
IMPORTANT

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

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

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

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



新創建集團有限公司*
NWS Holdings Limited

(incorporated in Bermuda with limited liability)

**DISCLOSEABLE AND CONNECTED TRANSACTION
PROPOSED SHARE EXCHANGE INVOLVING NWS HOLDINGS LIMITED,
NEW WORLD FIRST HOLDINGS LIMITED,
CHOW TAI FOOK ENTERPRISES LIMITED AND
MERRYHILL GROUP LIMITED**

Financial Adviser to NWS Holdings Limited



Independent Financial Adviser to the Independent Board Committee

COMMERZBANK 

COMMERZBANK AG Hong Kong Branch

A letter from the Board is set out on pages 4 to 16 of this Circular and a letter from the Independent Board Committee is set out on pages 17 and 18 of this Circular. In addition, a letter from Commerzbank, the independent financial adviser to the Independent Board Committee, containing its advice to the Independent Board Committee is set out on pages 19 to 26 of this Circular.

A notice convening the Special General Meeting of NWS Holdings Limited to be held at Meeting Room 301A (New Wing), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Thursday, 8 January 2004 at 11:00 a.m. is set out on pages 27 and 28 of this Circular. Whether or not you are able to attend the Special General Meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrars in Hong Kong, Standard Registrars Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the Special General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the Special General Meeting or any adjournment thereof should you so wish.

* For identification purposes only

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	4
Corporate and Shareholding Structures	6
Information Regarding the Relevant Groups	7
Reasons for, and Benefits of, the Proposed Share Exchange	8
The Share Exchange Agreement	9
The Shareholders Agreement	13
Financial Information	15
Independent Shareholders' Approval	15
Special General Meeting	15
Recommendation	16
Additional Information	16
Letter from the Independent Board Committee	17
Letter from Commerzbank	19
Notice of the Special General Meeting	27
Appendix I — Valuation of the NWFH Group and the Merryhill Group	29
Appendix II — General Information	34

DEFINITIONS

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

“American Appraisal”	American Appraisal China Limited, an independent professional valuer
“associates”	as defined in the Listing Rules
“Board”	the board of directors of the Company
“Business Day”	a day on which banks are open for business in Hong Kong (excluding Saturdays, Sundays and public holidays)
“Chief Executive”	as defined in the Listing Rules
“Citybus”	Citybus Limited, a company incorporated in Hong Kong with limited liability
“Citybus Group”	Citybus and its subsidiaries
“Commerzbank”	Commerzbank AG through its Hong Kong Branch, the independent financial adviser to the Independent Board Committee in relation to the Proposed Share Exchange
“Company” or “NWSH”	NWS Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the Share Exchange Agreement
“CTF”	Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong with limited liability which, as at the Latest Practicable Date, held approximately 35% of the total issued share capital of NWD and approximately 3% of the total issued share capital of NWSH
“CTF Acquisition”	the acquisition of the entire issued share capital of SGC (HK Group) Limited by Delta Pearl Limited, an indirect wholly-owned subsidiary of CTF, from Stagecoach Group Plc
“CTF Group”	CTF and its subsidiaries, excluding the Merryhill Group
“Directors”	directors of the Company
“EGL”	Enrich Group Limited, a company incorporated in the British Virgin Islands with limited liability, being an indirect wholly-owned subsidiary of CTF
“Experts”	Commerzbank and American Appraisal
“First Action”	First Action Developments Limited, a company incorporated in the British Virgin Islands with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of PRC

DEFINITIONS

“Independent Board Committee”	an independent committee of the board of directors of NWSH formed by Messrs. Kwong Che Keung, Gordon, Cheng Wai Chee, Christopher and Dominic Lai, three independent non-executive directors of NWSH for the purpose of considering and advising the Independent NWSH Shareholders in respect of the Proposed Share Exchange
“Independent NWSH Shareholders”	NWSH Shareholders other than CTF, NWD and their respective associates
“KCB”	Kwoon Chung Bus Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Latest Practicable Date”	18 December 2003, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining information contained in this Circular
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macau”	the Macau Special Administrative Region of PRC
“Merryhill”	Merryhill Group Limited, a company incorporated in the British Virgin Islands with limited liability which currently is an indirect wholly-owned subsidiary of CTF and upon Completion will become 50% held by each of CTF and NWSH (indirectly through EGL and NWSSM respectively)
“Merryhill Group”	Merryhill and its subsidiaries
“Merryhill Shareholder Loans”	the aggregate amount of inter-company shareholder loans owed by members of the Merryhill Group to the CTF Group
“Model Code”	Model Code for Securities Transactions by Directors of Listed Companies
“Net Debt”	in respect of the Merryhill Group or the NWFH Group (as the case may be), that group’s: (a) aggregate external indebtedness; plus (b) aggregate shareholders’ loans and advances owed to the CTF Group (in the case of the Merryhill Group) or the NWSH Group (in the case of the NWFH Group); less (c) cash at bank and in hand, in each case at a specific date
“NWCL”	New World China Land Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange, being a subsidiary of NWD
“NWD”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
“NWFB”	New World First Bus Services Limited, a company incorporated in the British Virgin Islands with limited liability, being a wholly-owned subsidiary of NWFH

DEFINITIONS

“NFFF”	New World First Ferry Services Limited, a company incorporated in the British Virgin Islands with limited liability, being a wholly-owned subsidiary of NWFH
“NFFF(M)”	New World First Ferry Services (Macau) Limited, a company incorporated in the British Virgin Islands with limited liability, being a wholly-owned subsidiary of NWFH
“NWFH”	New World First Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, being an indirect wholly-owned subsidiary of NWSH
“NWFH Group”	NWFH and its subsidiaries
“NWFH Shareholder Loans”	the aggregate amount of inter-company shareholder loans and other advances owed by members of the NWFH Group to the NWSH Group prior to Completion
“NWSH Group”	NWSH and its subsidiaries, excluding the NWFH Group (unless otherwise specified)
“NWSH Shareholders”	the holders of the shares of HK\$1 each in the issued share capital of NWSH
“NWSSM”	NWS Service Management Limited, a company incorporated in the British Virgin Islands with limited liability, being an indirect wholly-owned subsidiary of NWSH
“NWTMT”	New World TMT Limited (formerly known as New World Infrastructure Limited), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange, being a subsidiary of NWD
“PRC”	The People’s Republic of China, excluding Hong Kong and Macau
“Proposed Share Exchange”	as defined in Section 1 of the “Letter from the Board” contained in this Circular
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share Exchange Agreement”	the conditional Share Exchange Agreement entered into among CTF, NWSH and Merryhill on 8 December 2003
“Shareholders Agreement”	the Shareholders Agreement to be entered into among CTF, EGL, NWSH and NWSSM upon Completion
“Special General Meeting”	the special general meeting of the NWSH Shareholders to be held at Meeting Room 301A (New Wing), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on 8 January 2004, notice of which is set out on pages 27 and 28 of this Circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wai Kee”	Wai Kee Holdings Limited, a company incorporated in Bermuda with limited liability, being an associated company of the Company



新創建集團有限公司*
NWS Holdings Limited

(incorporated in Bermuda with limited liability)

Directors:

Executive Directors:

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

Non-executive Directors:

Mr. Wilfried Ernst Kaffenberger
Mr. To Hin Tsun, Gerald
Mr. Yeung Kun Wah, David
(Alternate Director to Mr. Wilfried Ernst Kaffenberger)

Independent Non-executive Directors:

Mr. Kwong Che Keung, Gordon
Mr. Cheng Wai Chee, Christopher
Mr. Dominic Lai

**Head office and principal place
of business:**

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

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

23 December 2003

To the NWSH Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
PROPOSED SHARE EXCHANGE INVOLVING NWS HOLDINGS LIMITED,
NEW WORLD FIRST HOLDINGS LIMITED,
CHOW TAI FOOK ENTERPRISES LIMITED AND
MERRYHILL GROUP LIMITED**

1. INTRODUCTION

On 8 December 2003, the Board together with the board of directors of NWD jointly announced that CTF, NWSH and Merryhill entered into the Share Exchange Agreement in connection with a proposed share exchange which, if completed, will place the respective transport and related businesses of CTF and NWSH

* *For identification purposes only*

LETTER FROM THE BOARD

under Merryhill (the “**Proposed Share Exchange**”). As at the date of this Circular, Merryhill is an indirect wholly-owned subsidiary of CTF which holds, among other investments, the Citybus Group, and NWFH is an indirect wholly-owned subsidiary of NWSH.

It has been agreed that upon Completion, each of CTF and NWSH will own 50% of the total issued share capital of Merryhill. However, according to the results of independent valuations carried out by American Appraisal on the business enterprise values of the Merryhill Group and the NWFH Group as well as the Net Debt positions thereof, the equity value (i.e. business enterprise value less Net Debt position) of the Merryhill Group as at 31 October 2003 was higher than that of the NWFH Group (which is proposed to be injected by NWSH into Merryhill) as at that date. Hence, the following arrangements will take place upon Completion to put in place the said 50:50 shareholding structure and make up the difference between the equity values of the Merryhill Group and the NWFH Group:

- (a) Merryhill will declare and pay a dividend in cash to EGL;
- (b) NWFH will issue certain new NWFH shares to NWSH for the purpose of capitalising a portion of the NWFH Shareholder Loans;
- (c) NWSH will procure the transfer of its entire shareholding in NWFH (including those new NWFH shares issued to NWSH as a result of the above-mentioned capitalisation of the NWFH Shareholder Loans) as well as the assignment, on a dollar-for-dollar basis, of the uncapitalised portion of the NWFH Shareholder Loans to Merryhill; in consideration of such transfers and assignment, NWSH will receive newly-issued shares in Merryhill as well as a cash payment to be made by Merryhill to it; and
- (d) Merryhill will repay a part of the Merryhill Shareholder Loans and issue new shares to CTF for the purpose of capitalising the remaining Merryhill Shareholder Loans.

Completion is conditional upon satisfaction and/or waiver of certain conditions set out in the subsection entitled “Conditions of the Proposed Share Exchange” under Section 5 below.

Upon Completion, CTF and NWSH (among the other parties) will enter into the Shareholders Agreement which will regulate their respective responsibilities towards the management of the business and affairs of the Merryhill Group.

As at the Latest Practicable Date, CTF held approximately 35% of the total issued share capital of NWD which, in turn, held approximately 54% of the total issued share capital of NWSH. CTF also directly held approximately 3% of the total issued share capital of NWSH. Since CTF is a substantial shareholder of NWSH and hence a connected person of NWSH under the Listing Rules, the Proposed Share Exchange constitutes a discloseable and connected transaction for NWSH under the Listing Rules and therefore requires the approval of the Independent NWSH Shareholders at the Special General Meeting.

The Independent Board Committee, which consists of Messrs. Kwong Che Keung, Gordon, Cheng Wai Chee, Christopher and Dominic Lai, has been formed to consider the Proposed Share Exchange. An independent financial adviser, Commerzbank, has been appointed to advise the Independent Board Committee regarding the same.

