

OFFERING MEMORANDUM

NWSH Capital Finance Limited

(incorporated in the British Virgin Islands with limited liability)

HK\$1,350,000,000

ZERO COUPON GUARANTEED CONVERTIBLE BONDS DUE 2009

convertible into ordinary shares of, and unconditionally and irrevocably guaranteed by,



NWS Holdings Limited

(incorporated in Bermuda with limited liability)

The Zero Coupon Guaranteed Convertible Bonds due 2009 in the aggregate principal amount of HK\$1,350,000,000 (the "Bonds") will be issued by NWSH Capital Finance Limited (the "Issuer") and will be unconditionally and irrevocably guaranteed (the "Guarantee") by NWS Holdings Limited (the "Guarantor"). The issue price of the Bonds shall be 100 per cent. of the aggregate principal amount of the Bonds.

Subject to the Terms and Conditions of the Bonds ("Terms and Conditions"), each Bond will, at the option of the holder, be convertible on and after 27 May 2004 up to the close of business on 11 April 2009 into fully paid ordinary shares with a par value of HK\$1.00 each of the Guarantor (the "Shares") at an initial conversion price of HK\$13.63 per Share (as adjusted from time to time, the "Conversion Price"). The Conversion Price is subject to adjustment in the circumstances described under "Terms and Conditions of the Bonds — Conversion". The closing price of the Shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 29 March 2004 (being the latest practicable date prior to the announcement of the proposed issue of the Bonds) was HK\$10.90 per Share.

The Issuer may, at its option, satisfy its obligation to deliver Shares following the exercise of the right of conversion by a holder, in whole or in part, by paying to the relevant holder a cash amount in HK dollars equal to the product of (i) the number of Shares otherwise deliverable to the holder following exercise of the conversion right which the Issuer has elected to satisfy by cash and (ii) the Volume Weighted Average Price (as defined in the Terms and Conditions) per Share for each day during the five dealing days (as defined in the Terms and Conditions) immediately following the Conversion Date (as defined in the Terms and Conditions).

Unless previously redeemed, converted or purchased and cancelled, the Bonds will be redeemed at 97.53 per cent. of their principal amount on 26 April 2009 (the "Maturity Date"). The Bonds may be redeemed in whole, or in part, by the Issuer on and at any time after 26 October 2005 but prior to the Maturity Date at the Early Redemption Amount (as defined in the Terms and Conditions) if on each of any 20 dealing days falling within a period of 30 consecutive dealing days, the last day of which shall have occurred not more than five dealing days prior to the date upon which notice of such redemption is given, the closing price of the Shares on the Hong Kong Stock Exchange shall have been at least 120 per cent. of the Conversion Price in effect on each such dealing day. The Issuer may also redeem the Bonds in whole, but not in part, at the Early Redemption Amount if at any time the aggregate principal amount of the Bonds outstanding is less than 10 per cent. of the aggregate principal amount originally issued (including any Option Bonds (as defined below) and any further issue). All, but not some only, of the Bonds may, at the option of the Issuer, be redeemed at any time at the Early Redemption Amount in the event of certain changes relating to Bermuda, British Virgin Islands or Hong Kong taxation, subject to the Non-Redemption Right (as defined in the Terms and Conditions) of each holder of the Bonds. See "Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation".

The Bonds may be redeemed at the option of each holder at the Early Redemption Amount with respect to all or some only of the Bonds of such holder upon the occurrence of a Change of Control (as defined in the Terms and Conditions) with respect to the Guarantor or with respect to all, but not some only, of the Bonds of such holder in the event that the Shares cease to be listed on the Hong Kong Stock Exchange or, if applicable, the Alternative Stock Exchange (as defined in the Terms and Conditions). See "Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation".

See "Risk Factors" for certain considerations relevant to an investment in the Bonds.

Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of selectively marketed securities (as defined in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules")) and such permission is expected to become effective on 27 April 2004. The Shares are currently listed on the Hong Kong Stock Exchange. Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares issuable upon conversion of the Bonds.

ISSUE PRICE 100%

The Bonds, the Guarantee and the Shares issuable upon conversion of the Bonds have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and subject to certain exceptions, may not be offered or sold within the United States. See "Subscription and Sale."

The Bonds will be represented by beneficial interests in a global certificate (the "Global Certificate") in registered form, which will be registered in the name of a nominee of, and shall be deposited on or about 26 April 2004 (the "Closing Date") with The Hongkong and Shanghai Banking Corporation Limited, as common depository (the "Common Depository") for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, société anonyme ("Clearstream"). Beneficial interests in the Bonds will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, individual definitive certificates for the Bonds will not be issued in exchange for interests in the Bonds.

The Issuer has granted to Morgan Stanley & Co. International Limited ("MSI") an option (the "Option") which can be exercised, in whole or in part and on not more than two occasions at any time up to and including the thirtieth day after the Closing Date, to subscribe for up to a further HK\$150,000,000 in aggregate principal amount of Bonds (the "Option Bonds").

Lead Manager and Sole Bookrunner

MORGAN STANLEY

Co-Lead Manager

HSBC

Co-Manager

Tai Fook Securities

21 April 2004

The Issuer and the Guarantor, having made all reasonable enquiries and with respect to the Guarantor's jointly controlled entities and associated companies, to the best of the Guarantor's knowledge and belief, confirm that (i) this Offering Memorandum contains all information with respect to the Issuer, the Guarantor, and the Guarantor's subsidiaries, jointly controlled entities and associated companies (collectively, the "Group"), and the issue of the Bonds and the Shares, which is material in the context of the issue and offering of the Bonds, (ii) the statements contained in this Offering Memorandum are in every material respect true and accurate and not misleading in any material respect, (iii) the opinions and intentions expressed in this Offering Memorandum with regard to the Issuer, the Guarantor and the Group are reasonably and honestly held, have been reached after due and careful consideration and are based on reasonable assumptions; (iv) there are no other facts regarding the Issuer, the Guarantor, the Group, the Bonds or the Shares, the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Memorandum misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements. In addition, the Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this Offering Memorandum.

This Offering Memorandum has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds described in this Offering Memorandum. The distribution of this Offering Memorandum and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer, the Guarantor and MSI to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or Shares deliverable upon conversion of the Bonds or the distribution of this document in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and Shares deliverable on conversion or redemption of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States, United Kingdom and Hong Kong, and to persons connected therewith. For a description of certain further restrictions on offer, sale and resale of the Bonds and distribution of this Offering Memorandum, see "Subscription and Sale."

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Guarantor, the Group, the Bonds or the Shares other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer or the Guarantor. The information contained in this Offering Memorandum is current only as of its date. Neither the delivery of this document nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof. This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, MSI, the Trustee or the Agents to subscribe for or purchase any of, the Bonds or Shares and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. This Offering Memorandum is not intended to invite offers to subscribe for or purchase Shares.

No representation or warranty, express or implied, is made or given by MSI, the Trustee or the Agents as to the accuracy, completeness or sufficiency of the information contained in this Offering Memorandum, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise, representation or warranty by MSI, the Trustee or the Agents. This Offering Memorandum is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by either the Issuer, the Guarantor, MSI, the Trustee or the Agents that any recipient of this Offering Memorandum should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Memorandum and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

Each person by accepting delivery of this Offering Memorandum acknowledges that such person has not relied on MSI or any person affiliated with MSI in connection with its investigation of the accuracy of such information or its investment decision.

