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 NWI or PPC, 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.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of NWI or PPC.

新世界基建有限公司
New World Infrastructure Limited
(incorporated in the Cayman Islands with limited liability)

CONNECTED TRANSACTIONS

太平洋港口有限公司
Pacific Ports Company Limited
(incorporated in Bermuda with limited liability)

DISCLOSEABLE AND CONNECTED TRANSACTIONS

MERGER BY A SUBSIDIARY

Independent Financial Adviser to the Independent Board Committees

BNP PARIBAS PEREGRINE

A joint letter from the NWI Board and the PPC Board is set out on pages 5 to 17 of this circular, a letter from the NWI Independent Board Committee is set out on pages 18 and 19 of this circular and a letter from the PPC Independent Board Committee is set out on pages 20 and 21 of this circular. In addition, a letter from BNP Paribas Peregrine is set out on pages 22 to 32 of this circular.

23 July 2002

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

"Agreed Value"	being the value of CJV 1, CJV 2 or WSOLLC (as the case may be) as at 30 June 2001 agreed by the Merger Parties for the purpose of the Merger
"Berth No. 12"	Berth number 12 in the East Channel Port Zone, Xiamen, the PRC
"Berth Nos. 12 to 16"	Berth numbers 12, 13, 14, 15 and 16 in the East Channel Port Zone, Xiamen, the PRC
"Berth Nos. 13 & 14"	Berth numbers 13 and 14 in the East Channel Port Zone, Xiamen, the PRC
"Berth Nos. 13 & 15"	Berth numbers 13 and 15 in the East Channel Port Zone, Xiamen, the PRC
"Berth Nos. 14 & 16"	Berth numbers 14 and 16 in the East Channel Port Zone, Xiamen, the PRC
"Berth Nos. 15 & 16"	Berth numbers 15 and 16 in the East Channel Port Zone, Xiamen, the PRC
"BNP Paribas Peregrine"	BNP Paribas Peregrine Capital Limited, the independent financial adviser to the Independent Board Committees in relation to the Transactions
"Chesterton"	Chesterton Petty Ltd., an independent qualified valuer in Hong Kong
"CJV"	a Sino-foreign co-operative joint venture company established under the laws of the PRC
"CJV 1"	Xiamen Xiang Yu Quay Co., Ltd. (廈門象嶼碼頭有限公司), a CJV and which is owned as to 92% by Party B (as the foreign joint venture partner) and 8% by Party A (as the PRC joint venture partner)
"CJV 2"	Xiamen Xiangyu Free Trade Zone Huijian Quay Co., Ltd. (廈門象嶼保稅區惠建碼頭有限公司), a CJV and which is owned as to 60% by Party B (as the foreign joint venture partner) and 40% by Party A (as the PRC joint venture partner)

"Committee"	the management committee constituted by the representatives of the shareholders of each of the Merger Parties, during the transitional period, to consider and make decisions in respect of certain matters concerning the Merger Parties
"Completion"	the completion of the Merger in accordance with the Merger Agreement
"EJV"	a Sino-foreign equity joint venture company established under the laws of the PRC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency in Hong Kong
"Independent Board Committees"	the NWI Independent Board Committee and the PPC Independent Board Committee
"Latest Practicable Date"	18 July 2002, 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
"Management"	the management of the New JV
"Merger"	the merger between the Merger Parties in accordance with the Merger Agreement
"Merger Agreement"	the merger agreement dated 28 June 2002 entered into between the Merger Parties in relation to the Merger
"Merger Parties"	CJV 1, CJV 2 and WSOLLC
"New JV"	the new identity of CJV 1 after Completion (being an EJV), whereupon its name will be changed to Xiamen New World Xiang Yu Container Terminals Co., Ltd. (廈門象嶼新世界集裝箱碼頭有限公司)
"New JV Board"	the board of directors of the New JV
"NWCL"	New World China Land Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the Stock Exchange

"NWD"	New World Development Company Limited, a company incorporated in Hong Kong and the shares of which are listed on the Stock Exchange
"NWI"	New World Infrastructure Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the Stock Exchange
"NWI Board"	the board of NWI Directors
"NWI Directors"	the directors of NWI
"NWI Group"	NWI and its subsidiaries
"NWI Independent Board Committee"	the independent committee of the NWI Board constituted by independent non-executive NWI Directors, for the purpose of considering and advising the NWI Shareholders in connection with the Transactions
"NWI Shareholders"	shareholders of NWI
"Party A"	Xiamen Xiangyu Group Corporation (廈門象嶼集團有限公司), a company established under the laws of the PRC
"Party B"	New World (Xiamen) Port Investments Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of PPC
"PPC"	Pacific Ports Company Limited, a company incorporated in Bermuda and the shares of which are listed on the Stock Exchange
"PPC Board"	the board of PPC Directors
"PPC Directors"	the directors of PPC
"PPC Group"	PPC and its subsidiaries
"PPC Independent Board Committee"	the independent committee of the PPC Board constituted by independent non-executive PPC Directors, for the purpose of considering and advising the PPC Shareholders in connection with the Transactions
"PPC Shareholders"	shareholders of PPC
"PRC"	the People's Republic of China

"PRC Valuation"	the asset valuation on each of CJV 2 and WSOLLC as at 30 June 2001 by Chinese Enterprise Appraisal Limited Liability Company (北京中企華資產評估有限責任公司), an independent unconnected qualified asset valuer in the PRC
"RMB"	Renminbi, the lawful currency in the PRC
"SDI Ordinance"	the Securities (Disclosure of Interests) Ordinance, Chapter 396 of the Laws of Hong Kong
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transactions"	the entering into of the Merger Agreement, the Merger and all other transactions contemplated under the Merger Agreement
"WSOLLC"	Xiamen Xiangyu Free Port Developing Co., Ltd. (廈門象嶼保稅港區發展有限公司), a wholly state-owned limited liability company established under the laws of the PRC and a wholly-owned subsidiary of Party A

In this circular, except as otherwise indicated, RMB has been translated into HK$ at the rate of HK$1.00 = RMB1.06 for reference purpose.

新世界基建有限公司
New World Infrastructure Limited
(incorporated in the Cayman Islands with limited liability)

Executive NWI Directors:
Dr. Cheng Kar-Shun, Henry *(Chairman)*
Mr. Doo Wai-Hoi, William *(Vice Chairman)*
Mr. Chan Wing-Tak, Douglas *(Managing Director)*
Mr. Cheng Kar-Shing, Peter
Mr. Leung Chi-Kin, Stewart
Mr. Chan Kam-Ling
Mr. So Ngok

Non-executive NWI Directors:
Dr. Li Kwok-Po, David*
Mr. Cheng Wai-Chee, Christopher*
Mr. Coull, Gary William John*
Mr. Kaffenberger, Wilfried Ernst
(Alternate Director: Mr. Yeung Kun-Wah)
Mr. Fu Sze-Shing

Head office and principal place of business:
9th Floor
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18 Queen's Road Central
Hong Kong

Registered office:
P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

* *Independent non-executive NWI Directors*

太平洋港口有限公司
Pacific Ports Company Limited
(incorporated in Bermuda with limited liability)

Executive PPC Directors:
Dr. Cheng Kar-Shun, Henry *(Chairman)*
Mr. Chan Wing-Tak, Douglas *(Deputy Chairman)*
Mr. Doo Wai-Hoi, William
Mr. Lo Lin-Shing, Simon
Mr. So Ngok
Mr. Cheung Chin-Cheung, Tommy
Mr. Bruce Carroll Allen
Mr. Tse Po-Shing, Andy

Independent non-executive PPC Directors:
Mr. To Hin-Tsun, Gerald
Mr. Peter Francis Amour

Head office and principal place of business:
21st Floor
New World Tower 2
18 Queen's Road Central
Hong Kong

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

23 July 2002

To the NWI Shareholders and the PPC Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS OF NWI
DISCLOSEABLE AND CONNECTED TRANSACTIONS OF PPC
MERGER BY A SUBSIDIARY

INTRODUCTION

NWD, NWI and PPC jointly issued an announcement dated 2 July 2002 that the Merger Agreement was entered into between CJV 1, CJV 2 and WSOLLC, pursuant to which CJV 1 (an indirect subsidiary of each of NWI and PPC) will be: (i) merged with CJV 2 and WSOLLC by way of absorption; and (ii) converted from a CJV into an EJV immediately after the Merger.

As WSOLLC is a wholly-owned subsidiary of Party A, which in turn is a substantial shareholder (as defined in the Listing Rules) of CJV 2 (an indirect subsidiary of PPC), the Transactions constitute connected transactions of PPC under the Listing Rules. In addition, the Transactions constitute discloseable transactions of PPC under the Listing Rules. As NWI is interested in 75% of the issued ordinary share capital of PPC, the Transactions also constitute connected transactions of NWI under the Listing Rules. In accordance with the Listing Rules, the Transactions require the approval by the NWI Shareholders and the PPC Shareholders, respectively.

The NWI Independent Board Committee, comprising Messrs Li Kwok-Po, David and Cheng Wai-Chee, Christopher, has been formed to consider the Transactions. The PPC Independent Board Committee, comprising Messrs To Hin-Tsun, Gerald and Peter Francis Amour, has been formed to consider the Transactions. BNP Paribas Peregrine has been appointed as the independent financial adviser to the Independent Board Committees in respect of the Transactions.

The purpose of this letter and the other sections of the circular of which this letter forms part (the “Circular”) is to provide you with information relating to the details of the Transactions, to set out the recommendations from the Independent Board Committees and the advice from BNP Paribas Peregrine.

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

BACKGROUND INFORMATION

CJV 1 owns Berth No. 12 in the East Channel Port Zone, Xiamen, the PRC, which is currently in operation. The operating capacity of CJV 1 in terms of container throughput is approximately 210,000 TEUs for the year ended 30 June 2001.

CJV 2 owns Berth Nos. 13 & 14 in the East Channel Port Zone, Xiamen, the PRC, which are currently under construction.

WSOLLC owns Berth Nos. 15 & 16 in the East Channel Port Zone, Xiamen, the PRC, which are currently under construction.

Although the coastlines and depots at Berth Nos. 13 & 15 had been completed, such berths are awaiting further examinations by the relevant PRC governmental authorities before their construction can be completed. In respect of Berth Nos. 14 & 16, their coastlines had been completed and their depots are expected to be completed by the end of years 2003 and 2005, respectively.