LETTER FROM THE BOARD

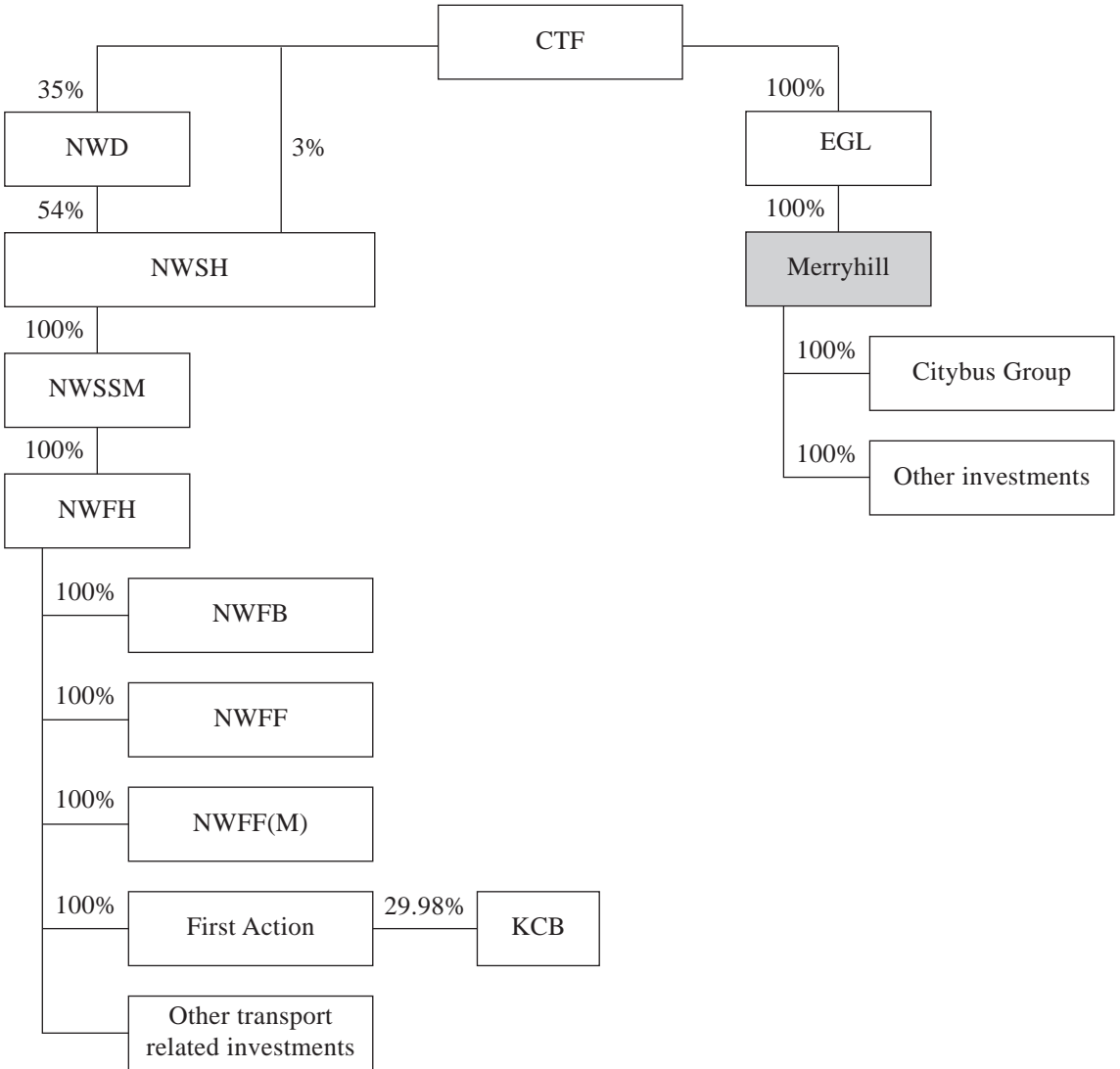
The purpose of this letter and other parts of this Circular of which this letter forms part is to provide you with information relating to the details of the Proposed Share Exchange and to set out the recommendation from the Independent Board Committee as well as the advice from Commerzbank.

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

2. CORPORATE AND SHAREHOLDING STRUCTURES

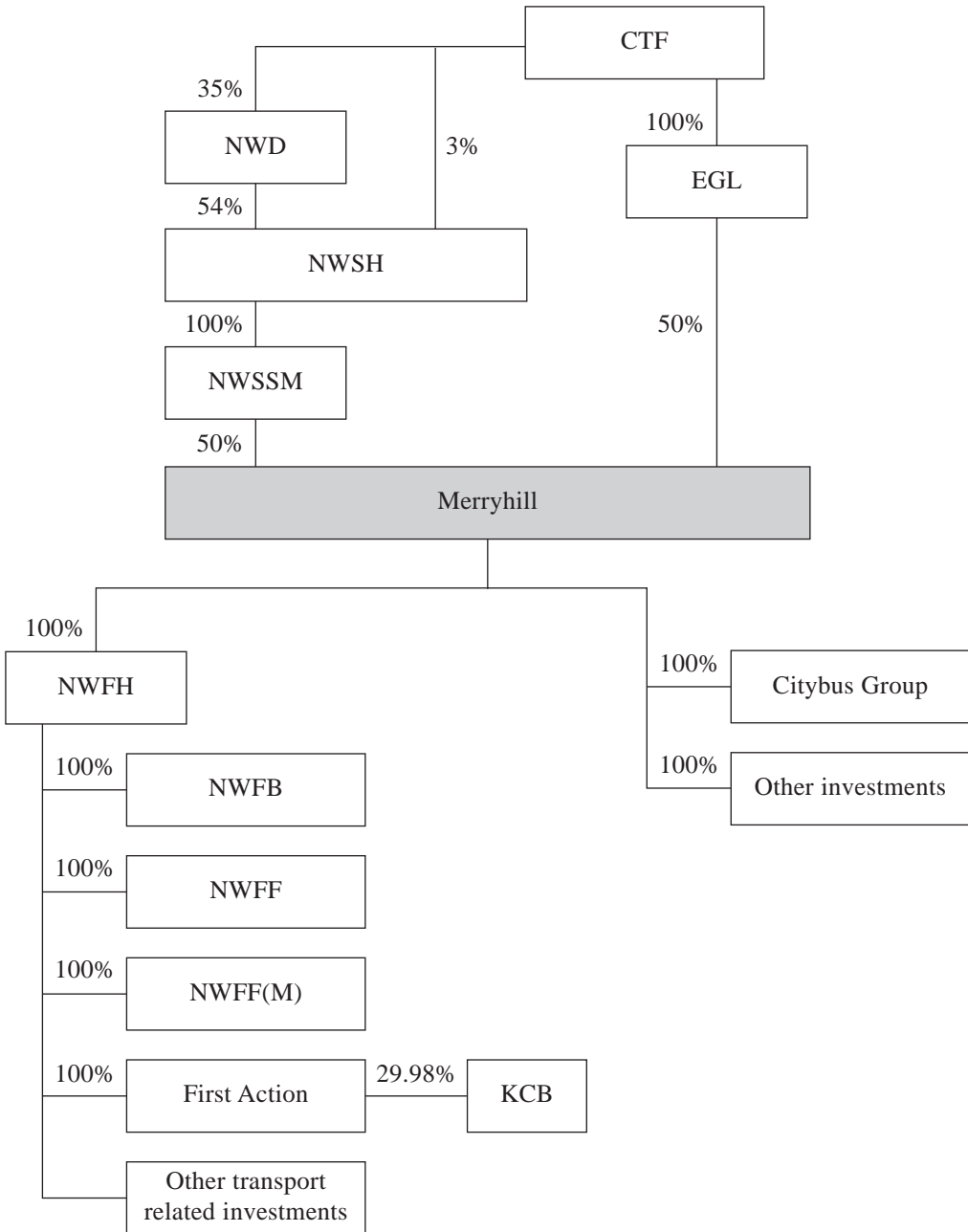
The simplified corporate and shareholding structures of the NWSH Group, the NWFH Group and the Merryhill Group before and after Completion are illustrated by the following diagrams:

Before Completion



LETTER FROM THE BOARD

After Completion



3. INFORMATION REGARDING THE RELEVANT GROUPS

The NWSH Group

The NWSH Group's principal businesses include: (i) facilities, contracting, financial and environmental services businesses as well as transport and related businesses (operated through the NWFH Group); (ii) the development, investment, operation and/or management of and in toll roads,

expressways, bridges and tunnel, power plants, water treatment and waste management plants; and (iii) the development, investment, operation and management of container handling, logistics and warehousing businesses.

The NWFH Group

NWFH holds the entire issued share capital of (among other companies) NWFB, NWFF, NWFF(M) and First Action. NWFB operates public bus services in Hong Kong, NWFF operates public ferry services in Hong Kong, NWFF(M) operates public ferry services between Hong Kong and Macau and First Action holds approximately 29.98% of the total issued share capital of KCB, which is principally engaged in the provision of non-franchised bus services in Hong Kong as well as franchised bus services on Lantau Island.

The Merryhill Group

Merryhill holds the Citybus Group. Citybus, the principal member of the Citybus Group, operates public and private bus services in Hong Kong.

4. REASONS FOR, AND BENEFITS OF, THE PROPOSED SHARE EXCHANGE

NWD and NWSH envisage that Merryhill will become a comprehensive transport services provider which encompasses the existing transport and related businesses of NWSH and CTF respectively, including local franchised and non-franchised bus services, inner and outer harbour and Hong Kong-Macau ferry services, local sightseeing ferry services, bus services in PRC and other transport-related businesses.

NWD and NWSH believe that the establishment of Merryhill in the transport and related businesses, including the relevant bus operations, will result in improved operational efficiency through realignment of management resources, better deployment of resources and enhancement in the overall quality of services provided to customers. After Completion, both Citybus and NWFB will become member companies of the Merryhill Group, but they will continue to operate under their respective franchises and route networks. NWD and NWSH believe that the synergistic benefits arising from the above will enhance shareholders' value ultimately.

The covenants not to compete and the first rights of refusal given by CTF under the Shareholders Agreement will result in a better alignment of the interests of the NWSH Shareholders and the shareholders of NWD.

On the basis of a comparison of NWSH's audited financial statements for the financial year ended 30 June 2003 with its unaudited combined pro forma financial statements taking into account the Proposed Share Exchange for the same financial year, NWSH believes that, although it will not have any material impact on NWSH's earnings, the Proposed Share Exchange will have a positive impact on NWSH's balance sheet, characterised primarily by: (a) a reduction of NWSH's Net Debt position from approximately HK\$6.9 billion to HK\$5.4 billion; and (b) a reduction of NWSH's gearing ratio (being Net Debt divided by shareholders' funds and minority interests and loans) from approximately 62% to 49%.

The Proposed Share Exchange involves, inter alia, a transfer by NWSH of the entire NWFH Group to Merryhill, assignment and capitalisation of the NWFH Shareholder Loans by NWSH as well as an acquisition by NWSH of 50% of Merryhill, which will upon Completion hold, inter alia, the NWFH Group and the Citybus Group (please see Section 5 below for further details). As a result of these steps, the net

LETTER FROM THE BOARD

tangible asset position of the NWSH Group will be decreased by approximately HK\$0.1 billion primarily due to an increase in goodwill upon the said acquisition of 50% of Merryhill. NWSH considers such an impact on NWSH's net tangible asset position to be immaterial.

As the Proposed Share Exchange will not involve any profit or loss on disposal, it will not result in any change in the shareholders' equity of NWSH.

5. THE SHARE EXCHANGE AGREEMENT

Date

8 December 2003

Parties

CTF, NWSH and Merryhill

Proposed Share Exchange and consideration

As at 31 October 2003:

- the business enterprise values of the Merryhill Group and the NWFH Group were approximately HK\$2,451.6 million and HK\$2,091.2 million respectively (according to the results of independent valuations of the business enterprises of the Merryhill Group and the NWFH Group carried out by American Appraisal);
- the amount of the Merryhill Shareholder Loans and the NWFH Shareholder Loans were approximately HK\$518.6 million and HK\$1,342.0 million;
- the Net Debt positions of the Merryhill Group and the NWFH Group were approximately HK\$2,144.8 million and HK\$1,989.5 million respectively; and
- the equity values (i.e. business enterprise value less Net Debt position) of the Merryhill Group and the NWFH Group were approximately HK\$306.8 million and HK\$101.7 million respectively.

CTF and NWSH have agreed that upon and after Completion, each of CTF and NWSH shall own 50% of the total issued share capital of Merryhill. In this connection, under the Share Exchange Agreement, the following steps will be undertaken at Completion (in the order stated) to put in place the said 50:50 shareholding structure and make up the difference between the equity values of the Merryhill Group and the NWFH Group:

- (1) Merryhill shall declare and pay a dividend in cash in the amount of the lesser of: (a) HK\$102.6 million (being 50% of the difference between the equity values of the NWFH Group and the Merryhill Group as at 31 October 2003); and (b) the full amount of the distributable reserves of Merryhill as at Completion to EGL to reduce the equity value of the Merryhill Group;
- (2) NWSH shall capitalise a portion of the NWFH Shareholder Loans to increase the equity value of the NWFH Group such that the resultant equity value of the NWFH Group shall be equal to the equity value of the Merryhill Group (which has been reduced as a result of the

LETTER FROM THE BOARD

dividend declaration and payment referred to in step (1) above); the actual amount of NWFH Shareholder Loans capitalised in this step will depend on the actual amount of the dividend declared and paid in step (1) above;

- (3) NWSH shall procure the transfer of the entire issued share capital of NWFH, including the new NWFH shares allotted and issued to NWSH pursuant to the capitalisation of a portion of the NWFH Shareholder Loans referred to in step (2) above, to Merryhill and assign the uncapped portion of the NWFH Shareholder Loans to Merryhill;
- (4) the consideration for the transfer, capitalisation and assignment mentioned in step (3) above shall be satisfied by:
 - (i) Merryhill issuing and allotting certain new Merryhill shares as consideration for the entire issued share capital of NWFH as well as the capitalised portion of the NWFH Shareholder Loans at face value; and
 - (ii) Merryhill paying, on a dollar-for-dollar basis, an amount in cash as consideration for the uncapped portion of the NWFH Shareholder Loans at face value,in each case to NWSH or its nominee(s); and
- (5) Merryhill shall repay a part of the Merryhill Shareholder Loans to CTF and issue and allot certain new Merryhill shares to CTF for the purpose of capitalising the remaining Merryhill Shareholder Loans.