This Offering Memorandum includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Issuer, the Guarantor and the Bonds.

The Hong Kong Stock Exchange takes no responsibility for the contents of this Offering Memorandum, 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 Offering memorandum.

In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Group and the terms of the offering, including the merits and risks involved. See “Risk Factors” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Guarantor has prepared audited consolidated financial statements as of and for the years ended 30 June 2002 and 2003 and unaudited consolidated financial statements as of and for the six-month periods ended 31 December 2002 and 2003. These financial statements were prepared in conformity with HK GAAP, which differ in certain respects from IFRS. See “Summary of Significant Differences Between HK GAAP and IFRS”.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

Certain statements under “Summary”, “Risk Factors”, “The Group”, “Recent Developments and Prospects” and elsewhere in this Offering Memorandum constitute “forward-looking statements”. All statements other than statements of historical facts included in this Offering Memorandum, including, without limitation, those regarding the financial position, business strategy, capital expenditure and investment plans of the Group and the plans and objectives of the Group’s management for its future operations (including development plans and objectives relating to the Group’s operations), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group, or industry results to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on assumptions regarding the Group’s present and future business strategies and the environment in which the Group will operate in the future. Among the important factors that could cause the Group’s actual results or performance to differ materially from those in the forward-looking statements include, among others, developments of the service, infrastructure and port industries in Hong Kong and the PRC and general economic conditions in Hong Kong and the PRC. Additional factors that could cause actual results or performance to differ materially include, but are not limited to, those discussed in “Risk Factors”. These forward-looking statements speak only as of the date of this Offering Memorandum. The Issuer and the Guarantor expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group’s expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

INCORPORATION OF FINANCIAL REPORTS BY REFERENCE

The audited consolidated financial statements which are contained in the annual reports of the Guarantor for the years ended 30 June 2002 and 2003 and the unaudited consolidated financial statements which are contained in the interim reports of the Guarantor for the six-month periods ended 31 December 2002 and 2003 are incorporated by reference in this Offering Memorandum. Copies of these reports are available and may be (i) obtained free of charge, upon request, at the specified office of the Guarantor at 17th Floor, New World Tower 2, 18 Queen’s Road Central, Hong Kong or (ii) downloaded free of charge from the Guarantor’s website on the internet at <http://www.nwsh.com.hk>.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
Summary	1	Substantial Shareholders', Directors' and Chief Executive's Interests	79
Summary Financial Information	3	Description of the Shares	85
The Offering	5	Market Price	91
Risk Factors	9	Dividends	92
Terms and Conditions of the Bonds	18	Exchange Rates	93
The Global Certificate	47	Taxation	94
Use of Proceeds	49	Subscription and Sale	97
Capitalisation and Indebtedness	50	Clearance and Settlement	100
The Issuer	52	General Information	102
The Group	53	Summary of Significant Differences Between HK GAAP and IFRS	103
Recent Developments and Prospects	69		
Directors and Management	76		

IN CONNECTION WITH THIS ISSUE, MORGAN STANLEY & CO. INTERNATIONAL LIMITED (OR ANY PERSON ACTING FOR IT) MAY (TO THE EXTENT PERMITTED BY APPLICABLE LAWS) OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER, THERE MAY BE NO OBLIGATION ON MORGAN STANLEY & CO. INTERNATIONAL LIMITED (OR ANY PERSON ACTING FOR IT) TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

CERTAIN DEFINED TERMS, CONVERSIONS AND CURRENCY OF PRESENTATION

References in this Offering Memorandum to “the PRC” and “PRC” are to the People’s Republic of China (excluding Hong Kong, Macau and Taiwan for the purposes of this Offering Memorandum), references to “Hong Kong” are to the Hong Kong Special Administrative Region of the People’s Republic of China and references to “US” or the “United States” are to the United States of America.

Unless otherwise specified or the context requires, references in this Offering Memorandum to “Hong Kong dollars”, “HK dollars”, “HK\$” and “HK cents” are to the lawful currency of Hong Kong, references herein to “US dollars”, “US\$” and “US cents” are to the lawful currency of the United States of America and references herein to “Renminbi” or “RMB” are to the lawful currency of the PRC.

For convenience only and unless otherwise noted, all conversions from HK dollars into US dollars in this Offering Memorandum were made at the rate of HK\$7.7640 to US\$1.00, being the noon buying rate quoted by the Federal Reserve Bank of New York for cable transfers on 31 December 2003. No representation is made that the HK dollar or US dollar amounts referred to in this Offering Memorandum could have been or could be converted into US dollars or HK dollars, as the case may be, at any particular rate or at all. For further information relating to exchange rates, see “Exchange Rates.”

In this Offering Memorandum, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

SUMMARY

The summary below is intended only to provide a limited overview of information described in more detail elsewhere in this Offering Memorandum. As it is a summary, it does not contain all the information that may be important to investors. Terms defined elsewhere in this Offering Memorandum shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Memorandum in its entirety.

Overview

NWS Holdings Limited (the “Guarantor”, formerly known as Pacific Ports Company Limited) is a company incorporated with limited liability under the laws of Bermuda (company registration number: EC/22286). It was incorporated on 3 September 1996 and is a leading service provider in the service, infrastructure and ports sectors in Hong Kong, the PRC and Macau.

The Group is primarily engaged in: (i) facilities, contracting, transport, financial and environmental services businesses; (ii) the development, investment, operation and/or management of toll roads, expressways, bridges, tunnel, power plants and water treatment and waste management plants; and (iii) the development, investment, operation and management of container handling, logistics and warehousing businesses.

Prior to 29 January 2003, the Group was primarily engaged in the ports and port-related businesses. The Group acquired a significantly enlarged asset portfolio with different lines of businesses in the service and infrastructure industries in Hong Kong, the PRC and Macau upon the completion of the reorganisation of the Group (“Reorganisation”) on 29 January 2003 which involved certain subsidiaries of New World Development Company Limited (“NWD”) including the Guarantor. See “The Group — Reorganisation”.

As at 16 April 2004, the Guarantor had an authorised ordinary share capital of HK\$2,400 million consisting of 2,400 million ordinary shares of HK\$1.00 each and an issued and fully paid up share capital of HK\$1,791,904,663 consisting of 1,791,904,663 ordinary shares of HK\$1.00 each. The Shares are listed on the Hong Kong Stock Exchange (stock code: 659). Based on the closing price of the Shares on 16 April 2004, the Guarantor’s market capitalisation was approximately HK\$18,815.0 million.

Strategy

The Group’s strategy is:

- to focus on its key service, infrastructure and ports businesses and to leverage on the stable cash flows and earnings from these businesses and invest in new projects with high growth potential;
- to optimise its capital structure through rationalisation of the cash flows from its core operations and selective disposals of non-core and under-performing project assets enabling the Group to reduce its indebtedness, thereby achieving a sustainable target debt to total capital ratio; and
- to pursue a dividend policy which enables the Group to provide shareholders with a competitive return and at the same time continue to reduce its indebtedness and invest in new projects to achieve future growth.