THE TRANSACTIONS

The Merger Agreement

Parties: CJV 1, CJV 2 and WSOLLC

Date: 28 June 2002

Proposed Merger

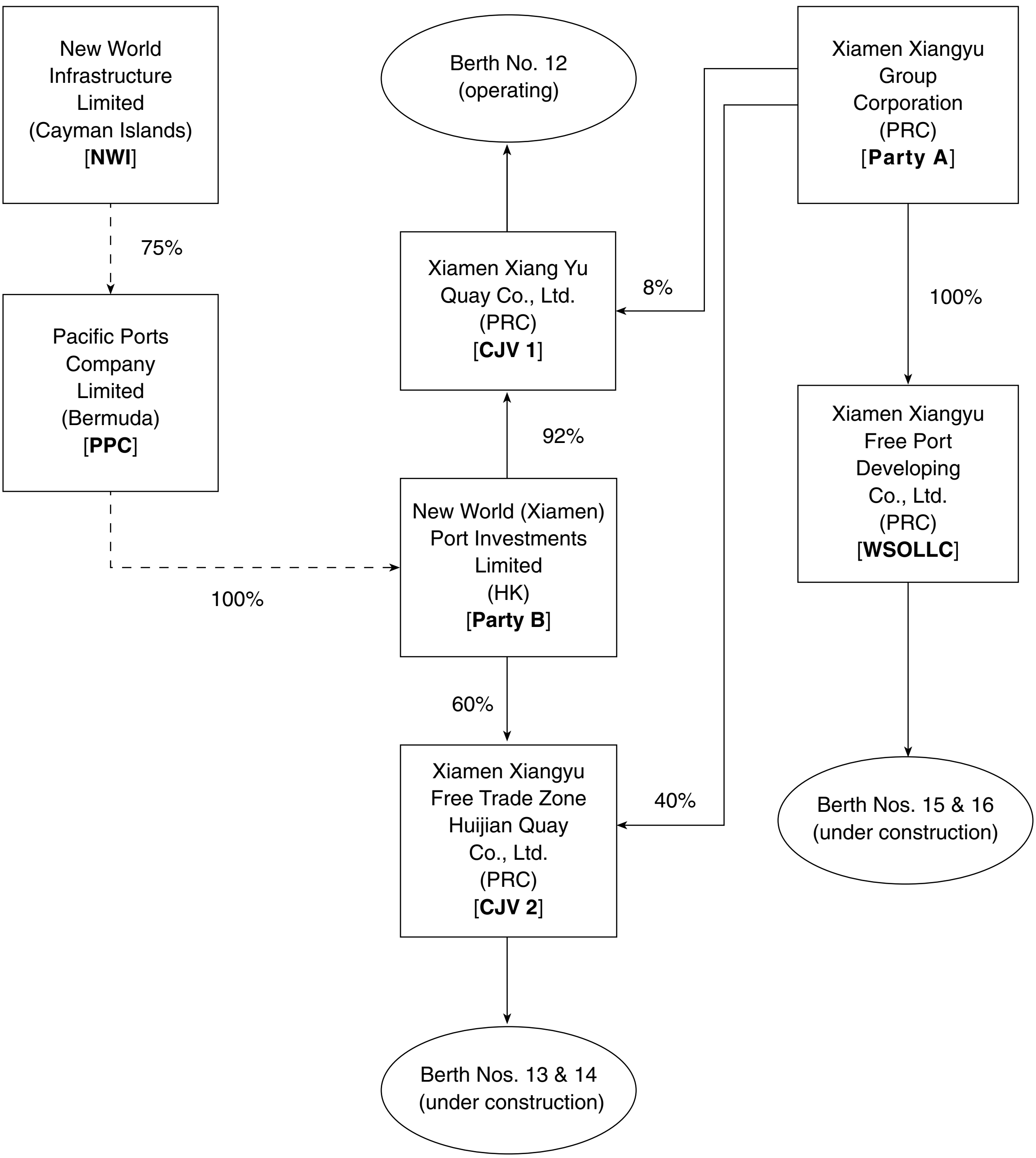
Pursuant to the Merger Agreement, CJV 1, an indirect subsidiary of each of NWI and PPC, will merge with CJV 2 and WSOLLC by way of absorption (i.e. the assets and liabilities of CJV 2 and WSOLLC will be absorbed by CJV 1 and thereafter CJV 2 and WSOLLC will cease to exist). CJV 1 will be converted from a CJV into an EJV when the Merger is completed in accordance with the Merger Agreement, after which the New JV will be formally established as a result of such conversion. In addition, the New JV will own Berth Nos. 12 to 16 after the Merger.

The New JV will be owned as to 50% by Party A (as the PRC joint venture partner) and 50% by Party B (as the foreign joint venture partner). Hence, it would mean that the 8% and 92% interests of Party A and Party B in CJV 1, respectively, will be rearranged to 50% interests in the New JV being held by each of Party A and Party B after the Merger. The total investment and the registered capital of the New JV will be RMB1,150,000,000 (approximately HK$1,084,905,660) and RMB384,040,000 (approximately HK$362,301,886), respectively. The difference between the total investment and the registered capital of the New JV will be made up of shareholders' loans and/or bank loans and internal funding.

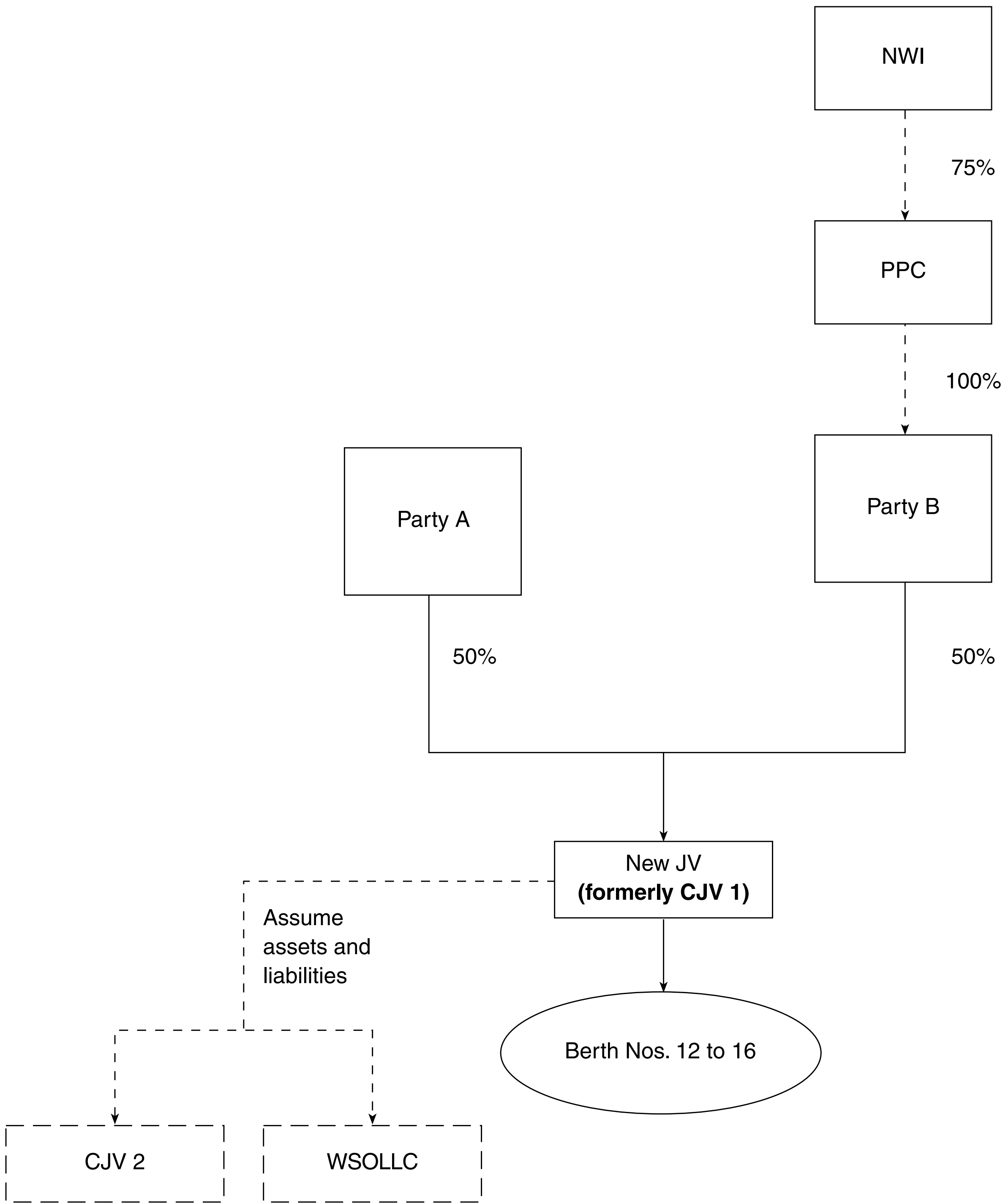
Each of NWI and PPC will not have control of the New JV, and the New JV will be accounted for as a jointly controlled entity by NWI and PPC (i.e. the assets of the New JV will not be consolidated into the accounts of NWI and PPC, respectively). In addition, Party A will not have control of the New JV.

Corporate Structures

A simplified group structure chart **before** the Merger is set out below:



A simplified group structure chart **after** the Merger, assuming there is no change to the other shareholdings, is set out below:



Legal and Financial Consequences/Issues after Completion

After the Merger, all the respective assets and rights of the Merger Parties will be transferred to the New JV and the New JV will assume all the respective obligations and liabilities of the Merger Parties. However, the respective rights and liabilities of the Merger Parties transferred/assumed will be limited by the extent of their assets and liabilities or contingent assets and liabilities as disclosed in their respective auditors' reports, to be issued by an accounting firm in the PRC within 15 days after the Merger is approved by the Ministry of Foreign Trade and Economic Co-operation in the PRC. The assets and liabilities, contingent assets and liabilities or bad assets that are not listed in these auditors' reports will be assumed by the original shareholders of the Merger Parties, in proportion to their respective shareholdings in the Merger Parties prior to the Merger. This provides a fall back protection for the respective shareholders of the Merger Parties in the event that there may be hidden liabilities.

Each of the Merger Parties will be entitled to/responsible for its operating profits and/or losses generated/incurred from 1 July 2001 to 31 December 2001 (both dates inclusive). If the Merger is able to be completed, Party A and Party B will (in accordance with their respective daily consolidated actual investment ratios in the Merger Parties (as applicable)) receive distribution of profits or shareholders compensation or make corresponding accounting treatments in respect of the monthly operating profits and/or losses of each of the Merger Parties received and/or generated/incurred from 1 January 2002 to the date of Completion (both dates inclusive).

The difference between the total investment and the registered capital of the New JV will be made up of shareholders' loans and/or bank loans. Each of NWI and PPC will have no further commitments in respect of such funding. However, Party B will be responsible for: (i) any penalties arising from late registration of its existing shareholder's loan as foreign loan/debt (the amounts of which cannot be determined at this stage); and (ii) any losses resulting from currency fluctuations of the foreign loans/debts, and Party A will endeavour to assist Party B in minimising the payment for any such penalties. Party B has this responsibility because being the foreign joint venture partner in the New JV, it is solely liable for the penalties arising from late registration of its existing shareholder's loan as foreign loan/debt. However, the Directors are of the view that the amounts for such penalties are not quantifiable at the moment as there are no set rules for the relevant PRC authorities to determine such amounts. Moreover, the relevant PRC authorities may or may not impose such penalties, depending on what they are taking into consideration at the time.