Upon Completion, each of CTF and NWSH will hold 50% of the total issued share capital of Merryhill, which will be accounted for as a jointly-controlled entity of NWSH in accordance with generally accepted accounting principles of Hong Kong.

The above-mentioned independent valuations were performed by American Appraisal using a combination of the discounted cash-flow method and the capitalisation of stabilised earnings method (commonly known as the income approach) and the direct market capitalisation method (commonly known as the market approach). The discounted cash-flow method is applicable, since the subject entities' future returns can be reasonably estimated. The capitalisation of stabilised earnings method was used as a reference check when the future operations are not expected to change significantly from its current normalised operation or where future returns are expected to grow at a somewhat predictable rate. The direct market capitalisation method assumes that the market is efficient enough to reflect the value of a company whose shares are publicly traded.

From a realisation standpoint, the aggregate consideration to be received by NWSH (referred to in step (4) above) for the transfer of its shareholding in NWFH as well as the capitalisation and assignment of the NWFH Shareholder Loans (referred to in step (3) above), which has been determined with reference to, inter alia, the above-mentioned independent valuation results and Net Debt positions as at 31 October 2003, is valued at approximately HK\$1,443.7 million. This is approximately HK\$172.0 million less than the carrying value of the NWFH Group and the NWFH Shareholder Loans as per the audited accounts of the NWSH Group for the financial year ended 30 June 2003. This deficit will be included as part of NWSH's investment cost in Merryhill at Completion.

LETTER FROM THE BOARD

Refinancing facility to be obtained by Merryhill

It is anticipated that Merryhill (possibly together with certain other members of the Merryhill Group) will obtain a refinancing facility which is capable of being drawn down upon Completion for the purpose of, inter alia: (a) firstly, repaying in full all the external indebtedness of the Merryhill Group and the NWFH Group; and (b) secondly, paying the dividend mentioned in step (1) above, paying the cash consideration mentioned in step (4) above as well as making the repayment of a part of the Merryhill Shareholder Loans mentioned in step (5) above at the same time. The above-mentioned refinancing facility is expected to be without recourse to CTF or NWSH.

Financing of the relevant businesses prior to Completion

The considerations, undertakings, dividend arrangement as well as payment obligations referred to in steps (1) to (5) above have been determined with reference to, inter alia, the above-mentioned independent valuation results and the Net Debt positions of the Merryhill Group and the NWFH Group respectively, in each case with 31 October 2003 as the reference date and as if:

- each of CTF and NWSH were interested in 50% of the total issued share capital of Merryhill as from 1 November 2003;
- Merryhill were the sole beneficial owner of the Merryhill Group (excluding Merryhill) and the NWFH Group as from 1 November 2003; and
- Merryhill were, as from 1 November 2003, to account for all the costs, expenses and capital expenditure items as well as all scheduled repayments of external indebtedness, in each case in respect of the Merryhill Group and the NWFH Group.

CTF and NWSH anticipate and agree that:

- (a) all revenues and income generated by the businesses of the Merryhill Group and the NWFH Group respectively between 1 November 2003 and Completion shall be kept and retained by the Merryhill Group and the NWFH Group (as the case may be); and
- (b) the above-mentioned costs, expenses, capital expenditure and repayments shall, to the extent practicable, be funded by internal financial resources within the Merryhill Group and the NWFH Group between 1 November 2003 and Completion;

however, where such internal financial resources are insufficient for paying or making the said costs, expenses, capital expenditure and repayments, the CTF Group or the NWSH Group may advance funds in the form of shareholder loans to the Merryhill Group or the NWFH Group (as the case may be) prior to Completion, and in such an event, Merryhill shall do the following on a dollar-for-dollar basis at Completion:

- (i) repay in full to the CTF Group all such shareholder loans advanced by the CTF Group to the Merryhill Group between 1 November 2003 and Completion; and
- (ii) acquire (by way of an assignment by NWSH to Merryhill) all such shareholder loans advanced by the NWSH Group to the NWFH Group between 1 November 2003 and Completion.

LETTER FROM THE BOARD

Where Merryhill does not have sufficient financial resources to effect the repayment and/or acquisition of shareholder loans mentioned in paragraphs (i) and (ii) above at Completion, any unpaid portion(s) will become interest-free debts payable on demand owed by Merryhill to the CTF Group and/or the NWSH Group (as the case may be).

Conditions of the Proposed Share Exchange

Completion is conditional upon, among others, the following conditions:

- the passing at a general meeting of each of NWD and NWSH of all necessary resolutions to approve the Proposed Share Exchange;
- Merryhill having obtained the above-mentioned refinancing facility on terms satisfactory to CTF and NWSH and all the conditions for the draw-down thereunder having been fulfilled or waived in accordance with terms of such re-financing, save for the condition therein in respect of Completion;
- consent in relation to the Proposed Share Exchange having been obtained from the relevant lenders in relation to the existing bank facilities taken out by CTF and NWSH or their respective group members on terms reasonably satisfactory to CTF and NWSH;
- all conditions precedent for the release of various security documents entered into by certain members of the Merryhill Group under the HK\$1,160.0 million acquisition facility and the HK\$600.0 million re-financing facility taken out by Delta Pearl Limited and Citybus in connection with the CTF Acquisition having been fulfilled or waived by the relevant lenders (save for the condition therein in respect of the obtaining of the above-mentioned refinancing facility by Merryhill which is conditional upon Completion); and
- all consents, licences, authorisations and other approvals necessary for or in respect of any of the transactions contemplated under the Share Exchange Agreement having been obtained by CTF, NWSH and/or the relevant parties from the relevant governments, courts or other regulatory authorities or other persons on terms reasonably satisfactory to CTF and NWSH.

Under the Share Exchange Agreement, there are provisions allowing for the waiver of all of the conditions (except those in relation to independent shareholders' approval of NWD and NWSH). Completion will take place on the third Business Day following the fulfillment or waiver of the relevant conditions or on such other date as CTF and NWSH may mutually agree upon. An announcement will be made after Completion has taken place. If such conditions are not satisfied or waived on or before 23 March 2004 or such other date as CTF and NWSH may agree upon, the Share Exchange Agreement will lapse and an announcement will be made accordingly.

Deeds of indemnity

Pursuant to the Share Exchange Agreement, CTF will at Completion issue a deed of indemnity in favour of, inter alia, NWSH in relation to certain members of the Merryhill Group prior to the signing of the Share Exchange Agreement. NWSH will, at the same time, issue a similar deed of indemnity in favour of, inter alia, CTF in relation to certain members of the NWSH Group and NWFH prior to the signing of the Share Exchange Agreement.

6. THE SHAREHOLDERS AGREEMENT

Date

To be signed at Completion.

Parties

CTF, EGL, NWSH and NWSSM

EGL and NWSSM are indirect wholly-owned subsidiaries of CTF and NWSH respectively.

Business of the Merryhill Group

The principal business of the Merryhill Group will be the carrying on of transport and related businesses in Hong Kong, Macau and PRC.

Board composition and management

The Shareholders Agreement contains provisions relating to the respective rights and obligations of the parties towards the management of the business and the affairs of the Merryhill Group after Completion, including:

- (a) each of EGL and NWSSM will be entitled to appoint the same number of directors of Merryhill and, to the extent practicable, EGL and NWSSM will be equally represented at the respective board levels of Merryhill's subsidiaries and associated companies;
- (b) no board resolution of Merryhill or its wholly-owned subsidiaries may be passed unless at least one representative from each of EGL and NWSSM votes in favour of it; and
- (c) certain matters which are fundamental to the management of the business and the affairs of the Merryhill Group will require the unanimous consent of the shareholders.

Covenants not to compete given by CTF in favour of NWSH

Pursuant to the terms of the Shareholders Agreement, CTF will give certain covenants to NWSH such that, among other things and subject to certain exceptions set out in the Shareholders Agreement, CTF shall not and shall procure that its subsidiaries and associated companies shall not, in any relevant capacity:

- (a) directly or indirectly carry on any business which is in competition with any transport and related businesses of the Merryhill Group during the term of the Shareholders Agreement in Hong Kong, Macau and PRC; and
- (b) directly or indirectly seek in competition with any transport and related businesses of the Merryhill Group in Hong Kong, Macau and PRC, procure orders from or do business with any person who is or has been a customer of a member of the Merryhill Group at any time during the term of the Shareholders Agreement.

LETTER FROM THE BOARD

The above-mentioned covenants not to compete shall not apply, inter alia, in the following situations:

- (i) they shall cease to apply at the expiry of one calendar year after the date on which CTF's direct or indirect shareholding in the total issued share capital of Merryhill has fallen below 10% only for so long as CTF's shareholding in Merryhill has remained below 10% at all times thereafter;
- (ii) they shall not apply to CTF provided that CTF complies in full with its obligations relating to the first right of refusal granted to Merryhill to pursue any business opportunity; and
- (iii) they shall not apply to CTF insofar it relates to the ownership of ferry vessels by CTF for leasing purposes provided that CTF complies in full with its obligations relating to the first right of refusal granted to the Merryhill Group in respect of leasing of ferry vessels to the Merryhill Group.

Rights of first refusal given by CTF

Pursuant to the terms of the Shareholders Agreement, CTF will grant and undertake to procure each of its subsidiaries and associated companies to grant to Merryhill a right of first refusal to pursue any business opportunity which falls within the business scope of Merryhill. If: (i) CTF has notified NWSH and Merryhill of the existence of such an opportunity; and (ii) NWSH is unwilling for Merryhill to pursue that opportunity or Merryhill has decided not to pursue that opportunity, then CTF may pursue that opportunity on its own, subject to the terms on which the opportunity is accepted being no more favourable than those offered to Merryhill.

CTF will also grant and undertake to procure each of its subsidiaries and associated companies to grant to members of the Merryhill Group a right of first refusal to lease the ferry vessels owned by CTF or any of its subsidiaries or associated companies upon no less favourable terms than those offered to any third party.

Engagement undertaking

Under the Shareholders Agreement, each of CTF and NWSH will undertake to procure Merryhill and its subsidiaries to, in relation to all of the Merryhill Group's requirements in Hong Kong, Macau and PRC for the provision of those services which the NWSH Group provides, engage members of the NWSH Group for the provision of such services for a period of 15 years from the date of the Shareholders Agreement.

The parties agree that the prices payable to the NWSH Group and the other terms for the provision of the relevant services shall be negotiated on an arm's length basis and on normal commercial terms and otherwise in accordance with the terms of the applicable waiver(s) or exemption(s) (including any specific waivers) from compliance with the disclosure and/or shareholders' approval requirement(s) under the relevant connected transaction rules granted by the Stock Exchange from time to time.

7. FINANCIAL INFORMATION

The NWFH Group

For the two financial years ended 30 June 2003, the audited consolidated net profits before taxation of the NWFH Group (excluding First Action and hence KCB, as First Action became a member of the NWFH Group as a result of an internal transfer of the entire issued share capital of First Action from NWSSM, an indirect wholly-owned subsidiary of NWSH, to NWFH after 30 June 2003) were approximately HK\$190.6 million and HK\$42.8 million respectively. During the same periods, the audited consolidated net profits after taxation of the NWFH Group (excluding First Action and hence KCB) were approximately HK\$160.5 million and HK\$21.3 million respectively.

No audited accounts have been prepared in respect of First Action. Had First Action equity accounted for its shareholding in KCB (i.e. approximately 29.98% of the total issued share capital of KCB): (a) its share of the net profits before taxation and minority interests of KCB based on the respective audited accounts of KCB for the two financial years ended 31 March 2003 would have been approximately HK\$8.0 million and HK\$13.7 million respectively; and (b) its share of the net profits after taxation and minority interest of KCB based on the said audited accounts of KCB would have been approximately HK\$2.4 million and HK\$7.4 million respectively.