Business

The Group has three main lines of business:

- *Service*

The Group, through its subsidiaries, jointly controlled entities and associated companies, is engaged in a diversified range of service businesses. It provides facilities, contracting, transport, financial and environmental services to other members of the Group and to third parties in Hong Kong, the PRC and Macau. The facilities business carried on by NWS Service Management Limited (“NWSS”, formerly known as New World Services Limited) consists of exhibition and convention operations, property management, security and guarding services, building and office cleaning, laundry and certain other customer related businesses. With contracts on hand with an estimated aggregate value of HK\$20.5 billion and an aggregate remaining value of work of approximately HK\$10.5 billion as at 31 December 2003, the Group is one of the largest construction, civil engineering and electrical and mechanical engineering contractors in Hong Kong. The public transportation services provided by the Group include franchised bus services in Hong Kong, public bus services in the PRC and passenger ferry services in Hong Kong waters and between Hong Kong and Macau. The Group also provides risk and insurance management consultancy services, securities and investment services and landscaping services.

- *Infrastructure*

The Group, through its subsidiaries and jointly controlled entities, is engaged in the development, operation, management and ownership of infrastructure projects in Hong Kong, the PRC and Macau.

The Group is one of the largest foreign investors in, and operators of, infrastructure projects in the PRC. The Group is a diversified infrastructure investor which is engaged in developing, owning, operating and managing infrastructure projects, including toll roads, toll expressways, toll bridges, power stations and water treatment and waste management plants in the PRC and Macau and a toll tunnel in Hong Kong. As at the date of this Offering Memorandum, the Group had a total of 46 projects in its portfolio, 43 of which were located in the PRC.

- *Ports*

The Group is engaged in the development and operation of container handling and logistics and warehousing businesses in Hong Kong and the PRC through joint ventures. The Group’s ports operations cover the geographic regions of Northern and Southern China. Container handling encompasses terminal operations focused on the loading and unloading of containers from vessels. The container handling process involves a diverse range of terminal-related operations including container loading and unloading, container pick-up and grounding, container storage, and internal terminal transportation. The Group’s container handling business is mainly located in three locations: Hong Kong, Tianjin and Xiamen. The logistics business facilitates the efficient flow of cargo by integrating different transportation modes and freight services (air, land and sea), container freight station (CFS) services and warehousing operations. In the PRC, the Group is developing logistics and warehousing facilities mainly at Xiamen and Yantian, Shenzhen.

Summary Financial Information

The following tables set forth the summary consolidated financial information of the Guarantor and its subsidiaries as at and for the periods indicated. The summary audited consolidated financial information as at and for the years ended 30 June 2002 and 2003 are derived from the Guarantor's published audited consolidated financial statements (which have been audited by PricewaterhouseCoopers, certified public accountants) and should be read in conjunction with the published audited consolidated financial statements of the Guarantor for each of the years ended 30 June 2002 and 2003 and the notes thereto.

The summary unaudited consolidated financial information as at and for the six-month periods ended 31 December 2002 and 2003 are derived from the Guarantor's published unaudited consolidated financial statements and should be read in conjunction with the published unaudited consolidated financial statements of the Guarantor for each of the six-month periods ended 31 December 2002 and 2003 and the notes thereto. The financial condition and results of operations of the Group for the six-month period ended 31 December 2003 should not be taken as an indication of the expected financial position and results of operations for the full year ending 30 June 2004.

The Guarantor completed the Reorganisation on 29 January 2003. See "The Group — Reorganisation". Following the Reorganisation, the Group combined the acquired service and infrastructure businesses with its original ports business. As a result, the Group's results of operations for the year ended 30 June 2003 and the six months ended 31 December 2003 were substantially different from its results of operations for the year ended 30 June 2002 and the six months ended 31 December 2002. For analytical purposes, this Offering Memorandum includes analysis of results of operations based on unaudited actual and pro forma attributable operating profit of the Group for the relevant periods. See "Recent Developments and Prospects".

The Guarantor's consolidated financial statements are prepared and presented in accordance with HK GAAP. HK GAAP differs in certain respects from IFRS. For a discussion of certain significant differences between HK GAAP and IFRS, see "Summary of Significant Differences Between HK GAAP and IFRS".

Selected Financial Information

Consolidated Profit and Loss Account

	Years ended 30 June		Six months ended 31 December	
	audited		unaudited	unaudited and restated ⁽¹⁾
	2003	2002	2003	2002
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Turnover	5,770.0	125.1	6,542.5	6.1
Cost of sales	(5,176.1)	(82.7)	(5,619.5)	(7.3)
Gross profit/(loss)	593.9	42.4	923.0	(1.2)
Other revenues	58.0	28.0	92.6	3.6
Recognition of one-off negative goodwill	474.0	—	—	—
Amortisation of net negative goodwill	72.0	—	33.1	—
General and administrative expenses	(419.9)	(64.8)	(583.2)	(14.2)
Other operating expenses	(44.2)	—	—	—
Other charges	(74.8)	(215.3)	(26.7)	(35.0)
Operating profit/(loss)	659.0	(209.7)	438.8	(46.8)
Finance costs	(194.1)	(2.9)	(169.0)	—
Share of results of				
Jointly controlled entities	596.4	165.3	553.1	107.5
Associated companies	317.3	260.7	161.5	154.1
Profit before taxation	1,378.6	213.4	984.4	214.8
Taxation	(146.7)	(67.2)	(156.0)	(28.9)
Profit after taxation	1,231.9	146.2	828.4	185.9
Minority interests	(18.5)	(2.3)	(14.2)	(0.1)
Profit attributable to shareholders	1,213.4	143.9	814.2	185.8
Dividends	367.6	175.1	267.1	11.4
Earnings per ordinary share	HK\$1.39	HK\$0.05 ⁽²⁾	HK\$0.46	HK\$0.85 ⁽²⁾