The New JV will be responsible for the coastline usage fee, channel usage fee, communication and navigation facilities fee and land use right transfer fee arising from the conversion of the land occupied by Berth No. 12 from "allocated land" to "transferred land" in the PRC. In addition, the New JV will be responsible for any additional land use right transfer fee, coastline usage fee, channel usage fee and communication and navigation facilities fee that are required to be paid for the corresponding adjustments to be made to the respective terms of the land use right, coastline usage right, channel usage right and communication and navigation facilities usage right so that they are consistent with the operating term of the New JV.

Management and Operation during the Transitional Period

Each of Party A and Party B has elected 3 representatives to form the Committee to consider and make decisions in respect of the following matters concerning the Merger Parties:

(i) any matters which require approval at a board meeting of each of the Merger Parties; and

(ii) significant matters of the Merger Parties (as previously determined by the Committee) such as significant investment decisions or asset allocations.

The Committee will be dissolved after Completion.

Employees of the Merger Parties

Employees of the Merger Parties will be assessed by the Management to determine whether they will be employed by the New JV. The shareholders of each of the Merger Parties will respectively be responsible for paying compensation fees, if any, to the managers and employees of each of the relevant Merger Parties as a result of the Merger, in proportion to their respective shareholdings in the relevant Merger Parties.

The Management

The Management, to be headed by the general manager of the New JV, will be established by the New JV under the supervision of the New JV Board. The New JV Board will comprise 8 directors, 4 to be appointed by each of Party A and Party B.

The structure and the composition of the Management will be approved by the New JV Board. The general manager, the chief financial officer and the chief operating officer of the New JV will be nominated by Party B; whilst the vice-general manager, the finance manager and the chief administration/human resources officer will be nominated by Party A.

Conditions for the Effectiveness of the Merger Agreement

The Merger Agreement will become effective upon the fulfilment of various conditions, including:

(i) all relevant approvals and procedures required for the Merger Agreement to become effective having been obtained/completed by PPC, NWI and NWD in accordance with the rules and requirements of the Stock Exchange;

(ii) the reclassification of the foreign shareholders' loans of CJV 1 or CJV 2 having been completed;

(iii) the loan taken out by WSOLLC with the Bank of China, Xiamen Branch, having been substituted by Party A (as the borrower), without creating any security over the assets of WSOLLC;

(iv) the registered foreign debt of CJV 1 can be repaid upon obtaining the approval of the State Administration of Foreign Exchange (in accordance with CJV 1's cash flow arrangement); and

(v) the distributable profits of CJV 1 for the period up to 31 December 2001 as approved by the CJV 1's board according to its 2001 audited financial statements having been distributed to Party A and Party B in accordance with their respective interests in CJV 1.

Conditions for Completion

Completion is conditional on the fulfilment of various conditions, including:

(i) the shareholders' investments to the New JV having been provided by Party A and Party B in accordance with their respective interests in the New JV within 15 days of completing the alterations to the Foreign-invested Enterprise Approval Certificate to reflect the proposed Merger;

(ii) prior to the Completion: (1) Party A and Party B having full entitlement to their rights arising from their respective interests in the Merger Parties; and (2) Party A and Party B have not created any pledge or third party rights over their own interests in the Merger Parties in order to secure their respective loans (if any), unless such loans were borrowed for the purpose of facilitating the Merger and they do not affect the normal operations of the Merger Parties; and

(iii) each of the Merger Parties discharging its security arrangements such as the provisions of mortgages and guarantees to other parties in order to secure loans other than that of its own.

Reasons for the Transactions

As Berth Nos. 12 to 16 will be owned and operated by the same entity - the New JV, it is expected that the efficiency of these berths will be enhanced considerably and therefore improve future profitability. Other such synergy effects of the Transactions include: (i) enabling larger vessels (with throughput up to 6,000 TEUs) to berth (because, without the Merger, each of the Merger Parties will be limited to operate under its own coastline, which in turn will limit the size of vessels being able to berth); (ii) cost savings from sharing of overheads, construction costs and other expenses by Berth Nos. 12 to 16; and (iii) minimising potential competition amongst CJV 1, CJV 2 and WSOLLC, thereby making the New JV more competitive with the two other terminals operating companies in Xiamen.

Further, it is expected that there will be favourable long-term financial implications of the Transactions to PPC. In accordance with the Merger Agreement, Party B will receive repayment for part of the shareholder's loan it had contributed to CJV 1 and/or CJV 2 and PPC will therefore be able to unlock part of its investment, thereby improving its cash position. According to the Merger Agreement, approximately RMB180,000,000 (approximately HK$169,811,320) of bank loans of WSOLLC will be transferred to the New JV upon completion of the Merger. Accordingly, the New JV will obtain such amount of money to repay Party B for its contribution of shareholder's loan. In addition, PPC anticipates that an additional RMB27,000,000 (approximately HK$25,471,698) of shareholder's loan will be repaid by the New JV to PPC for the purpose of balancing the percentage of shareholder contribution in the New JV. It is estimated that PPC will receive repayment of approximately RMB207,000,000 (approximately HK$195,283,018) worth of shareholder's loan in 2002 and 2003 to achieve equal shareholding percentages in the New JV. The attributable profits to PPC immediately after the Merger are expected to be adversely affected mainly due to the reduction of its percentage interest in CJV 1 and interest expenses from additional bank loans. However, such profits will be improved due to the synergy effects to be generated from the Merger in the long run.

Although PPC will not have control of the New JV (as the New JV will be a jointly controlled entity), PPC will have four nominees on the New JV Board and the general manager, the chief financial officer and the chief operating officer of the New JV will be nominated by Party B, and therefore PPC will have significant representation in the Management and the operations of the New JV. In light of the favourable financial implications of the Transactions to PPC, coupled with other benefits of the Transactions such as the synergy effects as mentioned above, the PPC Directors believe that, on balance, the giving up of control of CJV 1 and CJV 2 as a result of the Transactions are in the best interests of the PPC Shareholders.

As the expiry date of the operating period of CJV 1 will be extended from 29 December 2042 (a date which is 50 years from the date of establishment of CJV 1) to 29 December 2052 (a date which is 60 years from the date of establishment of CJV 1), or in any case, the operating period of CJV 1 will not be less than 55 years from the date of establishment of CJV 1 (i.e. 29 December 2047), the operating period of CJV 1 will be extended by at least 5 years.

In addition, the conversion of the New JV from a CJV to an EJV immediately after the Merger will have a number of benefits, including:

(i) the investment obligation and profits allocation of the New JV (being an EJV) will be in proportion to the capital contributions of the shareholders of the New JV (unlike a CJV which is in accordance with PRC law); and

(ii) early redemption of capital during the term of an EJV is not allowed (unlike a CJV which is in accordance with PRC law).

Apart from the implicit contributions/benefits from Party A in the paragraphs above, Party A has also been assisting in obtaining approvals from the relevant PRC governmental authorities in respect of the Merger.

In view of the above benefits of the Transactions, the NWI Board (including the independent non-executive NWI Directors) are of the view that the Transactions are in the best interests of the NWI Shareholders.

The PPC Board (including the independent non-executive PPC Directors) believes that the Transactions, with the abovementioned and other anticipated benefits arising therefrom, are in the best interests of the PPC Shareholders. The PPC Board also believes that the Transactions would better enable PPC to develop and carry out new investments in respect of its port-related businesses.

Information on NWI

The NWI Group is principally engaged in the development, ownership, operation and/or management of toll roads, bridges, cargo handling, power plants, water treatment and e-infrastructure/technology.

Information on PPC

The PPC Group is principally engaged in the investment in, and the development, operation and management of terminals in seaports and riverports and related businesses in Hong Kong and the other parts of the PRC.

Aggregate Consideration for, and the Combined Net Tangible Assets of, CJV 2 and WSOLLC

The aggregate consideration for a 100% interest in each of CJV 2 and WSOLLC amounts to RMB624,167,788 (approximately HK$588,837,536). Such consideration is based on a valuation completed by an independent valuer (being the PRC Valuation), by reference to the net asset values and shareholders' loans outstanding as at 30 June 2001 and was arrived at after arm's length negotiations between the relevant parties.

The combined net asset values of a 100% interest in each of CJV 2 and WSOLLC as at 30 June 2001 amount to RMB292,061,816 (approximately HK$275,530,015). The difference in value between: (i) the aggregate consideration for CJV 2 and WSOLLC (as referred to above); and (ii) the aforesaid combined net asset values of CJV 2 and WSOLLC, was mainly attributable to the shareholders' loans provided by each of Party A and Party B to CJV 2 and the shareholder's loans provided by Party A to WSOLLC as at 30 June 2001 (which includes part of the existing bank loans of WSOLLC to be reclassified as shareholder's loans provided by Party A to WSOLLC) which together amount to RMB348,429,228 (approximately HK$328,706,818).

Given that CJV 2 and WSOLLC are not yet in operation (as the berths they respectively own are currently under construction), CJV 2 and WSOLLC had no net profits before and after tax in the financial years ended 31 December 2000 and 31 December 2001, respectively.

Further financial information in respect of the Merger Parties are set out below (whereby such arrangement was made in order to streamline the accounting treatment for the New JV upon Completion):

	CJV 1[1]	**CJV 2**[1]	**WSOLLC**[1]
	(RMB 'million)	*(RMB 'million)*	*(RMB 'million)*
Agreed Value[2]	350.9	466.3	240.4
Net asset value[3]	314.0	419.0	221.5
Premium	36.9	47.3	18.9
PRC Valuation[4]	N/A	466.3	240.4

Notes:

(1) All unaudited figures provided are as at 30 June 2001.

(2) For internal reference purposes, the agreed value as at 30 April 2002 for CJV 1, CJV 2 and WSOLLC were RMB379,400,000, RMB464,900,000 and RMB232,300,000, respectively (subject to final audit in accordance with the Merger Agreement).

(3) Net asset value includes shareholders' loans (which comprise part of the existing bank loans of WSOLLC to be reclassified as shareholder's loan provided by Party A to WSOLLC).

(4) The PRC Valuation is based on net book value and replacement cost method. Since CJV 1 is operational, discounted cash flow method instead of replacement cost method is considered to be more appropriate. Therefore, PPC did not adopt the PRC Valuation for the purpose of valuing CJV 1. The PRC Valuation results were based on net book value and together with the shareholders' loan for comparison purpose. Subsequently, PPC appointed Chesterton for an independent valuation as at 30 April 2002 for internal reference purposes only.

It was further agreed between Party A and Party B that instead of adjusting the net asset value of each of Merger Parties (as stated above) to the Agreed Value, the net asset value of CJV 1 and CJV 2 will not be adjusted but the net asset value of WSOLLC will be adjusted by the difference between Party A's share of the premium in the Merger Parties and Party B's share of the premium in the Merger Parties in accordance with the respective investment interests of Party A and Party B in the Merger Parties.

