upon passing of Ordinary Resolution No. 2, as amended by that Ordinary Resolution), approval be and is hereby generally and unconditionally granted for “refreshing” the 10% limit under the Scheme provided that (i) the total number of shares of HK\$1.00 each in the capital of the Company which may be issued upon the exercise of all options to be granted under the Scheme and any other share option schemes of the Company under the limit as “refreshed” hereby shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution and (ii) options previously granted under the Scheme and any other share option schemes of the Company (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Scheme or any other share option schemes of the Company) shall not be counted for the purpose of calculating the 10% limit as “refreshed” hereby.”

4. “**THAT:**
 - (a) subject to paragraph (c) of this resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company or securities convertible into such shares or options, warrants, or similar rights to subscribe for any shares or convertible securities and to make or grant offers, agreements and options which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;

 - (b) the approval in paragraph (a) of this resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

 - (c) the aggregate nominal value of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) and issued by the Directors of the Company pursuant to the approval granted in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) the exercise of any conversion rights attaching to any securities which are convertible into shares of the Company; (iii) the exercise of the rights under any option scheme or similar arrangement for the time being adopted for the grant or issue to directors and/or employees of the Company and/or any of its subsidiaries of options to subscribe for, or rights to acquire, shares of the Company; or (iv) any issue of shares as scrip dividend or similar arrangements providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company; shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution and the approval granted in paragraph (a) shall be limited accordingly; and

NOTICE OF THE SPECIAL 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 the bye-laws of the Company or any applicable laws to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

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

5. “**THAT:**

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

NOTICE OF THE SPECIAL GENERAL MEETING

(c) for the purpose of this resolution:

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

- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws to be held; and
 - (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”
6. “**THAT** conditional upon the Ordinary Resolutions Nos. 4 and 5 being passed, the general mandate granted to the Directors of the Company pursuant to Ordinary Resolution No. 4 be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted by the Directors of the Company pursuant to such general mandate, an amount representing the aggregate nominal amount of the shares repurchased by the Company under the authority granted pursuant to Ordinary Resolution No. 5 provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution.”

By Order of the Board
Dr. Cheng Kar Shun, Henry
Chairman

Hong Kong, 21 February 2003

Head office and principal place of business:

17th Floor
New World Tower 2
18 Queen’s Road Central
Hong Kong

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Notes:

- 1 A member entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company but must be present in person to represent him.
- 2 In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a copy of such authority notarially certified, must be deposited at the office of the Company’s branch registrars in Hong Kong, at Standard Registrars Limited, at G/F., BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting, as the case may be. Completion and return of the form of proxy will not preclude shareholders from attending and voting at the meeting if shareholders so desire.