Consolidated Balance Sheet

	As at 30 June		As at 31 December		
	audited	unaudited and restated ⁽¹⁾	audited	unaudited	
	2003	2003	2002	2003	2002
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Non-current assets					
Goodwill	(447.9)	(349.6)	0.7	(319.7)	0.6
Fixed assets	9,350.1	9,350.1	272.2	7,727.4	234.9
Jointly controlled entities	8,721.6	8,493.7	2,078.1	8,683.9	1,997.6
Associated companies	2,091.7	2,012.0	992.6	1,973.9	1,019.1
Deferred tax assets	—	19.0	—	13.1	—
Other non-current assets	27.6	27.6	3.0	43.6	3.9
	<u>19,743.1</u>	<u>19,552.8</u>	<u>3,346.6</u>	<u>18,122.2</u>	<u>3,256.1</u>
Current assets					
Inventories	135.1	135.1	—	210.5	—
Debtors, deposits and prepayments	4,964.2	4,964.2	121.2	5,840.4	235.0
Trading investments	17.7	17.7	—	16.2	—
Bank balances and cash	2,548.4	2,548.4	349.3	2,331.7	436.0
	<u>7,665.4</u>	<u>7,665.4</u>	<u>470.5</u>	<u>8,398.8</u>	<u>671.0</u>
Current liabilities					
Creditors and accrued charges	5,072.2	5,072.2	19.7	5,380.0	20.3
Amounts due to related companies	652.6	652.6	—	103.5	—
Taxation	133.6	133.6	—	75.8	—
Dividend payable	—	—	55.0	—	—
Current portion of bank loans and borrowings	423.7	423.7	—	881.1	—
Short term bank loans and overdrafts					
— Secured	99.1	99.1	—	2.6	—
— Unsecured	1,163.7	1,163.7	—	1,349.6	—
	<u>7,544.9</u>	<u>7,544.9</u>	<u>74.7</u>	<u>7,792.6</u>	<u>20.3</u>
Net current assets	<u>120.5</u>	<u>120.5</u>	<u>395.8</u>	<u>606.2</u>	<u>650.7</u>
Total assets less current liabilities	<u>19,863.6</u>	<u>19,673.3</u>	<u>3,742.4</u>	<u>18,728.4</u>	<u>3,906.8</u>
Financed by:					
Share capital	1,780.8	1,780.8	525.4	1,780.8	525.4
Reserves	6,777.1	6,469.7	3,192.0	6,942.7	3,356.3
Shareholders' funds	<u>8,557.9</u>	<u>8,250.5</u>	<u>3,717.4</u>	<u>8,723.5</u>	<u>3,881.7</u>
Deferred taxation	81.8	254.5	—	271.5	—
Bank loans and borrowings	7,754.6	7,754.6	—	7,077.9	—
Other long term liabilities	903.0	903.0	—	916.3	—
Minority interests and loans	2,566.3	2,510.7	25.0	1,739.2	25.1
	<u>11,305.7</u>	<u>11,422.8</u>	<u>25.0</u>	<u>10,004.9</u>	<u>25.1</u>
	<u>19,863.6</u>	<u>19,673.3</u>	<u>3,742.4</u>	<u>18,728.4</u>	<u>3,906.8</u>

(1) Restated due to a change in the Guarantor's accounting policy in respect of "deferred tax" as a result of the Guarantor's adoption of the revised Statement of Standard Accounting Practice 2.112 "Income Taxes" ("SSAP 12") issued by the Hong Kong Society of Accountants, which became effective for accounting periods commencing on or after 1 January 2003. See Note 1 to the unaudited consolidated financial statements contained in the interim report of the Guarantor for the six months ended 31 December 2003.

(2) Restated to reflect the share consolidation by the Guarantor on 10 February 2003. See "The Group — Reorganisation".

The Offering

Terms used in this summary and not otherwise defined shall have the meanings given to them in the Terms and Conditions.

Issuer	NWSH Capital Finance Limited
Guarantor.	NWS Holdings Limited
Issue	HK\$1,350,000,000 aggregate principal amount of Zero Coupon Guaranteed Convertible Bonds due 2009, convertible into fully-paid ordinary shares with par value of HK\$1.00 each of the Guarantor.
Option	The Issuer has granted MSI an Option, which can be exercised in whole or in part on up to two occasions at any time on or before the 30th day following the Closing Date, to require the Issuer to issue up to a further HK\$150 million in aggregate principal amount of the Bonds.
Issue Price	100 per cent.
Denomination	HK\$10,000
Interest	The Bonds will not bear any interest.
Closing Date	26 April 2004
Maturity Date	26 April 2009

Where the Maturity Date is not a business day, any payment of principal due on the Maturity Date will be made (or cheques posted) on the first business day following the Maturity Date, or, if later, on the business day on which the relevant certificate evidencing the Bond is surrendered. Bondholders will not be entitled to any interest or other payment by reason of payment being made (or cheques posted) on the first business day following the Maturity Date.

Negative Pledge	So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will create or permit to subsist, and the Guarantor will procure that no Subsidiary will, create or permit to subsist, any Security upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any Investment Securities or to secure any guarantee of or indemnity in respect of, any Investment Securities unless, at the same time or prior thereto, the Issuer's, or as the case may be, the Guarantors' respective obligations under the Bonds and the Trust Deed (a) are secured equally and rateably therewith to the satisfaction of the Trustee, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.
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Conversion Period for the Bonds . . .	At any time on and after 27 May 2004 up to the close of business (at the place where the certificate evidencing such Bond is deposited for conversion) on 11 April 2009 or, if such Bonds have been called for redemption before 26 April 2009, then up to the close of business (at the place of deposit) on the date seven business days (at the place aforesaid) prior to the date so fixed for redemption, but in all circumstances subject to the provisions of the Terms and Conditions.
Conversion Price	HK\$13.63 per Share, which will be subject to adjustment for, amongst other things, subdivision or consolidation of Shares, bonus issues, rights issues and other dilutive events. If all the Bonds were converted at the initial conversion price, approximately 99,046,221 Shares would be issuable (assuming the Option is not exercised).
Cash Settlement Option	The Issuer may, at its option, satisfy its obligation to deliver Shares pursuant to the exercise of the right of conversion by a Bondholder, in whole or in part, by paying to the relevant Bondholder a cash amount in HK dollars equal to the product of (i) the number of Shares otherwise deliverable upon exercise of such Bondholder's right of conversion in respect of which the Issuer has elected to satisfy by the Cash Settlement Option and (ii) the Volume Weighted Average Price per Share for each day during the five dealing days immediately following the Conversion Date.
Final Redemption	Unless previously redeemed, converted or purchased and cancelled in the circumstances referred to in the Terms and Conditions, the Bonds will be redeemed on the Maturity Date at 97.53 per cent. of their principal amount.
Redemption at the Option of the Issuer	<p>On and at any time after 26 October 2005 but prior to the Maturity Date, the Issuer may redeem all or some only of the Bonds at the Early Redemption Amount provided that the Closing Price of the Shares for each of any 20 dealing days out of a period of 30 consecutive dealing days, the last day of which period occurs no more than five dealing days prior to the date upon which notice of such redemption is given, is at least 120 per cent. of the Conversion Price in effect on each such dealing day.</p> <p>The Issuer may also redeem the Bonds in whole but not in part at the Early Redemption Amount if at any time the aggregate principal amount of Bonds outstanding is less than 10 per cent. of the aggregate principal amount originally issued (including any Option Bonds and any further issue pursuant to the Terms and Conditions). See "Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation".</p>

<p>Tax Redemption and Non-Redemption Right</p>	<p>The Issuer may redeem all, but not some only, of the Bonds at the Early Redemption Amount in the event of certain changes in British Virgin Islands, Bermuda or Hong Kong taxation. If the Issuer exercises its tax redemption right, each holder of the Bonds shall have the right to elect that all or a portion of its Bonds shall not be redeemed. Upon the exercise of the Non-Redemption Right with respect to such Bonds, no additional amounts referred to in the Terms and Conditions shall be payable on the payments due after the relevant date in respect of such Bonds and, subject to the Terms and Conditions, such payments shall be made subject to any deduction or withholding required under the laws or regulations of the British Virgin Islands, Bermuda or Hong Kong. See “Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation”.</p>
<p>Redemption at the Option of Bondholders</p>	<p>On 26 April 2006, each Bondholder shall have the right at such Bondholder’s option to require the Issuer to redeem all or some only of the Bonds held by such Bondholder at 99.00% of the principal amount of each such Bond.</p>
<p>Redemption upon Delisting or Change of Control</p>	<p>A Bondholder shall have the right, at such Bondholder’s option, to require the Issuer to redeem such Bondholder’s Bonds at the Early Redemption Amount, in the case of (i), with respect to all but not some only of, and in the case of (ii), with respect to all or some only of, such Bondholders’ Bonds upon (i) the Shares ceasing to be listed or admitted to trading on the Hong Kong Stock Exchange, and, if applicable, the Alternative Stock Exchange; or (ii) the occurrence of a Change of Control with respect to the Guarantor. See “Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation”.</p>
<p>Form and Registration of the Bonds</p>	<p>The Bonds will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and shall be deposited on the Closing Date with a common depository for, Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, individual definitive certificates for Bonds will not be issued in exchange for beneficial interests in the Global Certificate.</p>
<p>Governing Law</p>	<p>English law</p>
<p>Trustee</p>	<p>The Hongkong and Shanghai Banking Corporation Limited</p>

Listing. Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of selectively marketed securities.