The Merryhill Group

For the two financial years ended 30 April 2003, the audited consolidated net profits before taxation of the Citybus Group were approximately HK\$245.9 million and HK\$220.5 million respectively. During the same periods, the audited consolidated net profits after taxation of the Citybus Group were approximately HK\$216.5 million and HK\$172.3 million respectively.

8. INDEPENDENT SHAREHOLDERS' APPROVAL

As CTF is a substantial shareholder and hence a connected person of the Company under the Listing Rules, the Proposed Share Exchange constitutes a discloseable and connected transaction for the Company under the Listing Rules and therefore requires the approval of the Independent NWSH Shareholders at the Special General Meeting.

Given the interests held by CTF in NWD and NWSH (directly and indirectly), both CTF and NWD and their respective associates will not vote on the resolutions approving the Proposed Share Exchange. The Independent Board Committee has been formed to consider the Proposed Share Exchange. Commerzbank has been appointed to advise the Independent Board Committee regarding the same.

9. SPECIAL GENERAL MEETING

A notice convening the Special General Meeting to be held at Meeting Room 301A (New Wing), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Thursday, 8 January 2004 at 11:00 a.m. is set out on pages 27 and 28 of this Circular. At the Special General Meeting, ordinary resolutions will be proposed to approve the Proposed Share Exchange.

A form of proxy for use at the Special General Meeting is enclosed. Whether or not you are able to attend the Special General Meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrars in Hong Kong, Standard Registrars Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event no less than 48 hours before the time appointed

LETTER FROM THE BOARD

for the holding of the Special General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the Special General Meeting or any adjournment thereof should you so desire.

10. RECOMMENDATION

The text of a letter to the Independent NWSH Shareholders from the Independent Board Committee containing its recommendation is set out on pages 17 and 18 of this Circular.

Having considered the advice from Commerzbank in relation to the Proposed Share Exchange which is set out on pages 19 to 26 of this Circular, the Independent Board Committee is of the opinion that the Proposed Share Exchange is in the best interests of the Company and the Independent NWSH Shareholders, and the terms of the Share Exchange Agreement already entered into by the Company in respect of the Proposed Share Exchange as well as the terms of the Shareholders Agreement to be entered into by the Company upon Completion are fair and reasonable so far as the Independent NWSH Shareholders are concerned. The Independent Board Committee therefore recommends the Independent NWSH Shareholders to vote in favour of ordinary resolutions (A) and (B) to be proposed at the Special General Meeting.

11. ADDITIONAL INFORMATION

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

- (a) letter from the Independent Board Committee;
- (b) letter from Commerzbank;
- (c) valuation of the NWFH Group and the Merryhill Group set out in Appendix I to this Circular; and
- (d) general information on the Company set out in Appendix II to this Circular.

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



新創建集團有限公司*
NWS Holdings Limited

(incorporated in Bermuda with limited liability)

23 December 2003

To the Independent NWSH Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
PROPOSED SHARE EXCHANGE INVOLVING NWS HOLDINGS LIMITED,
NEW WORLD FIRST HOLDINGS LIMITED,
CHOW TAI FOOK ENTERPRISES LIMITED AND
MERRYHILL GROUP LIMITED**

INTRODUCTION

We refer to the circular dated 23 December 2003 issued by NWS Holdings Limited (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter.

We, being the independent non-executive Directors of the Company constituting the Independent Board Committee, write to you to set out our recommendation in respect of the Proposed Share Exchange. The Independent Board Committee has been set up to advise you, as an Independent NWSH Shareholder, whether in its view the Proposed Share Exchange, the terms of the Share Exchange Agreement already entered into by the Company in connection with the Proposed Share Exchange as well as the terms of the Shareholders Agreement to be entered into by the Company upon Completion are in the best interests of the Company and the Independent NWSH Shareholders, and are fair and reasonable so far as the Independent NWSH Shareholders are concerned.

The Proposed Share Exchange, the terms of the Share Exchange Agreement and the terms of the Shareholders Agreement are summarised in the “Letter from the Board” set out on pages 4 to 16 of the Circular. In addition, the Independent Board Committee has been advised by Commerzbank in considering the Proposed Share Exchange. You are strongly urged to read Commerzbank’s letter to the Independent Board Committee, which is set out on pages 19 to 26 of the Circular.

RECOMMENDATION

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

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Taking into account the advice of Commerzbank, the Independent Board Committee considers that the Proposed Share Exchange, as described in the “Letter from the Board” in the Circular, is in the best interests of the Company and the Independent NWSH Shareholders, and the terms of the Share Exchange Agreement already entered into by the Company in respect of the Proposed Share Exchange as well as the terms of the Shareholders Agreement to be entered into by the Company upon Completion are fair and reasonable so far as the Independent NWSH Shareholders are concerned.

The Independent Board Committee therefore recommends the Independent NWSH Shareholders to vote in favour of ordinary resolutions (A) and (B) to be proposed at the Special General Meeting.

Yours faithfully,
Independent Board Committee
**Kwong Che Keung, Gordon,
Cheng Wai Chee, Christopher and
Dominic Lai**
Independent Non-Executive Directors of NWSH

LETTER FROM COMMERZBANK

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

COMMERZBANK 

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

HONG KONG BRANCH

G.P.O. BOX 11378
HONG KONG

21/F, The Hong Kong Club Building
3A Chater Road, Central

telephone 28429666
telex 66 400 cbk hk hx
fax 28681414
swift COBAHK HX XXX

23 December 2003

To the Independent Board Committee
NWS Holdings Limited
17/F, New World Tower 2
18 Queen's Road Central
Hong Kong

Dear Sir or Madam

PROPOSED SHARE EXCHANGE

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Proposed Share Exchange. Details of the Proposed Share Exchange, amongst other things, are set out in the circular dated 23 December 2003 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context requires otherwise.

On 8 December 2003, the board of directors of NWSH announced that NWSH, CTF and Merryhill entered into the Share Exchange Agreement in connection with the Proposed Share Exchange which, if completed, will place the respective transport and related businesses of NWSH and CTF under Merryhill.

Reference shall be made to the joint announcements of NWD and NWSH dated 9 June and 8 December 2003 respectively.

The Proposed Share Exchange constitutes a discloseable and connected transaction for NWSH under the Listing Rules and requires the approval of the independent shareholders of NWSH at a general meeting. Given the interests held by CTF in NWD and NWSH (directly and indirectly), both CTF and NWD and their respective associates will not vote on the resolutions approving the Proposed Share Exchange.

Our role as the independent financial adviser to the Independent Board Committee is to give our opinion as to whether the terms of the Proposed Share Exchange are fair and reasonable so far as NWSH and the independent shareholders of NWSH are concerned.

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

LETTER FROM COMMERZBANK

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

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

PROPOSED SHARE EXCHANGE

In assessing the Proposed Share Exchange and giving our independent financial advice to the Independent Board Committee, we have taken into account the following principal factors:

Reasons for and benefits of the Proposed Share Exchange

NWSH envisages that Merryhill will become a comprehensive transport services provider which encompasses the existing transport and related businesses of NWSH and CTF respectively, including local franchised and non-franchised bus services, inner and outer harbour and Hong Kong-Macau ferry services, local sightseeing ferry services, bus services in the PRC and other transport and related businesses.

NWSH believes that the establishment of Merryhill in the transport and related businesses, including the relevant bus operations, will result in improved operational efficiency through realignment of management resources, better deployment of resources and enhancement in the overall quality of services provided to customers. After Completion, both Citybus and NWFB will become member companies of the Merryhill Group, but they will continue to operate under their respective franchises and route networks. NWSH believes that the synergistic benefits will enhance shareholders' value ultimately.

In assessing the reasons and benefits of the Proposed Share Exchange, we have taken into account NWSH's view that the covenants not to compete and the first rights of refusal given by CTF under the Shareholders Agreement will result in a better alignment of the interests of the shareholders of NWSH.

Also, through discussions with NWSH and our analysis of market information and research reports, we are of the view that the Proposed Share Exchange is in the best interests of NWSH and its shareholders and is fair and reasonable in so far as NWSH and its independent shareholders are concerned. We concur with the view of the board of directors of NWSH that the Proposed Share Exchange will enable Merryhill to broaden and deepen the base of its business scope by placing the respective transport and related businesses of NWSH and CTF under Merryhill. EGL and NWSSM are indirect wholly-owned subsidiaries of CTF and NWSH respectively. We have also taken into account that the Shareholders Agreement between CTF, EGL, NWSH and NWSSM will contain provisions relating to the respective rights and obligations of the parties towards the management of the business and the affairs of the Merryhill Group after Completion, including (i) each of EGL and NWSSM will be entitled to appoint the same number of directors of Merryhill and, to the extent practicable, EGL and NWSSM will be equally represented at respective board levels of Merryhill's subsidiaries and associated companies; (ii) no board resolution of Merryhill or its wholly-owned subsidiaries may be passed unless at least one representative from EGL and one representative from NWSSM vote in favour of it; and (iii) certain matters which are fundamental to the business and the affairs of the Merryhill Group will require the unanimous consent of the shareholders. After Completion, each of

LETTER FROM COMMERZBANK

CTF and NWSH will hold 50% of the total issued share capital of Merryhill, which will become a jointly controlled entity of each of CTF and NWSH. On this joint control basis, NWSH will retain significant influence on the business operation of Merryhill. Also, we are of the view that the amalgamation of the management expertise from the Merryhill Group and the NWFH Group could maximise the prospects of forming strategies to capture better commercial opportunities in the transport and related businesses for Merryhill. With such increased scale of business and amalgamation of management expertise, we consider that Merryhill will be able to increase value and improve its market position in the public transportation sector in Hong Kong, Macau and the PRC after Completion through operational synergies and better deployment of resources. This may increase the competitiveness of Merryhill in comparison with the Merryhill Group and the NWFH Group as two separate standalone business units. We are of the view that these may therefore in turn be translated into the ability of Merryhill to improve operational and economic returns for NWSH and enhance its shareholders value ultimately.

Consideration

As at 31 October 2003:

- the business enterprise values of the Merryhill Group and the NWFH Group were approximately HK\$2,451.6 million and HK\$2,091.2 million respectively according to the independent valuations carried out by American Appraisal;
- the amount of the Merryhill Shareholder Loans and the NWFH Shareholder Loans were approximately HK\$518.6 million and HK\$1,342.0 million;
- the Net Debt positions of the Merryhill Group and the NWFH Group were approximately HK\$2,144.8 million and HK\$1,989.5 million respectively; and
- the equity values (i.e. business enterprise value less Net Debt position) of the Merryhill Group and the NWFH Group were approximately HK\$306.8 million and HK\$101.7 million respectively and the difference between the two equity values was approximately HK\$205.1 million (i.e. the Equity Value Difference).

CTF and NWSH have agreed that upon and after Completion, each of CTF and NWSH shall own 50% of the total issued share capital of Merryhill. In this connection, the following steps will be undertaken at Completion (in the order stated) to achieve the 50:50 shareholding structure:

1. Merryhill shall declare and pay in dividend in cash in the amount of the lesser of (a) HK\$102.6 million (being 50% of the Equity Value Difference as at 31 October 2003); and (b) the full amount of the distributable reserves of Merryhill as at Completion to EGL to reduce the equity value of the Merryhill Group;
2. the shortfall between the amount of the said dividend and the Equity Value Difference (i.e. the Equity Value Shortfall) shall be made up by NWSH in capitalising a portion of the NWFH Shareholder Loans to increase the equity value of the NWFH Group such that the resultant equity value of the NWFH Group shall be equal to the equity value of the Merryhill Group (which has been reduced as a result of the dividend declaration and payment referred to in step (1) above); the actual amount of NWFH Shareholder Loans capitalised in this step will depend on the actual amount of the dividend declared and paid in step (1) above;

LETTER FROM COMMERZBANK

3. NWSH shall procure the transfer of the entire issued share capital of NWFH, including the new NWFH shares allotted and issued to NWSH pursuant to step (2) above, to Merryhill and assign the uncapped portion of the NWFH Shareholder Loans to Merryhill;
4. the consideration for the transfer and assignment mentioned in step (3) above shall be satisfied by:
 - (i) Merryhill issuing and allotting certain new Merryhill shares as consideration for the entire issued share capital of NWFH as well as the capitalised portion of the NWFH Shareholder Loans at face value; and
 - (ii) Merryhill paying, on a dollar-for-dollar basis, an amount in cash as consideration for the uncapped portion of the NWFH Shareholder Loans at face value, andin each case to NWSH or its nominee(s), and
5. Merryhill shall repay a part of the Merryhill Shareholder Loans to CTF and issue and allot certain new Merryhill shares to CTF for the purpose of capitalising the remaining Merryhill Shareholder Loans.