The premium attributable to each of Party A and Party B in respect of CJV 2 was calculated in accordance with their actual investment percentages in the total investment of CJV 2, being 45.4% and 54.6% by Party A and Party B, respectively, although the shareholding interests of Party A and Party B in CJV 2 were in fact 40% and 60%, respectively. Pursuant to the document (Xia Cai 2002 No.76) of Xiamen Finance Bureau, it was approved that the value of CJV 1, CJV 2 and WSOLLC as at 30 June 2001 for the purpose of the Transactions was RMB314,000,000, (approximately HK$296,226,415), RMB419,000,000 (approximately HK$395,283,018) and RMB205,200,000 (approximately HK$193,584,905), respectively. Accordingly, the aggregate value of the Merger Parties is approximately RMB938,200,000 (approximately HK$885,094,339). In order to effectively balance the contribution of Party A and Party B in the New JV so as to maintain an equal basis, it is estimated that approximately RMB207,000,000 (approximately HK$195,283,018) of the aggregate value of the Merger Parties of approximately RMB938,200,000 (approximately HK$885,094,339) will be partially refinanced by bank loan and/or internal funding of the New JV and such amount will be repaid to Party B. This RMB207,000,000 (approximately HK$195,283,018) currently represents part of the shareholder's loan in CJV 1 and CJV 2 attributable to Party B. Since PPC will be able to obtain a repayment of part of its investment in CJV 1 and CJV 2, it is expected that PPC's cash position will be improved. It should also be noted that the said RMB207,000,000 (approximately HK$195,283,018) is subject to a final audit upon Completion.

In addition, the net profit of CJV 1 for the financial years ended 31 December 2000 and 31 December 2001 were RMB17,700,000 (approximately HK$16,698,113) and RMB31,200,000 (approximately HK$29,433,962), respectively.

Discloseable and Connected Transactions

The aggregate consideration for a 100% interest in each of CJV 2 and WSOLLC, which amounts to RMB624,167,788 (approximately HK$588,837,536), represents: (i) approximately 5.39% and 16.95% of the consolidated net tangible assets of NWI and PPC, respectively, as disclosed in their respective audited accounts for the year ended 30 June 2001; and (ii) approximately 5.36% and 15.94% of the consolidated net tangible assets of NWI and PPC, respectively, as disclosed in their respective interim accounts for the six months ended 31 December 2001.

As CJV 2 is an indirect subsidiary of PPC, and WSOLLC is a wholly-owned subsidiary of Party A, which in turn is a substantial shareholder of CJV 2, WSOLLC is a connected person of PPC under the Listing Rules. Accordingly, the Transactions constitute discloseable and connected transactions of PPC under the Listing Rules and require the approval by the PPC Shareholders in accordance with Rule 14.26 of the Listing Rules. As NWI in turn is interested in 75% of the ordinary issued share capital of PPC, the Transactions also constitute connected transactions of NWI and require the approval by the NWI Shareholders under the Listing Rules.

Shareholders' Approval of NWI and PPC

As NWD and NWI are not interested in the Transactions, the Stock Exchange has granted a waiver to NWI from the requirement to obtain shareholders' approval at an extraordinary general meeting for the Transactions on the basis that, NWD, with an interest in more than 50% of the issued share capital of NWI, had confirmed in writing that it approved the Transactions and that NWI (jointly with PPC) would issue the Circular to the NWI Shareholders for their information. The Stock Exchange has also granted a waiver to PPC from the requirement to obtain shareholders' approval at a special general meeting for the Transactions on the basis that NWI, as the holder of more than 50% of the ordinary issued share capital of PPC, had confirmed in writing that it approved the Transactions and that PPC (jointly with NWI) would issue the Circular to the PPC shareholders for their information.

RECOMMENDATIONS

The text of a letter to the NWI Shareholders from the NWI Independent Board Committee containing its recommendation is set out on pages 18 and 19 of the Circular. Having considered the advice from BNP Paribas Peregrine in relation to the Transactions, which is set out on pages 22 to 32 of the Circular, the NWI Independent Board Committee is of the opinion that the Transactions are in the best interest of NWI and the NWI Shareholders, and the terms of the Merger Agreement already entered into by CJV 1, CJV 2 and WSOLLC in connection thereof are fair and reasonable so far as the NWI Shareholders are concerned.

The text of a letter to the PPC Shareholders from the PPC Independent Board Committee containing its recommendation is set out on pages 20 and 21 of the Circular. Having considered the advice from BNP Paribas Peregrine in relation to the Transactions, which is set out on pages 22 to 32 of the Circular, the PPC Independent Board Committee is of the opinion that the Transactions are in the best interest of PPC and the PPC Shareholders, and the terms of the Merger Agreement already entered into by CJV 1, CJV 2 and WSOLLC in connection thereof are fair and reasonable so far as the PPC Shareholders are concerned.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the following sections of the Circular:

(i) Letter from the NWI Independent Board Committee (pages 18 and 19);

(ii) Letter from the PPC Independent Board Committee (pages 20 and 21);

(iii) Letter from BNP Paribas Peregrine (pages 22 to 32);

(iv) General information of NWI (pages 33 to 41); and

(v) General information of PPC (pages 42 to 48).

Yours faithfully,
By Order of the NWI Board
Cheng Kar-Shun, Henry
Chairman

Yours faithfully,
By Order of the PPC Board
Chan Wing-Tak, Douglas
Deputy Chairman

新世界基建有限公司
New World Infrastructure Limited
(incorporated in the Cayman Islands with limited liability)

23 July 2002

To the NWI Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS
MERGER BY A SUBSIDIARY

INTRODUCTION

We refer to the circular dated 23 July 2002 jointly issued by NWI and PPC (the "Circular") of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter.

We, being the independent non-executive NWI Directors constituting the NWI Independent Board Committee, are writing to you to set out our opinion in respect of the Transactions. The NWI Independent Board Committee was set up to advise you as a NWI Shareholder whether in its view the Transactions and the terms of the Merger Agreement already entered into by the Merger Parties in connection thereof are in the best interest of NWI and the NWI Shareholders and are fair and reasonable so far as the NWI Shareholders are concerned.

The Transactions and the terms of the Merger Agreement are summarised in the "Joint Letter from the NWI Board and the PPC Board" set out on pages 5 to 17 of the Circular. In addition, the NWI Independent Board Committee has been advised by BNP Paribas Peregrine in considering the Transactions. You are strongly urged to read BNP Paribas Peregrine's letter to the Independent Board Committees, which is set out on pages 22 to 32 of the Circular.

RECOMMENDATION

As the NWI Independent Board Committee, we have discussed with the management of NWI and PPC the reasons for the Transactions. We also understand the basis upon which BNP Paribas Peregrine's advice has been given to the Independent Board Committees.

Taking into account the advice of BNP Paribas Peregrine, the NWI Independent Board Committee considers that the Transactions as described in the "Joint Letter from the NWI Board and PPC Board" in the Circular are in the best interest of NWI and the NWI Shareholders, and the terms of the Merger Agreement already entered into by the Merger Parties in respect thereof are fair and reasonable so far as the NWI Shareholders are concerned.

Yours faithfully,
NWI Independent Board Committee
Li Kwok-Po, David and **Cheng Wai-Chee, Christopher**
Independent non-executive NWI Directors

太平洋港口有限公司
Pacific Ports Company Limited
(incorporated in Bermuda with limited liability)

23 July 2002

To the PPC Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS
MERGER BY A SUBSIDIARY

INTRODUCTION

We refer to the circular dated 23 July 2002 jointly issued by NWI and PPC (the "Circular") of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter.

We, being the independent non-executive PPC Directors constituting the PPC Independent Board Committee, are writing to you to set out our opinion in respect of the Transactions. The PPC Independent Board Committee was set up to advise you as a PPC Shareholder whether in its view the Transactions and the terms of the Merger Agreement already entered into by the Merger Parties in connection thereof are in the best interest of PPC and the PPC Shareholders and are fair and reasonable so far as the PPC Shareholders are concerned.

The Transactions and the terms of the Merger Agreement are summarised in the "Joint Letter from the NWI Board and the PPC Board" set out on pages 5 to 17 of the Circular. In addition, the PPC Independent Board Committee has been advised by BNP Paribas Peregrine in considering the Transactions. You are strongly urged to read BNP Paribas Peregrine's letter to the Independent Board Committees, which is set out on pages 22 to 32 of the Circular.

RECOMMENDATION

As the PPC Independent Board Committee, we have discussed with the management of PPC the reasons for the Transactions. We have also discussed with BNP Paribas Peregrine the basis upon which its advice has been given to the Independent Board Committees.

Taking into account the advice of BNP Paribas Peregrine, the PPC Independent Board Committee considers that the Transactions as described in the "Joint Letter from the NWI Board and PPC Board" in the Circular are in the best interest of PPC and the PPC Shareholders, and the terms of the Merger Agreement already entered into by the Merger Parties in respect thereof are fair and reasonable so far as the PPC Shareholders are concerned.

Yours faithfully,
PPC Independent Board Committee
To Hin-Tsun, Gerald and **Peter Francis Amour**
Independent non-executive PPC Directors

BNP PARIBAS PEREGRINE

23rd July, 2002

The independent committee of the board of directors
New World Infrastructure Limited
9th Floor
New World Tower 2
18 Queen's Road Central
Hong Kong

The independent committee of the board of directors
Pacific Ports Company Limited
21st Floor
New World Tower 2
18 Queen's Road Central
Hong Kong

CONNECTED TRANSACTIONS OF NWI AND DISCLOSEABLE AND CONNECTED TRANSACTIONS OF PPC

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committees in respect of the Transactions, details of which are set out in the joint letter from the NWI Board and the PPC Board contained in the joint circular of NWI and PPC dated 23rd July, 2002 (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.

As WSOLLC is a wholly-owned subsidiary of Party A, which in turn is a substantial shareholder (as defined in the Listing Rules) for CJV 2 (an indirect subsidiary of PPC), the Transactions constitute connected transactions for PPC under the Listing Rules and are required to be approved by the independent PPC Shareholders. In addition, the Transactions constitute discloseable transactions for PPC under the Listing Rules. Accordingly, the PPC Independent Board Committee has been established to consider the terms of the Merger Agreement and to advise the independent PPC Shareholders in relation to the Transactions. We have been appointed as the independent financial adviser to advise the PPC Independent Board Committee on the fairness and reasonableness of the terms of the Merger Agreement.

BNP PARIBAS
Equities

BNP Paribas Peregrine Capital Limited
36/F, Asia Pacific Finance Tower, 3 Garden Road, Central, Hong Kong

As NWI is interested in approximately 75% of the issued ordinary share capital of PPC, the Transactions also constitute connected transactions for NWI under the Listing Rules and are required to be approved by the independent NWI Shareholders. The NWI Independent Board Committee has been established to consider the terms of the Merger Agreement and to advise the independent NWI Shareholders in relation to the Transactions. We have also been appointed as the independent financial adviser to advise the NWI Independent Board Committee on the fairness and reasonableness of the terms of the Merger Agreement.