The Shares are currently listed on the Hong Kong Stock Exchange. Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares issuable upon conversion of the Bonds.

Use of Proceeds The net proceeds from the issue of the Bonds (assuming the Option is not exercised) are estimated to be approximately HK\$1,325 million and will be used for repayment of existing debt (as to approximately 50%) and for general working capital of the Group (as to approximately 50%).

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Memorandum, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be materially adversely affected by any of these risks. Additional considerations and uncertainties not presently known to the Issuer and the Guarantor, or which the Issuer and the Guarantor currently deem immaterial, may also have an adverse effect on an investment in the Bonds.

This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Memorandum.

Risks Relating to the Group

Limited Operating History

Prior to 29 January 2003, the Group was primarily engaged in ports and port-related businesses. The Group acquired its service and infrastructure businesses following the completion of the reorganisation of certain subsidiaries of NWD, including the Guarantor, in January 2003. See “The Group — Reorganisation”. For the six months ended 31 December 2003, the service and infrastructure businesses contributed approximately 38.2% and 41.5% respectively of the attributable operating profit of the Group. See “Recent Developments and Prospects”. The Group believes that the service and infrastructure businesses will continue to be the largest source of net profit of the Group in the future.

As the majority of the directors of the Guarantor were appointed after the Reorganisation, the results of operations presented in this Offering Memorandum reflect the management of the business by the Group's management team from 29 January 2003 through 31 December 2003. Accordingly, the Group has a limited operating history under current management on which prospective investors can base an investment decision in relation to the Bonds and the Shares.

High Gearing Ratio

As at 31 December 2003, on a consolidated basis, the Guarantor and its subsidiaries had approximately HK\$9,311.2 million of total bank loans and borrowings consisting of the non-current portion of long-term borrowings of approximately HK\$7,077.9 million, short-term borrowings of approximately HK\$1,352.2 million and the current portion of long-term borrowings of approximately HK\$881.1 million. As at the same date, the Guarantor and its subsidiaries, on a consolidated basis, had bank balances and cash of approximately HK\$2,331.7 million and shareholders' funds of approximately HK\$8,723.5 million. The gearing ratio of the Guarantor and its subsidiaries on a consolidated basis (net debt to shareholders' funds plus minority interests and loans) was approximately 67% as at 31 December 2003. Most of the Guarantor and its subsidiaries' debt has been incurred as a result of the acquisition of the service and infrastructure businesses. The Guarantor and its subsidiaries' high level of indebtedness may adversely affect the Group's future strategy and operations in a number of ways including:

- the debt service requirements will reduce the funds available to the Group for other purposes;
- the Group's ability to obtain adequate financing for working capital and capital expenditures for its projects on terms which will enable such projects to achieve a reasonable return to the Group may be limited; and
- the Group's high level of leverage may hinder its ability to withstand competitive pressures or adjust rapidly, if at all, to changing market conditions.

There can be no assurance that the Group's level of indebtedness and such restrictions will not materially and adversely affect the Group's ability to finance its future operations or capital needs, successfully operate its business, engage in other business activities or pay dividends.

Implementation of Strategy

The future prospects of the Group will depend to some extent upon its ability to further grow its businesses and operations in Hong Kong and the PRC. The development of such future businesses could be affected by many factors, including general political and economic conditions in Hong Kong and the PRC, government policies or strategies in respect of specific industries, prevailing interest rates, price of equipment and construction materials, fuel supply and currency exchange. Despite the Group's identification of a number of favourable opportunities, the Group's continued ability to develop further service, infrastructure and/or ports projects will depend on the Group being able to reach agreements with potential joint venture partners on commercial and technical terms satisfactory to the Group and to enter into binding contracts with such parties. While the Group is experienced in conducting such negotiations, the success of negotiations with respect to any particular project cannot be assured. Each project will also require certain government consents and approvals as part of the development process.

In addition, the Group's strategy to divest its non-core and under-performing assets in order to reduce its indebtedness may not be successful. The Group may not be able to divest selected assets or may not be able to achieve a satisfactory price for assets divested.

Joint Venture Risks

A significant portion of the infrastructure and ports operations of the Group are conducted through jointly controlled entities and associated companies. Co-operation and agreement among the Group's joint venture partners on its existing or any future projects is an important factor for the smooth operation and financial success of such projects. The Group's joint ventures may involve risks associated with the possibility that the joint venture partners may (i) have economic or business interests or goals that are inconsistent with those of the Group, (ii) be unable or unwilling to fulfill their obligations under the relevant joint venture or other agreements or (iii) experience financial or other difficulties. Further, the Group may not be able to control the decision-making process of the joint ventures without reference to the joint venture partners and, in most cases, it does not have majority control of the joint venture. The Group does, however, through contractual provisions or representatives appointed by it, typically have the ability to influence certain material decisions. Although the Group has not to date experienced any significant problems with its partners, no assurance can be given that disputes among the partners will not arise in the future that could affect such projects.

Single Major Shareholder

As at 16 April 2004, NWD directly and indirectly owned approximately 54.12% of the issued share capital of the Guarantor. NWD is a diversified conglomerate with businesses in property development and investments, telecommunications and hotels, among others. Consequently, NWD's strategic goals may not be aligned with the strategy of the Group and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base.

Single Purpose Vehicle

The Issuer is a wholly-owned subsidiary of the Guarantor formed for the principal purpose of issuing the Bonds and will on-lend the entire net proceeds from the issue of the Bonds to the Guarantor and its subsidiaries. The Issuer does not and will not have any assets other than such on-lent loans and its ability to make payments under the Bonds depends on its receipt of timely payments under such loans. In the event

that the Guarantor and its subsidiaries do not make such payments due to limitation in such loans or other agreements, lack of available cashflow or other factors, the Issuer's ability to make payments under the Bonds could be adversely affected.

Holding Company Structure

The Guarantor is primarily a holding company and its ability to make payments in respect of the Bonds and fund payments by the Issuer depends largely upon the receipt of dividends, distributions, interest payments or advances from its wholly or partly owned subsidiaries, jointly controlled entities and associated companies. The ability of the subsidiaries, jointly controlled entities and associated companies of the Guarantor to pay dividends and other amounts to the Guarantor may be subject to their profitability and to applicable laws. Payments under the Bonds are structurally subordinated to all existing and future liabilities and obligations of each of the Guarantor's subsidiaries, jointly controlled entities and associated companies. Claims of creditors of such companies will have priority as to the assets of such companies over the Guarantor and its creditors, including holders of the Bonds.