Upon Completion, each of CTF and NWSH will hold 50% of the total issued share capital of Merryhill.

To assess whether the Proposed Share Exchange is fair and reasonable to and in the interests of NWSH and its shareholders, we have reviewed and considered the basis adopted in determining the consideration of the Proposed Share Exchange including the Equity Value Difference, the Equity Value Shortfall and the shareholder loan repayment and capitalising arrangements. We have also reviewed and considered other valuation methodologies to determine whether the independent valuations of the business enterprise values of the Merryhill Group and the NWFH Group are at market value.

(i) *Basis of consideration:*

Based on discussions with the board of directors of NWSH, we are of the view that the basis adopted in determining the consideration of the Proposed Share Exchange including the Equity Value Difference, the Equity Value Shortfall and the shareholder loan repayment and capitalisation arrangements have been determined as a result of arm's length negotiations between CTF and NWSH with reference to an independent valuation of each of the equity investment in or the business enterprise of the major operating entities within the Merryhill Group and the NWFH Group prepared by American Appraisal and the Net Debt positions of the Merryhill Group and the NWFH Group respectively.

Based on the independent valuation of American Appraisal, adding up the valuations of the respective major operating entities within the Merryhill Group and the NWSH Group, the business enterprise value of the Merryhill Group and the NWSH Group were determined to be approximately HK\$2,451.6 million and HK\$2,091.2 million respectively. Such valuations were performed using the discounted cash-flow method, capitalisation of stabilised earnings method and direct market capitalisation method. We have discussed with American Appraisal the basis of the methodologies, discount rates and assumptions supporting the independent valuation of American Appraisal, and considered that the methodologies, discount rates and assumptions used are in line with general market practice with reference to relevant industry reports and research reports and are of the view that the basis adopted is fair and reasonable. Also, the Net Debt positions of the Merryhill Group and the

LETTER FROM COMMERZBANK

NWFH Group as at 31 October 2003 were approximately HK\$2,144.8 million and HK\$1,989.5 million respectively. Having taken into account the Net Debt positions of the Merryhill Group and the NWFH Group as at 31 October 2003 as well as the commercial terms and conditions of the Share Exchange Agreement as outlined above amongst CTF, NWSH and Merryhill, we consider that the basis of consideration adopted for the transfer of the entire issued capital of NWFH to Merryhill under the Proposed Share Exchange is fair and reasonable. We also consider that it is fair and reasonable and is on normal commercial terms to repay and/or capitalise the Merryhill Shareholder Loans as well as to assign and/or capitalise the NWFH Shareholder Loans under the Proposed Share Exchange based on their respective face value of approximately HK\$518.6 million and HK\$1,342.0 million as at 31 October 2003. Overall, we are of the view that the basis adopted in determining the consideration of the Proposed Share Exchange is fair and reasonable.

(ii) *Other valuation methodologies:*

Using other valuation methodologies, the business enterprise value of the Merryhill Group of approximately HK\$2,451.6 million represents an implied enterprise value (“EV”)/EBITDA multiple (being the business enterprise value of the Merryhill Group as at 31 October 2003 of approximately HK\$2,451.6 million divided by the EBITDA for the year ended 30 April 2003 of the Merryhill Group) of approximately 5.8 times.

Using other valuation methodologies, the business enterprise value of the NWFH Group of approximately HK\$2,091.2 million represents an implied enterprise value (“EV”)/EBITDA multiple (being the business enterprise value of the NWFH Group as at 31 October 2003 of approximately HK\$2,091.2 million divided by the EBITDA for the year ended 30 June 2003 of the NWFH Group) of approximately 5.8 times.

We are of the view that the EV/EBITDA multiple is a commonly used valuation benchmark for transport and related companies. In particular, we consider that the use of EV/EBITDA multiple as a valuation benchmark is more appropriate in comparison with other valuation multiples for the Proposed Share Exchange since it is less distorted by the differences in the capital structures of companies.

Based on our review of comparable listed companies, we have identified Kowloon Motor Bus Holdings Limited, which is also listed on the Stock Exchange, to be the most comparable to Merryhill. The EV/EBITDA of Kowloon Motor Bus Holdings Limited (calculated with reference to its market capitalisation as of 18 December 2003 and its financial position as indicated in the audited financial statements for the year ended 31 December 2002) is approximately 8.3 times. For references, we have considered some other comparable transportation services companies listed in other jurisdictions. We are of the view that the implied EV/EBITDA multiple for the business enterprise values of the Merryhill Group and the NWFH Group are in line with the relevant multiples of Kowloon Motor Bus Holdings Limited and the other comparable listed transportation services companies, after taking into consideration the scale of operation and the lack of marketability of the shares of the Merryhill Group and the NWFH Group, which are not listed on any of the stock exchanges. We are of the view that the determination of the consideration under the Proposed Share Exchange with reference to independent valuations of the Merryhill Group and the NWFH Group of approximately HK\$2,451.6 million and HK\$2,091.2 million is fair and reasonable, in the interests of NWSH and its shareholders as a whole, and is on normal commercial terms.

Other Material Terms

As noted in the Circular, the Shareholders Agreement to be entered into between CTF, EGL, NWSH and NWSSM at Completion in respect of the Proposed Share Exchange will contain various material terms, including but not limited to covenants not to compete, rights of first refusal and engagement undertaking, as follows:

(i) *Covenants not to compete*

Pursuant to the terms of the Shareholders Agreement, CTF will give certain covenants to NWSH such that, among other things and subject to certain exceptions set out in the Shareholders Agreement, CTF shall not and shall procure that its subsidiaries and associates shall not in any relevant capacity directly or indirectly carry on any business which is in competition with any transport and related businesses of the Merryhill Group during the term of the Shareholders Agreement in Hong Kong, Macau and the PRC and directly or indirectly seek to compete with any transport and related businesses of the Merryhill Group in Hong Kong, Macau and the PRC, procure orders from or do business with any person who is or has been a customer of a member of the Merryhill Group at any time during the term of the Shareholders Agreement. Such covenants not to compete shall not apply: (i) at the expiry of one calendar year after the date on which CTF's direct and indirect shareholding in the total issued share capital of Merryhill has fallen below 10% only for so long as CTF's shareholding in Merryhill has remained below 10% at all times thereafter; or (ii) if CTF complies in full with its obligations relating to the first right of refusal granted to Merryhill to pursue any business opportunity; or (iii) insofar as it relates to the ownership of ferry vessels by CTF for leasing purposes provided that CTF complies in full with its obligations relating to the first right of refusal granted to the Merryhill Group in respect of leasing of ferry vessels to the Merryhill Group.

(ii) *Rights of first refusal*

Pursuant to the terms of the Shareholders Agreement, CTF will grant and undertake to procure each of its subsidiaries and associated companies to grant to Merryhill a right of first refusal to pursue any business opportunity which falls within the business scope of Merryhill. If: (i) CTF has notified NWSH and Merryhill of the existence of such an opportunity; and (ii) NWSH is unwilling for Merryhill to pursue that opportunity or Merryhill has decided not to pursue that opportunity, then CTF may pursue that opportunity on its own, subject to the terms on which the opportunity is accepted being no more favourable than those offered to Merryhill. CTF will also grant and undertake to procure each of its subsidiaries and associated companies to grant to members of the Merryhill Group a right of first refusal to lease the ferry vessels owned by CTF or any of its subsidiaries or associated companies on no less favourable terms than those offered to any third party.

(iii) *Engagement undertaking*

Under the Shareholders Agreement, each of CTF and NWSH will undertake to procure Merryhill and its subsidiaries to, in relation to all of the Merryhill Group's requirements in Hong Kong, Macau and the PRC for the provision of the various services which the NWSH Group provides, engage members of the NWSH Group for the provision of such services for a period of 15 years from the date of the Shareholders Agreement. The parties agree that the prices payable to the NWSH Group and the other terms for the provision of the relevant services shall be negotiated on an arm's length basis and on normal commercial terms and otherwise in accordance with the terms of the applicable waiver(s) or exemption(s) (including any specific waivers) from compliance with the disclosure and/or shareholders' approval requirement(s) under the relevant connected transaction rules granted by the Stock Exchange from time to time.

LETTER FROM COMMERZBANK

We consider that these terms of the Shareholders Agreement provide commercial benefits to Merryhill as well as NWSH. In particular, such benefits will increase the competitiveness of Merryhill in the transport and related businesses which in turn enhances the value and returns to be derived by NWSH from Merryhill as one of its core strategic investments.

We note that Merryhill (possibly together with certain other members of the Merryhill Group) will obtain a refinancing facility which is capable of being drawn down upon Completion. The above mentioned refinancing facility is expected to be without recourse to CTF or NWSH.

Financial Impacts

Based on information available from NWSH, we have assessed the financial impacts of the Proposed Share Exchange on NWSH based on the audited consolidated financial statements of NWSH for the year ended 30 June 2003 taking into account the Completion of the Proposed Share Exchange on an unaudited pro forma basis.

Earnings:

Overall, we consider that the financial impact of the Proposed Share Exchange is positive. Taking into account: (a) the net profit after tax of the NWFH Group for the financial year ended 30 June 2003 (according to NWFH's audited financial statements for the same financial year); (b) First Action's share of the net profit after tax and minority interests of KCB for the financial year ended 31 March 2003 (according to KCB's audited financial statements for the same financial year); (c) the net profit after tax of the post-Completion Merryhill Group based on the Merryhill Group's unaudited pro forma combined financial statements; and (d) the estimated amount of amortisation of the goodwill arising from NWSH's acquisition of 50% of Merryhill, NWSH's profit attributable to shareholders, on an annualised basis, is estimated to increase, as a result of the Proposed Share Exchange, by approximately HK\$0.09 billion, representing an approximately 7% increase in the profit attributable to NWSH Shareholders for the year ended 30 June 2003. On the basis of the above, we consider that the Proposed Share Exchange will have no material impact on the earnings of the NWSH Group.

Gearing ratio:

However, there will be a significant improvement on the gearing ratio (being Net Debt divided by shareholders' funds and minority interests and related loans) of NWSH from approximately 62% to 49%, characterised by a reduction of NWSH's Net Debt position from approximately HK\$6.9 billion to HK\$5.4 billion, based on the audited consolidated financial statements of NWSH for the year ended 30 June 2003 taking into account the Completion of the Proposed Share Exchange on an unaudited pro forma basis. Upon Completion, the cash consideration in relation to the assignment of the uncapitalised portion of the NWFH Shareholder Loans could be utilised if appropriate to further reduce the debt level of NWSH or could be used as working capital of NWSH.

Net tangible assets:

The Proposed Share Exchange involves, inter alia, a transfer by NWSH of the entire NWFH Group to Merryhill, assignment and capitalisation of the NWFH Shareholder Loans by NWSH as well as an acquisition by NWSH of 50% of Merryhill, which will upon Completion hold, inter alia, the NWFH Group and the Citybus Group. As a result of these steps, the net tangible assets position of the NWSH Group will be decreased by approximately HK\$0.1 billion primarily due to an increase in goodwill upon the said acquisition of 50% of Merryhill. Considering NWSH Group's net tangible

LETTER FROM COMMERZBANK

assets position based on the audited financial statements as at 30 June 2003 was at approximately HK\$9.0 billion, we concur with the Directors that such an impact on NWSH's net tangible assets position to be immaterial.

Based on the unaudited combined pro forma balance sheet of NWSH as at 30 June 2003 prepared by NWSH, we note that the Proposed Share Exchange will not have any material impact on NWSH's shareholders' equity or net tangible asset position upon Completion.

OVERALL RECOMMENDATION

Having considered the principal factors referred to above, we are of the view that the Proposed Share Exchange is in the interests of NWSH and its shareholders as a whole and the terms thereof are fair and reasonable so far as NWSH and its shareholders are concerned, and are on normal commercial terms. Accordingly, we recommend the Independent Board Committee to advise the independent shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Proposed Share Exchange.