Given that the NWI Shareholders are interested in the Transactions through PPC and such interest is the same as that of the PPC Shareholders, our advice to the Independent Board Committees is set out in this letter.

Apart from normal professional fees for our services to PPC and NWI as described above, no arrangement exists whereby we will receive any fees or benefits from NWI, PPC, Party A or any of their respective associates (as defined in the Listing Rules). We are independent of the directors, chief executive or substantial shareholders of NWI, PPC, Party A, any of their respective subsidiaries or their respective associates (as defined in the Listing Rules) and we consider ourselves suitable to give independent financial advice to the Independent Board Committees in relation to the Transactions. As at the Latest Practicable Date, a subsidiary namely BNP Paribas Arbitrage Hong Kong Limited, ("BNP Paribas Subsidiary") of the holding company of BNP Paribas Peregrine (together with its subsidiaries as "BNP Paribas Group") held 1,638,484 shares in NWD, representing approximately 0.08% of the issued share capital of NWD. We do not consider this shareholding interest would affect the objectivity of our advice, given the fact that the interests of the BNP Paribas Subsidiary in NWD is the same as the independent shareholders of NWD in respect of the Transactions; the value of the shares in NWD is immaterial in terms of either the consolidated gross or net assets of BNP Paribas Group; and there is Chinese wall between BNP Paribas Subsidiary and BNP Paribas Peregrine.

In arriving at our advice, we have relied on the information and facts supplied, and the opinions expressed, by the NWI Directors, the PPC Directors, and management of NWI and PPC, and assumed that all statements, opinions and representations made were true and accurate at the time they were made and continue to be true and accurate at the date of the Circular. We have also sought and received confirmation from the NWI Directors and the PPC Directors that no material facts have been omitted from such information supplied and opinions expressed. We have relied on such information and considered that we have been provided with and have reviewed sufficient information and opinion to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular. We have no reasons to believe that any material information has been withheld, or doubt the truth or accuracy of the information provided. We have not, however, carried out any independent verification of such information, nor have we conducted an independent investigation into the business and affairs of the PPC Group or WSOLLC.

BACKGROUND INFORMATION

It was stated in the joint announcement of NWD, NWI and PPC dated 2nd July, 2002 that CJV 1 entered into the Merger Agreement with CJV 2 and WSOLLC on 28th June, 2002 in relation to the merger by way of absorption of CJV 2 and WSOLLC (i.e. the assets and liabilities of CJV 2 and WSOLLC will be absorbed by CJV 1, thereafter CJV 2 and WSOLLC will cease to exist).

CJV 1 will be converted from a CJV to an EJV upon Completion, after which the New JV will be formally established as a result of such conversion. As noted in the joint letter from the NWI Board and the PPC Board, the investment obligation and profits allocation of the New JV (being an EJV) will be in proportion to the capital contributions of the shareholders of the New JV, we consider that this is important to any form of co-investments and hence, the conversion from an CJV to an EJV is to the benefits of Party B. The New JV will be engaged in the operation and development of Berth Nos. 12 to 16 in the East Channel Port Zone, Xiamen, the PRC.

The New JV will be owned as to 50% by Party A and 50% by Party B. The total investment and the registered capital of the New JV will be RMB1,150 million (approximately HK$1,085 million) and RMB384.04 million (approximately HK$362 million) respectively. The difference between the total investment of the New JV, and the registered capital and the shareholders' loan of the New JV to be contributed by Party A and Party B respectively would be made up by bank loans and/or internal fundings. The amount of shareholders' loan to be contributed by Party A and Party B to the New JV will be determined at the time of Completion. As at 30th June, 2001, the amount of shareholders' loan by Party A and Party B in the Merger Parties was approximately RMB540.4 million (approximately HK$509.8 million), which includes part of the existing bank loans of WSOLLC to be reclassified as shareholders' loan provided by Party A.

Each of the Merger Parties will be entitled to/responsible for its operating profits and/or losses generated/incurred from 1st July, 2001 to 31st December, 2001 (both dates inclusive). If the Merger is able to be completed, Party A and Party B will (in accordance with their daily consolidated actual investment ratios in the Merger Parties) receive distribution of profits or shareholders compensation or making corresponding accounting treatments in respect of the monthly operating profits and/or losses of each of the Merger Parties received and/or generated/incurred from 1st January, 2002 to the date of Completion (both dates inclusive).

Accordingly, as a condition for Completion, the shareholders' investments to the New JV (including shareholders' loan and shareholders' equity) as provided by Party A and Party B respectively should be made in accordance with their respective equity interests in the New JV, within 15 days of completing the alterations to the Foreign-invested Enterprise Approval Certificate to reflect the Merger. If the shareholders' investments to the New JV contributed by each of Party A and Party B do not amount to their respective equity interests, adjustments should be made within 15 days from the date of Completion to effect that the shareholders' investment to the New JV are contributed by Party A and Party B equally.

Pursuant to the Merger Agreement, CJV 1 will instruct the auditors to audit the financial statements of each of the Merger Parties upon Completion for the purpose of determining the value of each of the Merger Parties under the Transactions. As such, no audit was performed on the Merger Parties as at 30th June, 2001. The assets and liabilities, contingent assets and liabilities or bad assets that are not listed in such auditors' reports of the Merger Parties will be assumed by the original shareholders of the Merger Parties, in proportion to their respective shareholdings in the Merger Parties prior to the Merger. This provides a fall back protection for the respective shareholders of the Merger Parties in the event that there may be hidden liabilities. As at the Latest Practicable Date, the PPC Directors were not aware of any contingent liabilities or bad assets that will not be listed in the auditors' reports and will be assumed by Party B. Accordingly, we do not consider that this fall back protection clause will have a significant adverse impact on Party B.

The Agreed Value of CJV 1 is determined after arm's length negotiation with reference to the unaudited net asset value of CJV 1 and the shareholders' loan of approximately RMB314.0 million (approximately HK$296.2 million) made by Party A and Party B as at 30th June, 2001 as per the unaudited management accounts of CJV 1 and adjusted for a goodwill of RMB36.9 million (approximately HK$34.8 million). Such amount of goodwill was determined by Party A and Party B after arm's length negotiation taking into account that CJV 1 is under operation and generating profits. The Agreed Value of CJV 1 amounted to approximately RMB350.9 million (approximately HK$331.0 million) as at 30th June, 2001. The Agreed Value of CJV 2 is determined after arm's length negotiation with reference to the unaudited net asset value of CJV 2 and the shareholders' loan of approximately RMB419.0 million (approximately HK$395.3 million) made by Party A and Party B as at 30th June, 2001 as per the unaudited management accounts of CJV 2 and adjusted for the PRC Valuation in respect of CJV 2. The PRC Valuation for CJV 2 as at 30th June, 2001 was approximately RMB466.3 million (approximately HK$439.9 million). The Agreed Value of CJV 2 amounted to approximately RMB466.3 million (approximately HK$439.9 million) as at 30th June, 2001.

The Agreed Value of WSOLLC is determined after arm's length negotiation with reference to the unaudited net asset value of WSOLLC and the shareholders' loan of approximately RMB221.5 million (approximately HK$209.0 million) made by Party A as at 30th June, 2001 as per the unaudited management accounts of WSOLLC and adjusted for the PRC Valuation in respect of WSOLLC. The PRC Valuation for WSOLLC as at 30th June, 2001 was approximately RMB240.4 million (approximately HK$226.8 million). The Agreed Value of WSOLLC amounted to approximately RMB240.4 million (approximately HK$226.8 million) as at 30th June, 2001.

The following table sets out (i) the Agreed Value; (ii) the aggregate of net asset value and shareholders' loan ("Book Value") as at 30th June, 2001 of each of the Merger Parties; and (iii) the premium of the Agreed Value over the Book Value of each of the Merger Parties respectively:

	CJV 1	**CJV 2**	**WSOLLC**
	RMB' million	*RMB' million*	*RMB' million*
Agreed Value	350.9	466.3*	240.4*
Book Value as at 30th June, 2001	314.0	419.0	221.5
of which:			
shareholders' loan	192.0	252.3	96.1
net asset value	122.0	166.7	125.4
Premium	36.9	47.3	18.9

* *These figures also represent the PRC Valuation.*

It is further agreed between Party A and Party B that instead of adjusting the Book Value of each of Merger Parties to the Agreed Value, the Book Value of CJV 1 and of CJV 2 will not be adjusted but the Book Value of WSOLLC will be adjusted by the difference between Party A's share of the premium in the Merger Parties and Party B's share of the premium in the Merger Parties in accordance with the investment interest of Party A and Party B respectively in the Merger Parties. The premium attributable to each of Party A and Party B in respect of CJV 2 is calculated in accordance with their actual investment percentages, being 45.4% of the total investment contributed by Party A and 54.6% by Party B respectively, although the cooperative interests of Party A and Party B in CJV 2 represents 40% and 60% respectively. Pursuant to the document (Xia Cai 2002 No.76) of Xiamen Finance Bureau, it is approved that the value of CJV 1, CJV 2 and WSOLLC as at 30th June, 2001 for the purpose of the Transactions is RMB314.0 million, RMB419.0 million and RMB205.2 million respectively. Accordingly, the aggregate value of the Merger Parties is approximately RMB938.2 million (approximately HK$885.1 million). In order to effectively balance the contribution of Party A and Party B in the New JV so as to maintain an equal basis, it is estimated that approximately RMB207.0 million (approximately HK$195.3 million) of the aggregate value of the Merger Parties of RMB938.2 million will be partially refinanced by bank loan and/or internal fundings of the New JV and such amount will be repaid to Party B. This RMB207.0 million currently represents part of shareholder's loan in CJV 1 and CJV 2 attributable to Party B. Since PPC will be able to obtain a repayment of part of its investment in CJV 1 and CJV 2, it is expected that PPC's cash position will be improved. It should be noted that this RMB207.0 million is subject to the final audit upon Completion as stated above.

We have been advised by the PPC Directors that the purpose of such arrangement is for the simplicity of accounting treatment to the New JV upon Completion. Since this arrangement will not affect the difference between Party A's share of the premium in the Merger Parties and Party B's share of the premium in the Merger Parties, we consider that such arrangement will not affect the basis for determining the Agreed Value. Our opinion regarding the basis for determining the Agreed Value is set out in the paragraph headed "Basis of the Transactions and valuation of the Merger Parties" below.

Pursuant to the Merger Agreement, Party B, as the foreign joint venture partner, will be responsible for: (i) any penalties arising from late registration of its existing shareholder's loan as foreign loan/debt (the amount of which cannot be determined at this stage); and (ii) any losses resulting from currency fluctuations of the foreign loans/debts, and Party A will endeavour to assist Party B in minimising the payment for any such penalties. Party B has this responsibility because it is solely liable for the penalties arising from late registration of its existing shareholder's loan as foreign loan/debt. However, the PPC Directors are of the view that the amount for such penalties are not quantifiable at the moment as there are no set rules for the relevant PRC authorities to determine such amount. The relevant PRC authorities may or may not impose such penalties, depending on what they are taking into consideration at the time. Accordingly, we are not in a position to assess the impact of such possible penalties to Party B in this respect.