Differences Between HK GAAP and IFRS

There may be less publicly available information about companies listed in Hong Kong such as the Guarantor than is regularly made available by public companies in certain other countries. In addition, the Guarantor's financial statements are prepared and presented in accordance with HK GAAP, which differ in certain significant respects from IFRS. See "Summary of Significant Differences Between HK GAAP and IFRS."

Risks Relating to the Business of the Group

Dependence on PRC, Hong Kong and Regional Economic Conditions

The Group operates primarily in Hong Kong and the PRC and is dependent on the level of domestic, regional and global economic and market conditions. Demand for the Group's services may be adversely affected by economic downturn in domestic, regional and global economies. The services sectors in most Asian countries, including Hong Kong and the PRC were negatively affected by the economic slowdown during the Asian financial crisis in late 1990's, leading to reduced government and corporate spending and a decrease in domestic and international trade, container movement and traffic volumes and energy consumption. There can be no assurance that future fluctuations of Hong Kong and the PRC economic or business cycle, whether or not related to global economic conditions, will not have an adverse effect on the Group's operating results.

Specifically in Hong Kong, the Group's largest market, the economy remains weak. Notwithstanding the recent indications of economic recovery in the property market, unemployment continues to be high with the economy still under deflationary pressures. A continued weakness in the Hong Kong economy may have adverse impact on the Group's financial condition and results of operations, including through decreased construction activities in Hong Kong.

Reliance on Major Industries

The Group's results are affected by trends in the industries in which it operates, including the service, infrastructure and ports industries. Whilst the Group believes that its diverse operations, geographical spread and extensive customer base reduces its exposure to particular industry cycles, its results have in the past been adversely affected by industry trends. For example, the Group's results have been negatively impacted by decreased government infrastructure and public housing investments, deflationary pressure and increased oil and fuel costs. There can be no assurance that the combination of industry trends the Group experiences in the future will not adversely affect its financial condition or results of operations.

Operational Risks

The Group's operations are subject to a number of operational risks including:

- ***Energy*** – The operations of power plants are complex and involve many risks, including the breakdown or failure of power generation equipment, transmission lines or other equipment or processes and performance below expected levels of output or efficiency, whether due to unexpected wear and tear, misuse, unexpected degradation or the increase in unplanned or forced outages, insufficient or poor quality of fuel, natural disasters and changes in government policy. Any of the foregoing could have an adverse effect on the turnover of the Group's energy projects or increase their operating costs.
- ***Toll Roads and Bridges*** – The operation of toll roads and toll bridges generally involves a low level of operational risk so long as an effective system of internal controls over the collection of toll fees is properly established and appropriate periodic maintenance is carried out. The Group's toll roads and toll bridges may nonetheless be affected by inclement weather, resulting in reduced traffic flow. According to historical weather patterns, bad weather affecting the Group's toll roads and toll bridges is expected to be of limited duration.
- ***Container Handling and Warehousing*** – The operation of the Group's container terminals and container handling and warehousing businesses may be adversely affected by many factors, such as the breakdown of shore cranes, forklifts and other equipment, labour disputes, inclement weather, natural disasters, increasing government regulations, the lack of adjoining land for expansion, the lack of qualified equipment operators and the overall performance of the container shipping industry. In addition, container movements into and out of the ports rely on a number of third party trucking and barge companies which typically contract directly with exporters, importers and shipping companies and not with the port itself. The failure or inability of certain of these companies to provide these services efficiently could disrupt operations at the ports which they serve.
- ***Contracting*** – The Group's construction and electrical and mechanical engineering business involves risks that construction and engineering contracts may not be completed on schedule or within budget for reasons beyond the Group's control including shortages of equipment, material and labour, work stoppages, contractual disputes among sub-contractors, interruptions resulting from inclement weather, unforeseen engineering, environmental and geological problems, unanticipated cost increases, governmental regulations (including changes in safety regulations and delay or failure to obtain the requisite construction or engineering approvals).

Project Development

The Group has identified certain growth opportunities in relation to roads, ports, water projects (in particular, water treatment) and construction business in the PRC. In addition to the typical political risks associated with other investments in the PRC, there are a number of construction, financing, operating and other risks associated with project developments in the PRC. Projects of the types undertaken by the Group typically require substantial capital expenditures during the construction phase and usually take many months, sometimes years, before they become operational and generate revenue. The time taken and the costs involved in completing construction can be adversely affected by many factors, including shortages of materials, equipment and labour, adverse weather conditions, natural disasters, labour disputes, disputes with sub-contractors, accidents, changes in government priorities and other unforeseen circumstances. Any of these could give rise to delays in the completion of construction and/or to cost overruns. In relation to certain of the Group's infrastructure projects in the PRC, certain government approvals, permits, licences or consents will need to be obtained. Delays in the process of obtaining or failure to obtain the requisite licences, permits or approvals from government agencies or authorities can also increase the cost or delay or prevent the commercial operation of a business, which could adversely affect the financial performance of the Group's PRC infrastructure and services business. Construction delays can result in the loss of revenues.

The failure to complete construction according to its specifications may result in liabilities, reduced efficiency and lower financial returns. Although the majority of the Group's infrastructure projects have been completed and generate income, there can be no assurance that this will remain the case or that future infrastructure projects will be completed on time, or at all, and generate satisfactory returns. Finally, the acquisition or transfer of interests in such projects are usually subject to governmental approvals, which reduce the Group's ability in disposing of such projects.

Limited Availability of Funds

The Group will require additional financing to fund working capital requirements, to support the future growth of its business and/or to refinance existing debt obligations. Its plans in relation to ports, water projects (in particular, water treatment), transport and contracting will require substantial capital expenditure. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to the Group or that any additional financing will not be dilutive to its shareholders.

Tariff Determination

Tariff rates charged by the Group's joint ventures with respect to its toll roads, toll bridges and electricity produced by its power stations are set by various local government authorities, although the Group in conjunction with its joint venture partners can propose rate changes. Factors that these local government authorities take into account when considering rate changes vary from project to project and may include factors such as construction costs, prospective recovery period of investment, loan repayment terms, inflation rate, management, operation and maintenance costs, affordability and usage.

While the relevant local authorities have in the past approved applications for tariff and toll rate increases made by the Group's joint ventures, there can be no assurance that the relevant local authorities will approve any future request in a timely manner or at all or that the relevant local authorities or any other governmental authority will not at any time request a tariff or toll rate reduction. Reductions in tariffs or toll rates may adversely affect the Group's results of operations.

The PRC Central Government started an experiment at the end of 1998 to effect power sales through competitive bidding in certain provinces. The on-grid tariffs for power sold through competitive bidding are generally lower than the pre-approved on-grid tariffs for planned output. If the relevant government authorities reduce the on-grid tariffs of the Group's power plants in the PRC for planned output to levels below their projections, or if the proportion of their output subject to competitive bidding is significantly increased and the applicable on-grid tariffs fall below their projections, the revenue and profit of such projects may be adversely affected.

The PRC Central Government has announced its intention to reduce toll stations in urban area and certain PRC local governments have introduced discounted annual passes for vehicles, which if implemented in relation to the Group's toll road projects, may adversely affect the results of operations of such projects.