Yours faithfully,

For and on behalf of

Commerzbank AG Hong Kong Branch

Johnson Fu

Helen Ho

Regional Head of Corporate Finance Head of Corporate Finance — M&A Advisory



新創建集團有限公司*
NWS Holdings Limited

(incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting of NWS Holdings Limited (the “Company”) will be held at Meeting Room 301A (New Wing), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Thursday, 8 January 2004 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

- (A) “**THAT** the conditional share exchange agreement dated 8 December 2003 entered into between Chow Tai Fook Enterprises Limited (“CTF”), the Company and Merryhill Group Limited (“Merryhill”) (the “Share Exchange Agreement”), a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification, under which the following arrangements will take place at completion of the Share Exchange Agreement (in the order stated below):
- (1) Merryhill will declare and pay a dividend to Enrich Group Limited, CTF’s indirect wholly-owned subsidiary;
 - (2) New World First Holdings Limited (“NWFH”) will issue certain new shares in NWFH to the Company for the purpose of capitalising a portion of the NWFH Shareholder loans (as defined in the Share Exchange Agreement);
 - (3) the Company will procure the transfer of the entire issued share capital of NWFH (including those new NWFH shares issued to the Company referred to in (2) above) as well as the assignment of the uncapped portion of the NWFH Shareholder Loans (as defined in the Share Exchange Agreement) to Merryhill. In consideration of such transfer and assignment, the Company will receive newly-issued shares in Merryhill as well as a cash payment to be made by Merryhill to it; and
 - (4) Merryhill will repay a part of the Merryhill Shareholder Loans (as defined in the Share Exchange Agreement) and issue new shares to CTF for the purpose of capitalising the remaining Merryhill Shareholder Loans (as defined in the Share Exchange Agreement),

such that upon and following completion of the Share Exchange Agreement each of CTF and the Company will indirectly hold 50% of the total issued share capital of Merryhill, and all other transactions contemplated in the Share Exchange Agreement be and are hereby approved, confirmed and ratified and that the Directors of the Company be and are hereby authorised to do such acts and things and execute all such documents which in their opinion may be necessary, desirable or expedient to carry out or give effect to any of the foregoing with such modifications (if any) as they may consider necessary or desirable, and to exercise the powers and rights of the Company in connection therewith”; and

* For identification purposes only

NOTICE OF THE SPECIAL GENERAL MEETING

(B) “**THAT** the shareholders agreement (the “**Shareholders Agreement**”) to be entered into between CTF, Enrich Group Limited (an indirect wholly-owned subsidiary of CTF), the Company and NWS Service Management Limited (an indirect wholly-owned subsidiary of the Company) at completion of the Share Exchange Agreement, the agreed form of which has been produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification and which contains provisions relating to the respective rights and obligations of the parties towards the management of the business and the affairs of the Merryhill Group (as defined in the Shareholders Agreement) after completion of the Share Exchange Agreement, and all transactions contemplated in the Shareholders Agreement be and are hereby approved, subject to any changes to the Shareholders Agreement as the Directors of the Company may in their opinion deem appropriate, and that the Directors of the Company be and are hereby authorised to do such acts and things and execute all such documents which in their opinion may be necessary, desirable or expedient to carry out or give effect to any of the foregoing with such modifications (if any) as they may consider necessary or desirable, and to exercise the powers and rights of the Company in connection therewith”.

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

Hong Kong, 23 December 2003

Head office and principal place of business:

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

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Notes:

1. A member entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies (who must be individuals) to attend and vote in his stead. A proxy need not be a member of the Company.
2. To be effective, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the Company’s branch share registrars in Hong Kong, Standard Registrars Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. A form of proxy for use at the meeting is enclosed. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof.
4. Where there are joint registered holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint registered holders be present at the Meeting personally or by proxy, then one of the registered holders so present whose name stands first on the Company’s register of members in respect of such share will alone be entitled to vote in respect thereof.

The following is the text of a letter summarising the principal conclusions of a valuation of the business enterprise of each of the Merryhill Group and the NWFH Group as at 31 October 2003 prepared for the purpose of inclusion in this Circular, received from American Appraisal, an independent professional valuer.



香港灣仔告士打道108號
大新金融中心15樓1506-10室
Rm 1506-10, 15/F
Dah Sing Financial Centre
108 Gloucester Road
Wanchai, Hong Kong
電話 Tel: (852) 2511 5200
傳真 Fax: (852) 2511 9626
www.american-appraisal.com.hk

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23 December 2003

The Board of Directors
NWS Holdings Limited
17/F, New World Tower 2
18 Queen's Road Central
Hong Kong

Dear Sirs,

In accordance with your instructions, we have made an appraisal of the fair market value of the business enterprise of Merryhill Group Limited (“Merryhill”) and New World First Holdings Limited (“NWFH”) including First Action Developments Limited (“First Action”) as of 31 October 2003 (the “Valuation Date”). NWFH and Merryhill are indirectly wholly owned by NWS Holdings Limited (“NWSH” or the “Company”) and Chow Tai Fook Enterprises Limited (“CTF”) respectively, and are holding companies of the following operating entities (the “Operating Entities”):

Major investments of NWFH

1. 100% equity interest in New World First Bus Services Limited (“New World First Bus”).
2. 100% equity interest in New World First Ferry Services Limited (“New World First Ferry”).
3. 100% equity interest in New World First Ferry Services (Macau) Limited (“New World First Ferry Macau”).
4. 100% equity interest in New World First Travel Services Limited (“New World First Travel”).
5. 100% equity interest in New World First Bus Services (China) Limited (“New World First Bus China”).
6. 100% equity interest in First Action, which owns 29.98% equity interest in Kwoon Chung Bus Holdings Ltd (“Kwoon Chung Bus”), which has been transferred from NWSH to NWFH prior to the signing of the share exchange agreement in respect of the Proposed Share Exchange (as defined below).

Major investments of Merryhill

7. 100% equity interest in Citybus Limited (“Citybus”).
8. 45% equity interest in HK Kwoon Chung (Chongqing) Bus Investment Limited (“HK Kwoon Chung Chongqing”).

It is our understanding that this appraisal is used for the proposed share exchange which, if completed, will place the respective transport and related businesses of CTF and NWSH under Merryhill (the “Proposed Share Exchange”). Details of the Proposed Share Exchange, amongst other things, are set out in the circular dated 23 December 2003 of which this letter forms part. It is inappropriate to use this appraisal for purposes other than its intended use as so stated in this letter.

Business enterprise is defined for this appraisal as the combination of all tangible assets (real property, motor vehicles, machinery and equipment and net working capital) and intangible assets of a continuing business. Alternatively, the business enterprise is equivalent to the invested capital of the business, that is, the combination of all interest-bearing debts, shareholders’ loans and shareholders’ equity.

Fair market value is the estimated amount at which a property or business enterprise might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts.

This executive summary letter identifies the business enterprise appraised, states the purpose of valuation, describes the basis of valuation and assumptions, explains the valuation methodology utilized, and presents our conclusion of value. The report is intended to comply with the purpose of the appraisal and the reporting requirements set forth by the Uniform Standards of Professional Appraisal Practice (“USPAP”) for the Appraisal Report. As such, the report presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the opinion of value American Appraisal China Limited is retained by the Company. Additional supporting documentation has been retained as a part of our working papers.

COMPANY DESCRIPTION

NWSH is an investment holding company listed in Hong Kong. Under the transport division of NWSH, NWFH holds, inter alia, 100% equity interest in New World First Bus, New World First Ferry, New World First Ferry Macau, New World First Bus China and New World First Travel. NWSH has also transferred its entire issued share capital of First Action, which holds 29.98% equity interest in Kwoon Chung Bus, to NWFH prior to the signing of the share exchange agreement in respect of the Proposed Share Exchange.

New World First Bus gained the franchise to operate bus routes in Hong Kong in September 1998 and successfully extended the franchise to 1 July 2013. As at 30 June 2003, it owned a fleet of 769 buses and operated 100 bus routes, including HK Island routes, Kowloon routes and cross harbour tunnel routes. In the year ended 30 June 2003, its annual number of passengers carried reached 184 million.

New World First Ferry was established in November 1999 and commenced its service on 15 January 2000. Its principal activity is providing licensed ferry services in Hong Kong. At present, it operates a total of ten outlying and inner harbour ferry routes.

New World First Ferry Macau operates under the same corporate umbrella as New World First Ferry and it is engaged in providing cross boundary ferry services between Macau and Hong Kong.

New World First Travel commenced its business operation in 2003 and it is engaged in providing tour services, such as harbour cruise, open top bus tour, hotel booking and package services, in Hong Kong.

New World First Bus China holds the group's equity investment in a joint venture that is setting up bus operations in Kunming city of Mainland China.

Kwoon Chung Bus is a listed company in Hong Kong. Its principal activities are providing designated bus routes, non-franchised and franchised bus services in Hong Kong and Mainland China. In addition, it also provides tour and hotel services, and power generation.

CTF is the controlling shareholder of New World Development Company Limited, which holds an approximately 54% interest in NWSH. CTF through its wholly owned subsidiary, Merryhill, acquired the entire shareholding of Citybus and a 45% equity interest in HK Kwoon Chung Chongqing in June 2003.

Citybus started operating buses in 1979 and won its first franchised route on Hong Kong Island in 1991. As of the year-ended 30 April 2003, the number of its franchised route expanded to 112 and its franchised fleet size has grown up to 954 buses.

HK Kwoon Chung Chongqing holds the equity interest in two subsidiaries, Chongqing Kwoon Chung (New Town) Public Transport Co., Ltd and Chongqing Kwoon Chung (No. 3) Public Transport Co., Ltd, that are providing bus services in Chongqing city of Mainland China.

According to the management of the Operating Entities and the Company ("the Management"), no other subsidiaries or associate companies under the NWFH or Merryhill other than the above Operating Entities have business activities that have material impact to the value to the NWFH or Merryhill.

SCOPE OF WORK

Our valuation process included discussions with the Management with regards to the history, operations and prospects of the business. We reviewed both audited financial statements and management accountings provided by the Management without further verification and assumed these data we obtained in the course of the valuation along with the opinions and representations provided to us by the Management are true and accurate in all material aspects, correctly representing the results of operations and the financial conditions of the Operating Entities. We also studied the current condition of the public transportation industry in Hong Kong and the financial projection that was furnished to us by the Company. We also reviewed the financial projection ("the Projection") that was furnished to us by the Management and assumed that the Projection provided by the Management was prepared with due care and consideration. We see no reason, nor are we aware of any condition, to cause us to doubt the appropriateness of the bases and assumptions adopted in the Projection.

Excluded from this appraisal are all real estate property, machinery, equipment, supplies, stocks, spare parts, materials on hand, computer software, inventories, current assets, current liabilities or any intangible assets that may exist.

VALUATION METHODOLOGY

The fair market value of the business enterprise of NWFH and Merryhill was devised by the sum of the value of the Operating Entities under the two groups. Based upon the nature of business and stage of development, we have considered and adopted the valuation methods described in the following section.

Direct Market Capitalization Method

This method was applied in the valuation of 29.98% equity investment in Kwoon Chung Bus and is based on observation of the market prices of the company's outstanding securities as of the Valuation Date. The fair market value of the company is then arrived by summing up all these market values. In applying this method, a judgment has to be made on whether the efficient market hypothesis, which states that the market prices reflect all publicly available information regarding the value of securities, holds. Another judgment has to be made on whether the market prices of the publicly traded securities are supported by an adequate trading volume such that an indication of fair market values could be arrived.

To reflect thin trading of the shares in Kwoon Chung Bus as opposed to actively traded shares, a blockage discount was applied in developing the fair market value of the equity investment in Kwoon Chung Bus.

Income Approach — Capitalization of Stabilized Earning Method

In valuing the fair market value of the business enterprise of certain Operating Entities, we also applied capitalization of stabilized earning method, since the historical net incomes of the company were relatively stable that to certain extent can be a proxy for future operating results. In this method, a normalized level of ongoing economic benefits is converted into present value by dividing a stabilized earning by a capitalization rate equals to the discount rate minus long-term stabilized growth rate.