PRINCIPAL FACTORS CONSIDERED

In assessing the Transactions and giving our advice to the Independent Board Committees, we have taken into account the following principal reasons and factors:

(i) **Reasons for and benefits of the Transactions**

The PPC Group is principally engaged in the investment in development, operation and management of terminals in seaports and riverports and related businesses in Hong Kong and the other parts of the PRC.

According to the management of PPC, CJV 1 is currently operating at its maximum capacity, and in order to maintain competitiveness, it is not anticipated that CJV 1 can increase the tariff rate substantially in the foreseeable future. According to PPC, the estimated annual capacity of the New JV is about one million TEUs. The PPC Directors and the NWI Directors consider that the Transactions will be beneficial to CJV 1 and to provide an opportunity for CJV 1 to expand in its operation and to grow.

It is noted in the joint letter from the NWI Board and the PPC Board in the Circular that the Transactions are expected to create synergy and enhance the operating efficiency of Berth Nos. 12 to 16. In this regard, synergy can be created and operating efficiency can be enhanced by:

(a) efficient use of berth space and enabling larger vessels to berth;

(b) cost savings from sharing of expenses such as overheads and of facilities; and

(c) minimising potential competition amongst CJV 1, CJV 2 and WSOLLC and making the New JV more competitive with other major terminal operating companies in Xiamen.

According to the China Statistics Yearbooks, the cargo throughput of major coastal ports in the PRC grew from 483 million tonnes in 1990 to 1,256 million tonnes in 2001, representing a compound annual growth rate of about 11.2%. Xiamen port is ranked the sixth largest coastal ports in the PRC in terms of container throughput in 2000. The PPC Directors and the NWI Directors anticipate that Xiamen port is expected to benefit from: (i) the continuous growth of the PRC economy; (ii) the growth in international trade as well as domestic trade after China's accession to the World Trade Organisation; and (iii) the implementation of the "three links" between mainland China and Taiwan. Accordingly, the New JV is expected to benefit from the anticipated throughput growth in Xiamen. It should be noted that if the Transactions do not complete, CJV 1 might not be able to enjoy from such throughput growth since CJV 1 is already operating at its maximum capacity. In addition, if the Merger Parties are operating independently, each of the Merger Parties will be limited to operate under its own coastline and is not allowed to use the coastline of other Merger Parties, unless a fee is negotiated and be payable to such other parties.

Hence, each of the Merger Parties will be limited to its own coastline, which in turn will limit the size and number of vessels being able to berth. Each of the Merger Parties individually might then not be able to enjoy the increase demand in throughput growth attributable to larger vessels (with throughput up to 6,000 TEUs).

Although PPC will not have control of the New JV (as the New JV will be a jointly controlled entity), PPC will have four nominees on the New JV Board and the general manager, the chief financial officer and the chief operating officer of the New JV will be nominated by Party B, and therefore PPC will have significant representation in the management and the operations of the New JV. In addition, as the operating performance of the New JV will depend on a number of factors (including future throughput growth of the New JV and the operating efficiency of the New JV), PPC at present cannot quantify the amount of cost savings as a result of the Transactions. We agree with the PPC Directors that it is difficult to quantify the amount of cost savings arising from the Transactions at this stage since such cost savings would depend on a number of variables. In light of the favourable financial implications of the Transactions to PPC, coupled with other benefits of the Transactions such as the synergy as mentioned above, the PPC Directors believe that, on balance, the giving up of control of CJV 1 and CJV 2 as a result of the Transactions are in the interests of the PPC Shareholders. We concur with the view of the PPC Directors in this regard.

Having considered the above benefits of the Transactions, we concur with the view of the PPC Directors and the NWI Directors that the Transactions are in the interests of the NWI Shareholders and the PPC Shareholders.

(ii) **Basis of the Transactions and valuation of the Merger Parties**

Pursuant to the Merger Agreement, CJV 1 agreed to merge with CJV 2 and WSOLLC by way of absorption of CJV 2 and WSOLLC. The Transactions will be undergone on the basis of the Agreed Value of each of CJV 1, CJV 2 and WSOLLC as at 30th June, 2001 stated above, and the registered capital and the shareholders' loan of the New JV will be contributed by Party A and Party B in accordance with their respective equity interests in the New JV. Given that the basis for determining the Agreed Value treats Party A and Party B equally and the contribution of Party A and Party B in the New JV will be made in accordance with their respective equity interests in the New JV, we concur with the view of the NWI Directors and the PPC Directors that such basis for merging the Merger Parties is fair and reasonable.

In order to assess an independent valuation of each of the Merger Parties and compare such valuation to the Agreed Value (which subsequently used the agreed value as at 30th April, 2002 for the purpose of comparison) under the Merger Agreement, Chesterton, an independent valuer, was engaged by PPC for internal reference purposes only. During the course of the then negotiation with Party A, PPC considered appropriate to engage Chesterton to appraise the business value of CJV 1, and the values of plants and machinery and properties of CJV 2 and WSOLLC respectively as at 30th April, 2002. Details relating to the methodology and assumptions employed by Chesterton's appraisals are set out in the valuation reports of Chesterton.

In respect of CJV 1, Chesterton considered that the discounted cashflow approach as the most appropriate method in valuing CJV 1 given CJV 1 is under full operation. Chesterton has valued CJV 1 at an open market value of RMB377.7 million (approximately HK$356.3 million) as at 30th April, 2002.

In respect of CJV 2 and WSOLLC, given certain facilities (including depots of Berth Nos. 14 and 16) of CJV 2 and WSOLLC are still under construction and both CJV 2 and WSOLLC are yet to be in operation, Chesterton considered that the depreciated replacement cost approach is the most appropriate method in valuing the plant and machinery and properties of CJV 2 and WSOLLC. The plants and machinery and properties of CJV 2 and WSOLLC have been valued by Chesterton at an open market value of RMB445.9 million (approximately HK$420.7 million) and RMB245.1 million (approximately HK$231.2 million) as at 30th April, 2002 respectively.

We have reviewed and considered the bases and assumptions made by Chesterton in preparing its valuation, including that CJV 1 is currently operating at its full capacity and no substantial increase in tariff rate is anticipated in the foreseeable future, which are consistent with the existing operation of CJV 1 and the expectation of the management of PPC. Taking into account the qualification and experience of Chesterton, we consider the bases and assumptions adopted by Chesterton to be appropriate in the context of the Transactions.

The net asset value and the shareholders' loan for CJV 2 and WSOLLC for the purpose of the Transactions as adjusted for their respective plant and machinery and properties valuations as at 30th April, 2002 prepared by Chesterton, amounted to approximately RMB461.9 million (approximately HK$435.8 million) and RMB232.1 million (approximately HK$219.0 million) respectively as at 30th April, 2002.

Since Chesterton was engaged to appraise the business value of CJV 1, and the values of plants and machinery and properties of CJV 2 and WSOLLC respectively as at 30th April, 2002, in order to compare the Agreed Value of the Merger Parties with the independent valuation provided by Chesterton, it was necessary to adjust the Agreed Value by taking into account movement in net asset value of the Merger Parties during the period from 1st July, 2001 to 30th April, 2002. The following table sets out (i) the Agreed Values; (ii) the Agreed Values of the Merger Parties after taking into account of the movement in net asset value during the period from 1st July, 2001 to 30th April, 2002 (both dates inclusive); (iii) the business valuation made by Chesterton in respect of CJV 1 ("BV") and the net asset values and the shareholders' loan adjusted for the plant and machinery and properties valuation made by Chesterton in respect of CJV 2 and WSOLLC as at 30th April, 2002 ("Adjusted NAV"); and (iv) the premium of the agreed values of the Merger Parties as at 30th April, 2002 over the BV/Adjusted NAV ("Valuation Premium"):

	CJV 1	**CJV 2**	**WSOLLC**
	RMB 'million	*RMB 'million*	*RMB 'million*
Agreed value	350.9	466.3	240.4
Agreed value as at 30th April, 2002	379.4	464.9 *(Note 1)*	232.3 *(Note 2)*
BV/Adjusted NAV as at 30th April, 2002	377.7	461.9	232.1
Valuation Premium	1.7	3.0	0.2

Notes:

(1) The decrease in the agreed value as at 30th April, 2002 when compared with the Agreed Value is mainly due to the pre-operating expenses being incurred.

(2) The decrease in the agreed value as at 30th April, 2002 when compared with the Agreed Value is mainly due to the pre-operating expenses being incurred and the adjustment in the value of land and building regarding its development status.

The Valuation Premium attributable to each of Party A and Party B in respect of CJV 2 is calculated in accordance with their actual investment percentages, being 45.4% of the total investment contributed by Party A and 54.6% by Party B respectively, although the cooperative interest of Party A and Party B in CJV 2 represents approximately 40% and 60% of the total cooperative interest in CJV 2 respectively. On the above basis and taking into account the Valuation Premium of approximately RMB3.2 million (approximately HK$3.0 million) attributable to Party B's interest in CJV 1 and CJV 2 as compared to the Valuation Premium of approximately RMB1.6 million (approximately HK$1.5 million) attributable to Party A's interest in the Merger Parties, we regard the agreed value of the Merger Parties as at 30th April, 2002 as comparable to the BV/Adjusted NAV as at 30th April, 2002.

(iii) **Conditions for the effectiveness of the Merger Agreement and completion of the Transactions**

Pursuant to the Merger Agreement, effectiveness of the Merger Agreement and Completion is conditional upon fulfilment of the conditions set out in the Merger Agreement. NWI Shareholders and PPC Shareholders should note that in the absence of fulfilment of all the conditions for the effectiveness of the Merger Agreement and completion of the Transactions, the Merger Agreement shall not become effective and the Merger Agreement will lapse.

One of the conditions of the Merger Agreement requires all relevant approvals in accordance with the rules and requirements of the Stock Exchange being obtained by PPC, NWI and NWD. Under the Listing Rules, NWI and PPC are respectively required to obtain approval from their independent shareholders in respect of the Transactions. As NWD and NWI are not interested in the Transactions, no shareholders will be required to abstain from voting. At the request of NWI and PPC, the Stock Exchange had respectively granted waivers to NWI and PPC from the requirement to obtain shareholders' approval at the extraordinary general meeting of NWI and the special general meeting of PPC for the Transactions on the basis that NWD (with an interest in more than 50% of the issued share capital of NWI) and NWI (with an interest in more than 50% of the issued ordinary share capital of PPC) had confirmed in writing that they approved the Transactions and that NWI and PPC would jointly issue to their respective shareholders for their information a circular containing a letter of advice from an independent financial adviser regarding the Transactions.