Competition

The Group's service, infrastructure and ports businesses compete with both domestic and international companies. Some of these companies have significant financial resources, marketing and other capabilities. In the PRC, some of the domestic companies have extensive local knowledge and business relationships and a longer operational track record in the domestic market than the Group. The international companies are able to capitalise on their overseas experience to compete in the PRC and Hong Kong markets. As a result, there can be no assurance that the Group will be able to compete successfully in the future against its existing or potential competitors or that the business, financial condition and results of operations will not be adversely affected by increased competition.

The Group also faces competition in the specific types of businesses in which it is involved. With respect to road projects, there is no assurance that alternate routes which avoid the tolls or charge less tolls will not be devised or that competing roads or bridges will not be built.

In respect of the power projects of the Group, in addition to projects which are currently being constructed, there have been constant announcements of plans or intentions to develop future power projects in the regions in which the Group operates or in the surrounding regions. Competition is also expected to increase for independent power producers with the introduction of regional power pooling in certain provinces in the PRC in 2004, as the PRC Central Government moves towards nationwide pooling by 2010.

In Hong Kong, the Hong Kong Convention and Exhibition Centre (the “HKCEC”), which constitutes one of the most significant revenue contributors of the Group’s facilities business, faces intensified competition as a result of increased supply of conference and exhibition facilities in the PRC and South East Asia. In addition, the Hong Kong Airport Authority has also announced its plan to construct a new conference and exhibition centre in the Hong Kong International Airport.

Finally, the Group anticipates that competition in the container handling and logistics and warehousing industry in Hong Kong will intensify upon completion and commencement of operations of the new berths at Container Terminal No. 9 in the second half of 2004.

Concession, Franchise and Licence

The Group, through its subsidiaries, jointly controlled entities and associated companies, operate and manage certain franchise businesses such as providing facilities services in respect of the HKCEC, operating public bus and ferry transportation services in Hong Kong, operating duty free tobacco and alcohol sales at the Hong Kong International Airport, Hong Kong-Macau Ferry Terminal and China Ferry Terminal and operating Tate’s Cairn Tunnel in Hong Kong, and operating other toll roads and toll bridges in the PRC and water treatment plants in the PRC under concession, franchise and licence agreements. There can be no assurance that renewals of concession, franchise and licence can be obtained or that if renewed, that the terms of such concession or franchise or licence will not be on terms less favourable than currently obtained by the Group.

Guaranteed Returns

Existing PRC government policies discourage PRC entities from providing guaranteed return to foreign investors in Sino-foreign joint ventures. In accordance with the *Notice on Questions relating to the Proper Treatment of Existing Projects with Guaranteed Returns to Foreign Investors ([2002] No. 43)* (the “No. 43 Notice”) promulgated by the PRC State Council on 10 September 2002, local governments are required to adopt effective measures to properly settle all guaranteed return projects with foreign investors. In relation to any under- or non-performing guaranteed return projects, local governments are required to settle such projects by means of amendments to contractual arrangements, acquisition of foreign investors’ interests, conversion of contractual undertakings into foreign loans and/or dissolution of joint venture companies. The Group has, subsequent to the promulgation of the No. 43 Notice, disposed to its PRC partner all of its interests in a total of 13 Sino-foreign co-operative joint ventures in the PRC, which operate toll roads and a toll bridge in Zhaoqing City, Guangdong Province. These projects were under-performing and the profit sharing arrangements of which may contain elements of guaranteed return. Having made reasonable enquiries, the Guarantor is not aware of any consequences for failure to settle projects with guaranteed return in accordance with the No. 43 Notice. The Guarantor has reviewed and will continue to review the profit sharing arrangements of the existing projects of the Group in the PRC in light of the policy expressed under the No. 43 Notice and is of the view that the Group’s financial condition would not be materially and adversely affected by the full implementation of the No. 43 Notice.

Uninsured Loss

The Group maintains insurance policies covering both its assets and employees in line with general business practices in the PRC, Hong Kong and Macau in the relevant industries, with policy specifications and insured limits which the Group believes are adequate. Risks insured against include fire, business interruption, lightning, flooding, theft, vandalism and public liability. There are, however, certain types of losses (such as from wars, acts of terrorism or acts of God) that generally are not insured because they are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in the property, as well as anticipated future revenue and, in the case of debt that is with recourse to the Group, the Group may remain liable for financial obligations related to the relevant property. Any such loss could adversely affect the results of operations and financial condition of the Group.

Further, since the attacks on the United States on 11 September 2001, many insurance companies have substantially increased their premiums. Insurance companies are also seeking to exclude insurance risks and claims relating to terrorism or related activity. As a result, the Group's insurance policies do not cover damages and losses arising from acts of terrorism or related events.

SARS

The outbreak of Severe Acute Respiratory Syndrome ("SARS") that began in the PRC and Hong Kong in early 2003 and spread elsewhere, had an adverse effect on all levels of business in Hong Kong and the PRC. The outbreak of SARS led to a significant decline in travel volumes and business activities throughout most of the Asian region and had a material and adverse effect on the Group's financial condition and operations for the second half of the financial year ended 30 June 2003. The Group's operations in Hong Kong and the PRC, particularly its facilities and public transport operations, were adversely affected. See "Recent Developments and Prospects — Results of Operations".

On 5 July 2003, the World Health Organization announced that the last known chain of human-to-human transmission of the SARS corona virus had been broken, bringing to an end the initial outbreak of SARS. Isolated new cases and suspected cases of SARS were subsequently reported in Asia. The occurrence of another SARS outbreak may result in another economic downturn and may have an adverse effect on the overall level of business and travel in the affected areas. It may also disrupt the Group's business operations and consequently have an adverse effect on its financial condition and results of operations.

Environmental Liability Exposure

With respect to the PRC power projects, the Group is subject both to the PRC national and local environmental protection regulations which currently impose a graduated schedule of fees for the discharge of waste substances, require the payment of fines for pollution, and provide for the closure by the PRC Central Government of any facility which fails to comply with orders requiring it to cease or remedy certain activities causing environmental damage. The Group's power projects discharge waste substances into the environment. However, the Group has established environmental protection systems to treat certain of its waste materials. The Group believes that the environmental protection facilities and systems of its joint ventures are adequate for them to comply with the existing national and local environmental protection regulations. However, there is no assurance that the PRC national or local authorities will not impose additional regulations which would require additional expenditure.

In Hong Kong, the container handling and road projects are subject to the regulations and guidelines issued by the Environmental Protection Department which apply to the operation of the project facilities. These guidelines may be revised from time to time to reflect the latest environmental needs resulting in additional expenditure in order to comply with such revised requirements.

Risks Relating to the PRC

The Group expects to derive substantial cash flow and net profit from its infrastructure and ports operations in the PRC. In addition, the Group intends to achieve further growth through new investments in the PRC. The Group's financial condition, results of operations and prospects will accordingly be subject to the economic, political and legal developments in the PRC as well as the economies in the surrounding region.

Economic, Political and Social Conditions in the PRC

The PRC's economy differs from the economies of many developed countries in many respects, including:

- extent of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has experienced significant growth in the past 20 years, growth has been uneven, both geographically and among various sectors of the economy. Although the PRC economy has been transforming from a planned economy to a more market-oriented economy, the PRC Central Government still maintains control in regulating industry development through industrial policies. It also exercises significant control over the PRC economic growth through the allocation of resources, control over foreign investment in different industries or sectors, setting monetary policy and providing preferential treatment to particular industries or companies.