Income Approach — Discounted Cash Flow Method

We mainly relied on discounted cash flow method to value the fair market value of the business enterprise of the Operating Entities and equity investment in HK Kwoon Chung Chongqing. In this method, the value depends on the present worth of future economic benefits to be derived from ownership of equity and debt. Thus, an indication of value is developed by discounting future free cash flows available for distribution to shareholders and for servicing debts to their present worth at market-derived rates of return appropriate for the risks and hazards of the companies. For the equity investment in HK Kwoon Chung Chongqing where its accounts are not consolidated to the Merryhill, the fair market value of the equity investment equals to the sum of the present value of future free cash flows less total interest bearing debts.

With consideration of the systematic and non-systematic risks of the Operating Entities, we believed that the discount rate used in the income approach should range from 9% to 15%.

To reflect the relative non-liquidity of the shares in the Operating Entities as opposed to actively traded shares, a discount for lack of marketability or for large block was also applied in developing the fair market value of the Operating Entities.

Conclusion of Value

Based upon the investigation and analysis outlined above, the appraisal method employed and hypothetical condition that the injection of First Action were completed, it is our opinion that, as of 31 October 2003, the fair market value of the business enterprise of NWFH and Merryhill is reasonably stated by the amount of HONG KONG DOLLAR TWO BILLION NINETY ONE MILLION TWO HUNDRED THOUSAND (HK\$ 2,091,200,000) and HONG KONG DOLLAR TWO BILLION FOUR HUNDRED AND FIFTY ONE MILLION SIX HUNDRED THOUSAND (HK\$ 2,451,600,000) respectively.

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We have not investigated the title to or any liabilities against the property appraised.

We hereby certify that we have neither present nor prospective interests in the Company or the value reported.

Respectfully submitted,
For and on behalf of
AMERICAN APPRAISAL CHINA LIMITED
Ricky Lee
Assistant Vice President

1. RESPONSIBILITY STATEMENT

This Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The 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.

For the purpose of this Appendix II, unless otherwise specified, the “NWSH Group” means NWSH and its subsidiaries (including the NWFH Group).

2. INTERESTS OF DIRECTORS OR CHIEF EXECUTIVE OF THE COMPANY

As at the Latest Practicable Date, the interests of the Directors and Chief Executive of the Company in the shares, underlying shares (within the meaning of Part XV of the SFO) or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would be required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which a Director or Chief Executive of the Company would be taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

2.1 Interests in shares

	Shares/Equity Interest/Participating Interest			
	Personal	Family	Corporate ⁽¹⁾	Other
The Company				
(Ordinary shares of HK\$1.00 each)				
Dr. Cheng Kar Shun, Henry	–	587,000	–	–
Mr. Doo Wai Hoi, William	–	–	492,000	–
Mr. Chan Kam Ling	3,991	–	10,254,321	–
Mr. Wong Kwok Kin, Andrew	3,135,015	2,650,051	–	–
Mr. Lam Wai Hon, Patrick	35,800	–	265,139	–
Mr. Cheung Chin Cheung	58,700	–	–	–
Mr. Cheng Chi Pang ⁽²⁾	176,759	–	–	–
Associated Corporations				
NWD				
(Ordinary shares of HK\$1.00 each)				
Mr. Chan Kam Ling	96,669	–	–	–
Mr. Cheung Chin Cheung	43,323	–	–	–
Mr. Kwong Che Keung, Gordon	30,000	–	–	–
Mr. Cheng Chi Pang ⁽²⁾	1,000	–	–	–
NWTMT				
(Ordinary shares of HK\$1.00 each)				
Dr. Cheng Kar Shun, Henry	–	1,000,000	–	–
Mr. Doo Wai Hoi, William	–	–	12,000,000	–
Mr. Chan Kam Ling	6,800	–	–	–
Mr. Cheung Chin Cheung	100,000	–	–	–
Mr. Cheng Chi Pang ⁽²⁾	200	–	–	–

	Shares/Equity Interest/Participating Interest			
	Personal	Family	Corporate ⁽¹⁾	Other
NWCL				
(Ordinary shares of HK\$0.10 each)				
Mr. Doo Wai Hoi, William	700,000	—	—	—
Mr. Chan Kam Ling	100,000	—	—	—
Mr. Lam Wai Hon, Patrick	30,000	—	—	—
Fung Seng Estate Development (Shanghai) Co., Ltd.				
Mr. Doo Wai Hoi, William	—	—	US\$3,000,000	—
HH Holdings Corporation				
(Ordinary shares of HK\$1.00 each)				
Mr. Chan Kam Ling	15,000	—	—	—
Master Services Limited				
(Ordinary shares of US\$0.01 each)				
Mr. Chan Kam Ling	16,335	—	—	—
Mr. Wong Kwok Kin, Andrew	44,915	—	—	—
Nanjing New World Chang Jiang Equipment Co., Ltd.				
Mr. Doo Wai Hoi, William	—	—	RMB5,357,275	—
Nanjing Xinlidao Property Development Limited				
Mr. Doo Wai Hoi, William	—	—	HK\$21,000,000	—
Ramada Property Ltd.				
(Ordinary shares of US\$1.00 each)				
Mr. Doo Wai Hoi, William	—	—	200	—
Shanghai Juyi Real Estate Development Co., Ltd.				
Mr. Doo Wai Hoi, William	—	—	US\$105,000,000	—
Tai Fook Securities Group Limited				
(Ordinary shares of HK\$0.10 each)				
Mr. Wong Kwok Kin, Andrew	390,000	—	—	—

Notes:

- (1) These shares were beneficially owned by a company in which the relevant Director or Chief Executive of the Company is deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.
- (2) Mr. Cheng Chi Pang is the Chief Executive of the Company.

2.2 Interests in underlying shares through equity derivatives (within the meaning of Part XV of the SFO)

Under the respective share option schemes of the Company, NWTMT, NWCL and Wai Kee, options may be granted to the respective directors and employees of the Company, NWTMT, NWCL and Wai Kee to subscribe for shares. The following Directors or Chief Executive of the Company have personal interests in share options to subscribe for their respective shares in the Company, NWTMT, NWCL and Wai Kee:

	Date of grant	Exercisable period	Number of share options outstanding
The Company			
a. (Exercise price of HK\$3.725 per ordinary share)			
Dr. Cheng Kar Shun, Henry	21 July 2003	21 January 2004 to 20 July 2008 ⁽¹⁾	3,000,000
Mr. Doo Wai Hoi, William	21 July 2003	21 January 2004 to 20 July 2008 ⁽¹⁾	2,000,000
Mr. Chan Kam Ling	21 July 2003	21 January 2004 to 20 July 2008 ⁽¹⁾	2,000,000
Mr. Wong Kwok Kin, Andrew	21 July 2003	21 January 2004 to 20 July 2008 ⁽¹⁾	1,400,000
Mr. Lam Wai Hon, Patrick	21 July 2003	21 January 2004 to 20 July 2008 ⁽¹⁾	1,400,000
Mr. Cheung Chin Cheung	21 July 2003	21 January 2004 to 20 July 2008 ⁽¹⁾	600,000
Mr. Wilfried Ernst Kaffenberger	21 July 2003	21 January 2004 to 20 July 2008 ⁽¹⁾	600,000
Mr. To Hin Tsun, Gerald	21 July 2003	21 January 2004 to 20 July 2008 ⁽¹⁾	600,000
Mr. Kwong Che Keung, Gordon	21 July 2003	21 January 2004 to 20 July 2008 ⁽¹⁾	600,000
Mr. Cheng Wai Chee, Christopher	21 July 2003	21 January 2004 to 20 July 2008 ⁽¹⁾	600,000
Mr. Dominic Lai	21 July 2003	21 January 2004 to 20 July 2008 ⁽¹⁾	600,000
Mr. Cheng Chi Pang ⁽⁶⁾	21 July 2003	21 January 2004 to 20 July 2008 ⁽¹⁾	300,000
b. (Exercise price of HK\$6.93 per ordinary share)			
Mr. Cheung Chin Cheung	11 May 1999	5 November 1999 to 4 November 2004 ⁽²⁾	300,000

		Date of grant	Exercisable period	Number of share options outstanding
NWTMT				
a.	(Exercise price of HK\$10.20 per ordinary share)			
	Dr. Cheng Kar Shun, Henry	2 December 1998	1 July 1999 to 1 June 2004	600,000
b.	(Exercise price of HK\$12.00 per ordinary share)			
	Dr. Cheng Kar Shun, Henry	2 December 1998	1 July 2000 to 1 June 2004 ⁽³⁾	2,400,000
NWCL				
(Exercise price of HK\$1.955 per ordinary share)				
	Dr. Cheng Kar Shun, Henry	7 February 2001	8 March 2001 to 7 March 2006 ⁽⁴⁾	5,000,000
	Mr. Doo Wai Hoi, William	8 February 2001	9 March 2002 to 8 March 2006 ⁽⁵⁾	2,800,000
	Mr. Chan Kam Ling	9 February 2001	10 March 2002 to 9 March 2006 ⁽⁵⁾	400,000
Wai Kee				
(Exercise price of HK\$0.34 per ordinary share)				
	Mr. Lam Wai Hon, Patrick	29 November 2000	29 November 2001 to 28 November 2004	500,000
	Mr. Cheng Chi Pang ⁽⁶⁾	29 November 2000	29 November 2001 to 28 November 2004	500,000

Notes:

- (1) Divided into 3 tranches exercisable from 21 January 2004, 21 July 2004 and 21 July 2005 respectively to 20 July 2008, both dates inclusive.
- (2) Divided into 4 tranches exercisable from 5 November 1999, 5 May 2001, 5 May 2002 and 5 May 2003 respectively to 4 November 2004, both dates inclusive.
- (3) Divided into 3 tranches exercisable from 1 July 2000, 1 July 2001 and 1 July 2002 respectively to 1 June 2004.
- (4) The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of each 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).
- (5) The share options are exercisable during the remaining exercisable period of four years, provided that the maximum number of share options that can be exercised during a year is 25% of the outstanding balance of the share options held on the respective commencement dates of the exercisable period.
- (6) Mr. Cheng Chi Pang is the Chief Executive of the Company.

2.3 Interests in debentures

Mr. Cheng Wai Chee, Christopher is interested (or deemed to be interested) in the convertible guaranteed bond due 2004 (“CB”) debentures issued by New World Capital Finance Limited which are convertible into fully-paid shares of HK\$1.00 each of NWD, as follows:

Number of CB held	Unit size/ currency of CB	Number of NWD shares into which CB are convertible	Period within which CB are convertible into NWD shares
9,200,000 ⁽¹⁾	1,000/US\$	2,898,522	9 August 1999 to 9 May 2004
200,000 ⁽²⁾	1,000/US\$	63,010	9 August 1999 to 9 May 2004

Notes:

- (1) Interests held by a trust of which Mr. Cheng Wai Chee, Christopher is the founder.
- (2) Interests held by the spouse of Mr. Cheng Wai Chee, Christopher.

2.4 Interests in qualifying shares

As at the Latest Practicable Date, none of the Directors or Chief Executive of the Company had any interest in the shares of the Company or any of its subsidiaries solely held in a non-beneficial capacity and for the purpose of holding the requisite qualifying shares.

Other than the interests in shares, underlying shares and debentures set out above, as at the Latest Practicable Date, none of the Directors or Chief Executive of the Company had any interest or short position in the shares, underlying shares (within the meaning of Part XV of the SFO) or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which a Director or Chief Executive of the Company would be taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS

3.1 Interests to be disclosed under Divisions 2 and 3 of Part XV of the SFO

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

Name	Nature of interest	Number of shares	Aggregate Interest	
			Total number of shares	Approximate percentage of interest
CTF	Beneficial owner	59,831,893		
	Interest of controlled corporations ⁽¹⁾	969,779,643	1,029,611,536	57.82%
NWD	Beneficial owner	664,587,141		
	Interest of controlled corporations ⁽²⁾	305,192,502	969,779,643	54.46%
Mombasa Limited ("Mombasa")	Beneficial owner	303,221,591	303,221,591	17.03%

Notes:

- (1) CTF (together with its subsidiaries) have interests in more than one-third of the issued shares of NWD and CTF is accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWD. CTF is also beneficially interested in 59,831,893 shares in the Company.
- (2) NWD indirectly holds 100% interest in Mombasa and is accordingly deemed to have an interest in the shares held by Mombasa in the Company. NWD is also beneficially interested in 664,587,141 shares in the Company, and is also deemed to be interested in 1,970,911 shares in the Company which are held by Financial Concepts Investment Limited, a non-wholly owned subsidiary of NWD.