(iv) **Financial effects of the Transactions**

Working capital

Neither Party A nor Party B is required to pay any cash consideration under the Transactions. In order to effectively balance the contribution of Party A and Party B in the New JV (including the equity contribution, shareholders' loan and attributable results of each of the Merger Parties) so as to maintain an equal portion, it is estimated that approximately RMB207.0 million (approximately HK$195.3 million) of shareholder's loan in CJV 1 and CJV 2 attributable to Party B shall be repaid to Party B by instalment in 2002 and 2003. As such, PPC will be able to unlock part of its investments in CJV 1 and CJV 2 and and it is expected that its cash position will improve. We consider that such arrangement is to the benefits of PPC. However, it should be noted that such repayment of investments is subject to the relevant approvals from the regulatory authorities in the PRC and the obtaining of the bank's financing.

Net asset value

As stated in the joint letter from the NWI Board and the PPC Board, PPC will not have control of the New JV. Accordingly, the New JV will be classified as a jointly controlled entity in the balance sheet of PPC and the New JV will not be consolidated into PPC's accounts. Nevertheless, the consolidated net asset value of PPC is expected to remain unchanged after Completion.

Potential earning dilution

The net profit of CJV 1 for the year ended 31st December, 2001 was approximately RMB31.2 million (approximately HK$29.4 million) as per the audited accounts of CJV 1. Given the fact that CJV 2 and WSOLLC are currently under development and Party B's interest in CJV 1 will be reduced from 92% to 50% after Completion, the operating results attributable to PPC will be negatively affected immediately after Completion. The sum of the profit of CJV 1 attributable to PPC and the loss of CJV 2 attributable to PPC for the year ended 30th June, 2001 amounted to approximately HK$15.3 million, representing approximately 5.5% of the consolidated net profit of PPC for the year ended 30th June, 2001. Had the Transactions been completed in the year ended 30th June, 2001, the sum of the profit of PPC contributed by the New JV would have been reduced to approximately HK$5.7 million for the year ended 30th June, 2001.

We have been advised by PPC that the New JV is planning to fund the construction work and its working capital requirement through a number of bank loans. It should be noted that interest expenses so incurred may affect the profitability of the New JV.

The PPC Directors believe that the operation of the New JV after Completion would be better than each of the Merger Parties operating separately. Taking into account the reasons for and benefits of the Transactions as stated above, we concur with the view of the PPC Directors and the NWI Directors in this respect. Although the profitability of the New JV will depend on its operation and there is no assurance that such operation could be successfully run, in our opinion, this investment risk is generally associated with uncertainties in relation to a new business or the implementation of an expansion plan and, therefore, are inevitable in nature.

Future capital requirement

As referred to above, we have been advised by the PPC Directors that the future funding for the development of the New JV will be financed via bank borrowings and/or internal resources and there is no arrangement for the shareholders of the New JV to provide such financing or to provide guarantee for the bank borrowings. It should however be noted that there is no assurance that the New JV can obtain all its financing.

ADVICE

Having considered the above principal factors and reasons, we consider that the Transactions are in the interest of NWI and the NWI Shareholders taken as a whole and PPC and the PPC Shareholders taken as a whole, and the terms of the Merger Agreement are fair and reasonable so far as the NWI Shareholders and the PPC Shareholders respectively taken as a whole are concerned.

Yours faithfully,
For and on behalf of
BNP Paribas Peregrine Capital Limited
Isadora Li
Managing Director

1 RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to NWI. The NWI Directors collectively and individually accept 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 BY NWI DIRECTORS

(a) As at the Latest Practicable Date, the following NWI Directors hold certain securities in NWI and its associated corporations (within the meaning of the SDI Ordinance) as follows:

	Number of shares held			
Company/NWI Director	**Personal interests**	**Family interests**	**Corporate interests** *(Note)*	**Total**
NWI				
(Ordinary shares of HK$1.00 each)				
Dr. Cheng Kar-Shun, Henry	—	1,000,000	—	1,000,000
Mr. Chan Wing-Tak, Douglas	700,000	—	—	700,000
Mr. Chan Kam-Ling	6,800	—	—	6,800
NWD				
(Ordinary shares of HK$1.00 each)				
Mr. Leung Chi-Kin, Stewart	23,253	—	—	23,253
Mr. Chan Kam-Ling	90,470	—	—	90,470
NWCL				
(Ordinary shares of HK$0.10 each)				
Mr. Doo Wai-Hoi, William	700,000	—	—	700,000
Mr. Chan Kam-Ling	100,000	—	—	100,000

Company/NWI Director	Number of shares held Personal interests	Family interests	Corporate interests *(Note)*	Total
Extensive Trading Company Limited				
(Non-voting deferred shares of HK$1.00 each)				
Mr. Cheng Kar-Shing, Peter	—	—	380,000	380,000
Mr. Leung Chi-Kin, Stewart	160,000	—	—	160,000
Mr. Chan Kam-Ling	—	—	80,000	80,000
Hip Hing Construction Company Limited				
(Non-voting deferred shares of HK$100.00 each)				
Mr. Chan Kam-Ling	15,000	—	—	15,000
HH Holdings Corporation				
(Ordinary shares of HK$1.00 each)				
Mr. Chan Kam-Ling	15,000	—	—	15,000
International Property Management Limited				
(Non-voting deferred shares of HK$10.00 each)				
Mr. Chan Kam-Ling	1,350	—	—	1,350
Master Services Limited				
(Ordinary shares of US$0.01 each)				
Mr. Leung Chi-Kin, Stewart	16,335	—	—	16,335
Mr. Chan Kam-Ling	16,335	—	—	16,335
Matsuden Company Limited				
(Non-voting deferred shares of HK$1.00 each)				
Mr. Leung Chi-Kin, Stewart	44,000	—	—	44,000
Mr. Chan Kam-Ling	—	—	44,000	44,000

Company/NWI Director	Number of shares held Personal interests	Family interests	Corporate interests *(Note)*	Total
New World Services Limited				
(Ordinary shares of HK$0.10 each)				
Mr. Cheng Kar-Shing, Peter	—	—	3,382,788	3,382,788
Mr. Leung Chi-Kin, Stewart	4,214,347	—	250,745	4,465,092
Mr. Chan Kam-Ling	—	—	10,602,565	10,602,565
Progreso Investment Limited				
(Non-voting deferred shares of HK$1.00 each)				
Mr. Leung Chi-Kin, Stewart	—	—	119,000	119,000
Tai Yieh Construction & Engineering Company Limited				
(Non-voting deferred shares of HK$1,000.00 each)				
Mr. Chan Kam-Ling	250	—	—	250
Urban Property Management Limited				
(Non-voting deferred shares of HK$1.00 each)				
Mr. Cheng Kar-Shing, Peter	—	—	750	750
Mr. Leung Chi-Kin, Stewart	750	—	—	750
YE Holdings Corporation				
(Ordinary shares of HK$1.00 each)				
Mr. Leung Chi-Kin, Stewart	37,500	—	—	37,500

Note: These shares were beneficially owned by a company in which the relevant NWI Director was deemed to be entitled under the SDI Ordinance to exercise or control the exercise of one-third or more of the voting power at its general meeting.

(b) As at the Latest Practicable Date, under the share option scheme adopted by NWI on 3 October 1997, the following NWI Directors hold share options to subscribe for shares in NWI as follows:

		Number of share options outstanding with exercise price per share in NWI of	
Name of NWI Director	**Date of grant**	**HK$10.20[(1)]**	**HK$12.00[(2)]**
Dr. Cheng Kar-Shun, Henry	2 December 1998	600,000	2,400,000
Mr. Doo Wai-Hoi, William	16 December 1998	200,000	800,000
Mr. Chan Wing-Tak, Douglas	26 November 1998	320,000	1,280,000
Mr. Cheng Kar-Shing, Peter	1 December 1998	120,000	480,000
Mr. Leung Chi-Kin, Stewart	8 December 1998	120,000	480,000
Mr. Chan Kam-Ling	9 December 1998	200,000	800,000
Mr. So Ngok	26 November 1998	200,000	800,000
Dr. Li Kwok-Po, David	28 November 1998	120,000	480,000
Mr. Cheng Wai-Chee, Christopher	11 December 1998	120,000	480,000
Mr. Coull, Gary William John	26 November 1998	120,000	480,000
Mr. Fu Sze-Shing	23 September 1999	240,000[(3)]	960,000[(4)]

Notes:

(1) Exercisable from 1 July 1999 to 1 June 2004, unless otherwise stated.

(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, unless otherwise stated.

(3) Exercisable from 1 July 2000 to 1 June 2005.

(4) The share options are divided into three tranches exercisable from 1 July 2001, 1 July 2002 and 1 July 2003, respectively, to 1 June 2005.

(c) As at the Latest Practicable Date, under a share option scheme adopted by PPC, an indirect subsidiary of NWI, the following NWI Director holds share options to subscribe for shares in PPC as follows:

Name of NWI Director	Date of Grant	Number of share options outstanding with exercise price per share in PPC of HK$0.693
Mr. Chan Wing-Tak, Douglas	11 May 1999	10,000,000 *(Note)*

Note: The share options are divided into four tranches exercisable from 5 November 1999, 5 May 2001, 5 May 2002, 5 May 2003, respectively, to 4 November 2004.

(d) As at the Latest Practicable Date, under a share option scheme adopted by NWCL, an indirect subsidiary of NWD (being the holding company of NWI), certain NWI Directors hold share options to subscribe for shares in NWCL at a price of HK$1.955 per share as follows:

Name of NWI Director	Date of grant	Period during which share options may be exercisable *(Note)*	Number of share options outstanding
Dr. Cheng Kar-Shun, Henry	7 February 2001	8 March 2001 to 7 March 2006	5,000,000
Mr. Doo Wai-Hoi, William	8 February 2001	9 March 2001 to 8 March 2006	2,800,000
Mr. Chan Wing-Tak, Douglas	12 February 2001	13 March 2001 to 12 March 2006	500,000
Mr. Cheng Kar-Shing, Peter	9 February 2001	10 March 2001 to 9 March 2006	2,500,000
Mr. Leung Chi-Kin, Stewart	7 February 2001	8 March 2001 to 7 March 2006	500,000
Mr. Chan Kam-Ling	9 February 2001	10 March 2001 to 9 March 2006	400,000
Mr. So Ngok	9 February 2001	10 March 2001 to 9 March 2006	500,000

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).

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

3 SUBSTANTIAL SHAREHOLDERS OF NWI

(a) As at the Latest Practicable Date, so far as is known to any NWI Director or chief executive of NWI, the following persons were interested in 10% or more of the share capital of NWI as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance as follows:

Name	*Notes*	**Number of shares**
Chow Tai Fook Enterprises Limited (“Chow Tai Fook”)	(1)	519,919,085
NWD	(2)	519,919,085
Sea Walker Limited (“SWL”)	(3)	516,561,485
Mombasa Limited (“Mombasa”)		516,561,485
AIG Asian Infrastructure Management II Ltd. as general partner of AIG Asian Infrastructure Management II LP as general partner of AIG Asian Infrastructure Fund II LP		96,848,750

Notes:

(1) Chow Tai Fook and its subsidiaries have interests in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares deemed to be interested by NWD.