3.2 Interests in 10% or more of the nominal value of share capital carrying voting rights of any subsidiary of the Company

As at the Latest Practicable Date, so far as is known to any Director or Chief Executive of the Company and save as otherwise disclosed in this Circular, the persons (other than a Director or Chief Executive of the Company or a member of the NWSH Group) who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any subsidiary of the Company were as follows:

Name of subsidiary	Name of shareholder	Approximate percentage of interest held
Architectural Precast GRC Limited	Architectural Precast Limited	35.00%
Barbican-New Concepts Joint Venture	New Concepts Foundation Limited	40.00%
Beijing Kiu Lok Property Management Services Co., Ltd.	北京市萬勝全物業管理中心	40.00%
BioEnviroLink Technologies Limited	Bioforte (Hong Kong) Environmental Engineering And Technology Company Limited	30.00%
Cinabel (Singapore) Pte Limited	Cinagro Pte Limited	20.00%
Espora Company Limited	Miramar Hotel & Investment Company Limited	50.00%
Gaoming Xinming Bridge Co., Ltd.	Foshan City Gaoming District Traffic Development Co.	49.00%
Guangdong Gaoyao Xinjun Highways Limited	Guangdong Highway-Bridge Construction Development Co. Ltd.	27.00%
Guangdong Gaoyao Xinwei Highways Limited	Gaoyao City Highway Development Co.	30.00%
Guangdong Xinzhaogao Highways Company, Limited	Zhaoqing Highway Development Ltd.	10.00%
Guangdong Xinzhaogao Highways Company, Limited	Gaoyao City Highway Development Co.	10.00%
Guangxi Beiliu Xinbei Highways Limited	Guangxi Beiliu Gaote Co. Ltd.	40.00%
Guangxi Cangwu Xincang Highways Limited	Guangxi Cangwu County Electric Power Co. Ltd.	30.00%
Guangxi Rongxian Xinrong Highways Limited	Guangxi Rongxian Road & Bridge Construction Co. Ltd.	30.00%
Guangxi Yulin Xintong Highways Limited	Guangxi Yulin City Heng Tong Ltd.	40.00%
Guangxi Yulin Xinye Highways Limited	Guangxi Yulin City Heng Tong Ltd.	40.00%
Guangxi Yulin Xinyu Highways Limited	Guangxi Yulin Yu Shieh Ltd.	40.00%
Guangzhou Northring Freeway Company Limited	Guangzhou Yongtong Freeway Company Limited	10.41%

Name of subsidiary	Name of shareholder	Approximate percentage of interest held
Guangzhou Northring Freeway Company Limited	Asian East Worldwide Limited	24.30%
Hip Hing-Taisei Joint Venture	Taisei Corporation	40.00%
Hong Kong Ticketing Holdings Limited	Hong Kong Ticketing Alliance Limited	38.32%
JungleSoft Net Limited	Junglesoft Inc.	20.00%
Nanjing Huining Wharfs Co., Ltd.	Nanjing Port Authority	45.00%
Qingyuan Xinqing Highways Limited	Qingxin County Communications Construction Development Co.	21.10%
Shanxi Xinda Highways Limited	Changzhi City Changda Highway Development Company	40.00%
Shanxi Xinhuang Highways Limited	Changzhi City Changda Highway Development Company	40.00%
Shunde De Sheng Power Plant Company Limited	Shunde Electric Development Corporation Ltd.	40.00%
Shunde Xiexing Construction Engineering Company Limited	順德市誠業建築集團公司	15.00%
Sichuan Qianwei Dali Power Company Limited	Sichuan Qianwei Power (Group) Share Co., Ltd.	40.00%
Suzhou Huisu International Container Freight Wharfs Co., Ltd.	蘇州通港港口有限公司	25.00%
Taiyuan Xintai Highways Limited	Taiyuan Tongtai Industry & Commerce General Company	40.00%
Taiyuan Xinyuan Highways Limited	Gujiao Highway-Bridge Development & Construction Company	40.00%
Tali Group Limited	Smart Concept Trading Limited	30.00%
Tianjin Xindi Expressway Company Limited	Tianjin Expressway Investment & Construction Development Corporation	33.38%
Tianjin Xinlong Expressway Company Limited	Tianjin Expressway Investment & Construction Development Corporation	33.38%
Tianjin Xinlu Expressway Company Limited	Tianjin Expressway Investment & Construction Development Corporation	33.38%
Tianjin Xinming Expressway Company Limited	Tianjin Expressway Investment & Construction Development Corporation	33.38%
Tianjin Xinqing Expressway Company Limited	Tianjin Expressway Investment & Construction Development Corporation	33.38%
Tianjin Xinquan Expressway Company Limited	Tianjin Expressway Investment & Construction Development Corporation	33.38%

Name of subsidiary	Name of shareholder	Approximate percentage of interest held
Tianjin Xinsen Expressway Company Limited	Tianjin Expressway Investment & Construction Development Corporation	33.38%
Tianjin Xinshi Expressway Company Limited	Tianjin Expressway Investment & Construction Development Corporation	33.38%
Tianjin Xinsi Expressway Company Limited	Tianjin Expressway Investment & Construction Development Corporation	33.38%
Tianjin Xintong Expressway Company Limited	Tianjin Expressway Investment & Construction Development Corporation	33.38%
Tianjin Xintuo Expressway Company Limited	Tianjin Expressway Investment & Construction Development Corporation	33.38%
Tianjin Xinxiang Expressway Company Limited	Tianjin Expressway Investment & Construction Development Corporation	33.38%
Tianjin Xinyan Expressway Company Limited	Tianjin Expressway Investment & Construction Development Corporation	33.38%
Tianjin Xinzhan Expressway Company Limited	Tianjin Expressway Investment & Construction Development Corporation	33.38%
Tianjin Yongfa Highway and Bridge Construction Development Company Limited	Tianjin Expressway Investment & Construction Development Corporation	10.00%
Tridant Engineering (Thailand) Company Limited	Krisdamahanakorn Publics	30.60%
Triguang Engineering (Guang Zhou) Company Limited	廣州市機電安裝公司	49.00%
Trihan Engineering (Wuhan) Co., Ltd.	武漢武建鼎安安裝工程有限公司	49.00%
True Success Hong Kong Limited	Island Smart Holdings Limited	20.00%
True Success Hong Kong Limited	Gold Cycle Limited	10.00%
Urban Parking Meter Management Enterprises	Forehap Tech Limited	21.00%
Urban Parking Meter Management Enterprises	Time Exchange Holdings Limited	28.00%
Urban-WellBorn Property Management Limited	Well Born Real Estate Management Limited	50.00%
Wuhan Airport Road Development Ltd.	Wuhan Airport Road Industrial Development Co. Ltd.	33.33%
Wuhan Bridge Construction Co., Ltd	Wuhan San Zhen Industry Holding Co. Ltd.	51.14%

Name of subsidiary	Name of shareholder	Approximate percentage of interest held
Wuzhou Xinwu Highways Limited	Guangxi Wuzhou Heng Tong Development Ltd.	40.00%
Xiamen Xinyuan Container Terminal Co., Ltd.	Xiamen COSCO International Container Freight Station & Transportation Co., Ltd.	30.00%
Zhaoqing Deqing Xinyue Highways Limited	Guangdong Highway-Bridge Construction Development Co., Ltd.	20.00%
Zhaoqing Deqing Xinyue Highways Limited	Guangdong Province Deqing Highway Development Co.	15.00%
Zhaoqing Gaoyao Xinhua Highways Limited	Gaoyao City Highway Development Co.	30.00%
Zhaoqing Gaoyao Xinshuang Jin Highways Limited	Gaoyao City Highway Development Co.	35.00%
Zhaoqing Xinde Bridge Limited	Guangdong Highway-Bridge Construction Development Co., Ltd.	25.00%
Zhaoqing Xinde Highways Company, Limited	Guangdong Highway-Bridge Construction Development Co., Ltd.	32.00%
Zhaoqing Xinde Highways Company, Limited	Guangdong Province Deqing Highway Development Co.	11.00%
Zhaoqing Xinfeng Highways Company, Limited	Guangdong Highway-Bridge Construction Development Co., Ltd.	33.85%
Zhaoqing Xingao Highways Company, Limited	Zhaoqing Highway Development Ltd.	27.36%
Zhaoqing Xingao Highways Company, Limited	Gaoyao City Highway Development Co.	20.64%
Zhaoqing Xinhui Highways Company, Limited	Zhaoqing Highway Development Ltd.	14.00%
Zhaoqing Xinhui Highways Company, Limited	Sihui Highway Development Co.	17.61%
Zhaoqing Xinjiang Highways Limited	Guangning Highway Development Co.	40.00%
Zhaoqing Xinning Highways Company, Limited	Guangdong Highway-Bridge Construction Development Co., Ltd.	12.59%
Zhaoqing Xinning Highways Company, Limited	Zhaoqing Highway Development Ltd.	17.78%
珠海市景福工程有限公司	珠海國際經濟技術合作公司	20.00%
深圳香島園花卉有限公司	珠海市萬泉河科技發展有限公司	20.00%
湖北洪福建築裝飾安裝工程有限公司	中國建築第三工程局	50.00%
廣州市富城物業管理有限公司	廣州城建開發物業有限公司	50.00%
廣州銳萊停車場設備有限公司	廣州市新運行汽車運輸有限公司	10.00%
襄樊高戊達停車場管理有限公司	深圳市高戊達機械電子有限公司	35.00%

Save as disclosed above, as at the Latest Practicable Date and so far as is known to any Director or Chief Executive of the Company, no other person had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and no other persons (other than a Director or Chief Executive of the Company or a member of the NWSH Group) were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any subsidiary of the Company or had any options in respect of any such share capital of any subsidiary of the Company.

4. ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (a) none of the Directors were materially interested in any contract or arrangement subsisting at the date of this Circular which is significant in relation to the business of the NWSH Group.
- (b) none of the Directors had entered, or proposed to enter, into a service contract with any member of the NWSH Group which is not determinable by the relevant member of the NWSH Group within one year without payment of compensation, other than statutory compensation.
- (c) none of the Experts had shareholding in any member of the NWSH 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 NWSH Group.
- (d) none of the Directors or Experts had any direct or indirect interest in any asset which, since 30 June 2003 (the date to which the latest published audited financial statements of the NWSH Group were made up), had been acquired or disposed of by, or leased to, any member of the NWSH Group, or was proposed to be acquired or disposed of by, or leased to, any member of the NWSH Group.

5. MATERIAL ADVERSE CHANGE

The Board is not aware of any material adverse change in the financial or trading position of the NWSH Group since 30 June 2003, the date to which the latest published audited financial statements of the NWSH Group were made up.

6. QUALIFICATION OF EXPERTS

The following are the qualifications of the Experts, being the professional advisers who have given opinions or advice contained in this Circular:

Names	Qualifications
Commerzbank	a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
American Appraisal	independent professional valuer

7. CONSENTS OF EXPERTS

Each of the Experts has given and has not withdrawn their respective written consents to the issue of this Circular with the inclusion of their letters and/or reports and/or references to their respective names, as the case may be, in the form and context in which they respectively appear.

8. LITIGATION

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

9. MISCELLANEOUS

- (a) The English text of this Circular will prevail over the Chinese text.
- (b) The secretary of the Company is Mr. Lam Wai Hon, Patrick, a Fellow Chartered Accountant.
- (c) The head office and the principal place of business of the Company is at 17th Floor, New World Tower 2, 18 Queen's Road Central, Hong Kong. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The registered office of the Company's branch share registrars in Hong Kong, Standard Registrars Limited, is at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Clifford Chance at 29th Floor, Jardine House, One Connaught Place, Hong Kong during normal business hours on any day (except public holidays) up to and including the day before the Special General Meeting:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Share Exchange Agreement (with the agreed forms of the Shareholders Agreement and the deeds of indemnity referred to in Sections 5 and 6 of the "Letter from the Board" contained in this Circular attached thereto);
- (c) the letter from the Independent Board Committee dated 23 December 2003, the text of which is set out on pages 17 and 18 of this Circular;
- (d) the letter from Commerzbank to the Independent Board Committee dated 23 December 2003, the text of which is set out on pages 19 to 26 of this Circular; and
- (e) the written consents of the Experts referred to in paragraph 7 of this Appendix.