(2) This interest represents 516,561,485 shares deemed to be held by SWL and 3,357,600 shares directly held by Financial Concepts Investment Limited (“FCIL”). SWL is a wholly-owned subsidiary of NWD and NWD has a 51.3% indirect interest in FCIL. NWD is deemed to have interests in the shares held by SWL and FCIL.

(3) Mombasa is a wholly-owned subsidiary of SWL and its interests in NWI 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 NWI as at the Latest Practicable Date.

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

Name	Name of NWI's subsidiary	Percentage of shares held
Mr. Li Chau-Ming, Peter	Apex-Pro Systems Limited	14.9%
Infinity Regent Inc.	Milestone Overseas Limited	16.67%
Sparkle Spirit Limited	Milestone Overseas Limited	16.67%
Stanford Ocean Limited	Two-Way Communications Limited	10%
Magic Pioneer Limited	Two-Way Communications Limited	10%

Save as disclosed above and in the prospectus of NWI dated 17 October 1995, NWI's circulars to shareholders and published announcements of NWI, so far as is known to any NWI Director or chief executive of NWI, 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 NWI Group as at the Latest Practicable Date.

4 ADDITIONAL DISCLOSURE OF INTERESTS IN NWI

(a) As at the Latest Practicable Date, none of the NWI Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the NWI Group.

(b) As at the Latest Practicable Date, none of the NWI Directors had entered, or proposed to enter, into a service contract with any member of the NWI Group which is not determinable by the relevant member of the NWI Group within one year without payment of compensation, other than statutory compensation.

(c) As at the Latest Practicable Date, BNP Paribas Peregrine had no shareholding in any member of the NWI 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 NWI Group.

(d) As at the Latest Practicable Date, none of the NWI Directors or BNP Paribas Peregrine had any direct or indirect interest in any asset which had been acquired or disposed of by, or leased to, any member of the NWI Group, or was proposed to be acquired or disposed of by, or leased to, any member of the NWI Group, since 30 June 2001, the date to which the latest published audited financial statements of the NWI Group were made up.

5 MATERIAL ADVERSE CHANGE

The NWI Directors are not aware of any material adverse change in the financial or trading position of the NWI Group since 30 June 2001, the date to which the latest published audited financial statements of the NWI Group were made up.

6 QUALIFICATIONS AND CONSENT

BNP Paribas Peregrine is an investment adviser registered under the Securities Ordinance, Chapter 333 of the Laws of Hong Kong. BNP Paribas Peregrine has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

7 LITIGATION

Neither NWI nor any of its subsidiaries is engaged in any litigation or claim of material importance and, so far as the NWI Directors are aware, no litigation or claim of material importance is pending or threatened against NWI or any of its subsidiaries.

8 MISCELLANEOUS

(a) The English text of this circular shall prevail over the Chinese text.

(b) The secretary of NWI is Mr. Chow Oi-Wah, Fergus, *FCCA, AHKSA.*

(c) The head office and the principal place of business of NWI is at 9th Floor, New World Tower 2, 18 Queen's Road Central, Hong Kong. The registered office of NWI is at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The branch registrars of NWI in Hong Kong is Standard Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.

9 DOCUMENTS 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 13 August 2002:

(a) the Merger Agreement;

(b) the letter from BNP Paribas Peregrine as set out in this circular; and

(c) the written consent referred to in paragraph 6 of this appendix.

1 RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to PPC. The PPC Directors collectively and individually accept 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 BY PPC DIRECTORS

(a) Mr. Bruce Carroll Allen, a PPC Director, holds 180,000 shares in PPC through his spouse as at the Latest Practicable Date.

(b) As at the Latest Practicable Date, the following PPC Directors hold shares in NWD, the ultimate holding company of PPC, as follows:

Name of PPC Director	Number of shares
Mr. Cheung Chin-Cheung, Tommy	42,674
Mr. Tse Po-Shing, Andy	10,000

(c) As at the Latest Practicable Date, the following PPC Directors hold shares in NWI, the intermediate holding company of PPC, as follows:

Name of PPC Director	Number of shares
Dr. Cheng Kar-Shun, Henry	1,000,000 *(Note)*
Mr. Chan Wing-Tak, Douglas	700,000
Mr. Cheung Chin-Cheung, Tommy	100,000
Mr. Tse Po-Shing, Andy	100,000

Note: The shares in NWI are held by his spouse.

(d) As at the Latest Practicable Date, Mr. Doo Wai-Hoi, William, a PPC Director, holds 700,000 shares in NWCL, a subsidiary of NWD, the ultimate holding company of PPC.

(e) As at the Latest Practicable Date, under the share option scheme adopted by PPC on 11 April 1997, certain PPC Directors hold share options to subscribe for shares in PPC with an exercise price of HK$0.693 per share as follows:

Name of PPC Director	**Date of grant**	**Number of share options outstanding**	*Notes*
Mr. Chan Wing-Tak, Douglas	11 May 1999	10,000,000	(1)
Mr. Lo Lin-Shing, Simon	11 May 1999	6,000,000	(1)
Mr. Cheung Chin-Cheung, Tommy	11 May 1999	3,000,000	(1)
Mr. Tse Po-Shing, Andy	11 May 1999	2,000,000	(1)
Mr. Bruce Carroll Allen	16 February 2000	2,000,000	(2)

Notes:

(1) The share options are divided into four tranches exercisable from 5 November 1999, 5 May 2001, 5 May 2002 and 5 May 2003, respectively, to 4 November 2004.

(2) The share options are divided into four tranches exercisable from 16 August 2000, 16 February 2002, 16 February 2003 and 16 February 2004, respectively, to 15 August 2005.

(f) As at the Latest Practicable Date, under a share option scheme adopted by NWI, certain PPC Directors hold share options to subscribe for shares in NWI as follows:

		Number of share options outstanding with exercise price per share in NWI of	
Name of PPC Director	**Date of grant**	**HK$10.20** *(Note 1)*	**HK$12.00** *(Note 2)*
Dr. Cheng Kar-Shun, Henry	2 December 1998	600,000	2,400,000
Mr. Doo Wai-Hoi, William	16 December 1998	200,000	800,000
Mr. Chan Wing-Tak, Douglas	26 November 1998	320,000	1,280,000
Mr. So Ngok	26 November 1998	200,000	800,000
Mr. Cheung Chin-Cheung, Tommy	12 December 1998	78,800	315,200

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.

(g) 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 PPC), certain PPC Directors hold share options to subscribe for shares in NWCL at a price of HK$1.955 as follows:

Name of PPC Director	Date of grant	Period during which share options may be exercisable *(Note)*	Number of share options outstanding
Dr. Cheng Kar-Shun, Henry	7 February 2001	8 March 2001 to 7 March 2006	5,000,000
Mr. Chan Wing-Tak, Douglas	12 February 2001	13 March 2001 to 12 March 2006	500,000
Mr. Doo Wai-Hoi, William	8 February 2001	9 March 2001 to 8 March 2006	2,800,000
Mr. So Ngok	9 February 2001	10 March 2001 to 9 March 2006	500,000

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).

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

3 SUBSTANTIAL SHAREHOLDERS OF PPC

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

Name	*Notes*	**Number of ordinary shares**
Chow Tai Fook Enterprises Limited (“Chow Tai Fook”)	(1)	1,544,976,000
NWD		1,544,976,000
Sea Walker Limited (“SWL”)	(2)	1,544,976,000
Mombasa Limited (“Mombasa”)	(3)	1,544,976,000
NWI	(4)	1,544,976,000
Lotsgain Limited (“Lotsgain”)	(5)	1,544,976,000
Seashore Development Limited (“Seashore”)	(6)	1,544,976,000

Notes:

(1) Chow Tai Fook and its subsidiaries have interests in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares deemed to be interested by NWD.

(2) SWL is a wholly-owned subsidiary of NWD and its interests in PPC is deemed to be held by NWD.

(3) Mombasa is a wholly-owned subsidiary of SWL and its interests in PPC is deemed to be held by SWL.

(4) NWI is a subsidiary of Mombasa and its interests in PPC is deemed to be held by Mombasa.

(5) Lotsgain is a wholly-owned subsidiary of NWI and its interests in PPC is deemed to be held by NWI.

(6) Seashore is a wholly-owned subsidiary of Lotsgain and its interests in PPC is deemed to be held by Lotsgain.

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 PPC as at the Latest Practicable Date.

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

Name	Name of PPC's subsidiary	Percentage of shares held
Nanjing Port Authority	Nanjing Huining Wharfs Co., Ltd.	25%
Suzhou Tonggang Group Company	Suzhou Huisu International Container Freight Wharfs Co., Ltd.	25%
Party A	CJV 2	40%
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 PPC Director or chief executive of PPC, 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 PPC Group as at the Latest Practicable Date.

4 ADDITIONAL DISCLOSURE OF INTERESTS IN PPC

(a) As at the Latest Practicable Date, none of the PPC Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the PPC Group.

(b) As at the Latest Practicable Date, none of the PPC Directors had entered, or proposed to enter, into a service contract with any member of the PPC Group which is not determinable by the relevant member of the PPC Group within one year without payment of compensation, other than statutory compensation.

(c) As at the Latest Practicable Date, BNP Paribas Peregrine had no shareholding in any member of the PPC 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 PPC Group.

(d) As at the Latest Practicable Date, none of the PPC Directors or BNP Paribas Peregrine had any direct or indirect interest in any asset which had been acquired or disposed of by, or leased to, any member of the PPC Group, or was proposed to be acquired or disposed of by, or leased to, any member of the PPC Group, since 30 June 2001, the date to which the latest published audited financial statements of the PPC Group were made up.

5 MATERIAL ADVERSE CHANGE

The PPC Directors are not aware of any material adverse change in the financial or trading position of the PPC Group since 30 June 2001, the date to which the latest published audited financial statements of the PPC Group were made up.

6 QUALIFICATIONS AND CONSENT

BNP Paribas Peregrine is an investment adviser registered under the Securities Ordinance, Chapter 333 of the Laws of Hong Kong. BNP Paribas Peregrine has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

7 LITIGATION

Neither PPC nor any of its subsidiaries is engaged in any litigation or claim of material importance and, so far as the PPC Directors are aware, no litigation or claim of material importance is pending or threatened against PPC or any of its subsidiaries.

8 MISCELLANEOUS

(a) The English text of this circular shall prevail over the Chinese text.

(b) The secretary of PPC is Mr. Wong Wing-Lun, Alan.

(c) The head office and the principal place of business of PPC is at 21st Floor, New World Tower 2, 18 Queen's Road Central, Hong Kong. The registered office of PPC is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The branch registrars of PPC in Hong Kong is Standard Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.

9 DOCUMENTS 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 13 August 2002:

(a) the Merger Agreement;

(b) the letter from BNP Paribas Peregrine as set out in this circular; and

(c) the written consent referred to in paragraph 6 of this appendix.