Foreign Exchange

Substantially all of the Group's turnover and profit is derived from its operations in Hong Kong and the PRC. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and US dollars, has been based on rates set by The People's Bank of China, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates on the world financial markets. Since 1994, the official exchange rate for the conversion of Renminbi into US dollars has generally been stable. Since 1983, the Hong Kong dollar has been officially linked to the US dollar at the rate of HK\$7.80 to one US dollar through the operation of a strict currency board system. Since then, the market exchange rates have stayed close to HK\$7.80 = 1 US dollar. See "Exchange Rates".

In recent times, Renminbi has generally been perceived as having appreciated in value relative to US dollar, notwithstanding the current fixed exchange rates. A significant proportion of the Group's infrastructure and ports revenues and associated operating costs are denominated in Renminbi. The Group's services operations in Hong Kong derive their revenues (and incur associated expenses) in Hong Kong dollars.

Any abandonment of the official exchange rate policies for Renminbi and Hong Kong dollar may lead to sharp changes in the value of Hong Kong dollar and/or Renminbi against US dollar and other foreign currencies and add significantly to the volatility in the Hong Kong dollar and Renminbi exchange rate in the future, both of which may materially affect the financial condition and results of the operations of the Group.

The PRC Legal System

The PRC legal system is a civil law system. Unlike the common law system, the civil law system is based on written statutes in which decided legal cases have little value as precedents. Since 1979, the PRC Central Government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of new changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the business and prospects of the Guarantor and its joint ventures. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve significant uncertainty. The interpretation of PRC laws may be subject to policy changes which reflect domestic political changes. As the PRC legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may have an adverse effect on the Group's prospects, financial condition and results of operations.

Risks Relating to the Bonds and the Shares

Lack of Public Market for the Bonds

The Bonds are a new issue of securities for which there is currently no trading market. Application has been made to the Hong Kong Stock Exchange for the Bonds to be admitted for trading on the Hong Kong Stock Exchange. No assurance can be given that an active trading market for the Bonds will develop or as to the liquidity or sustainability of any such market, the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds. MSI is not obliged to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of MSI.

Potential Dilution of the Ownership Interest of Existing Shareholders

The conversion of some or all of the Bonds will dilute the ownership interests of existing shareholders. Any sales in the public market of the Shares issuable upon such conversion could adversely affect prevailing market prices for the Shares. In addition, the existence of the Bonds may facilitate short selling of the Shares by market participants.

TERMS AND CONDITIONS OF THE BONDS

The following, other than the words in italics, is the text of the Terms and Conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of the HK\$1,350,000,000 aggregate principal amount of Zero Coupon Guaranteed Convertible Bonds due 2009 (the “Bonds”, which term shall include, unless the context requires otherwise, any additional Bonds issued pursuant to the option granted to Morgan Stanley & Co. International Limited and such further Bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) of NWSH Capital Finance Limited (the “Issuer”), guaranteed by NWS Holdings Limited (the “Guarantor”) were authorised by a resolution of the Board of Directors of the Issuer passed on 29 March 2004. The guarantee provided by the Guarantor of the obligations of the Issuer and the issue of the Shares (as defined in Condition 7A(v)) upon conversion of the Bonds were authorised by resolutions of the Executive Committee to the Board of Directors of the Guarantor passed at an Executive Committee meeting held on 29 March 2004. The Bonds are constituted by a trust deed as amended from time to time (the “Trust Deed”) dated on or before 26 April 2004 and made between the Issuer, the Guarantor and The Hongkong and Shanghai Banking Corporation Limited as trustee for the holders of the Bonds (the “Trustee”, which term shall, where the context so permits, include all other persons or companies from time to time acting as trustee or trustees under the Trust Deed). The Issuer and the Guarantor have entered into a registrar, paying, conversion and transfer agency agreement (the “Agency Agreement”) dated on or before 26 April 2004 with the Trustee, HSBC Private Bank (Jersey) Limited as registrar (the “Registrar”), The Hongkong and Shanghai Banking Corporation Limited as principal paying, conversion and transfer agent (the “Principal Agent”) and the other paying, conversion and transfer agents appointed under it (each a “Paying Agent”, “Conversion Agent” and “Transfer Agent” (references to which shall include the Registrar) and together with the Registrar and the Principal Agent, the “Agents”) relating to the Bonds. References to the “Principal Agent”, “Registrar” and “Agents” below are references to the principal agent, registrar and agents from time to time for the Bonds. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed and of the Agency Agreement are available for inspection during normal business hours by Bondholders at the specified office of the Guarantor being at the date hereof at 17th Floor, New World Tower 2, 18 Queen’s Road Central, Hong Kong and at the specified offices of each of the Agents. The Bondholders are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Terms used herein have the meaning given to them in the Trust Deed unless the context otherwise requires.

1. Status and Guarantee

- (A) The Bonds and the Guarantee (as defined in Condition 1(B)) constitute direct, unsubordinated, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and the Guarantor respectively and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4, at all times rank at least equally with all of its other present and future direct, unsubordinated, unconditional and unsecured obligations. The payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4, at all times rank at least equally with all of its other present and future direct, unsubordinated, unconditional and unsecured obligations.
- (B) The due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds has been unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor in that respect (the “Guarantee”) are contained in the Trust Deed.

2. Form, Denomination and Title

(A) Form and Denomination

The Bonds are issued in registered form in the denomination of HK\$10,000 each without coupons attached. A bond certificate (a “Certificate”) will be issued to each Bondholder in respect of its registered holding of Bonds in the principal amount of HK\$10,000 or integral multiples thereof. Each Bond and each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the “Register”) which the Issuer will procure to be kept by the Registrar.

Upon issue, the Bonds will be represented by a Global Certificate deposited with a common depositary for, and representing Bonds registered in the name of a common nominee of, Euroclear Bank S.A./N.V., as operator of the Euroclear System and Clearstream Banking, société anonyme. The Conditions are modified by certain provisions contained in the Global Certificate.

(B) Title

Title to the Bonds passes only by transfer and registration in the Register as described in Condition 3. The holder of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Terms and Conditions, “Bondholder” and (in relation to a Bond) “holder” means the person in whose name a Bond is registered.

3. Transfers of Bonds; Issue of Certificates

(A) Register

The Issuer will cause to be kept at the specified office of the Registrar and in accordance with the terms of the Agency Agreement the Register on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding.

(B) Transfer

Subject to Conditions 3(E) and 3(F) and to the Agency Agreement, a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of the Registrar or any of the Agents. No transfer of title to a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(C) Delivery of New Certificates

Each new Certificate to be issued upon a transfer of Bonds will, within five business days of receipt by the Registrar or, as the case may be, any other relevant Agent of the form of transfer, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder) to the address specified in the form of transfer.

Except in the limited circumstances described herein (see “The Global Certificate”), owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred, converted or redeemed, a new Certificate in respect of the Bonds not so transferred, converted or redeemed will, within five business days of delivery of the original Certificate to the Registrar or other relevant Agent, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred, converted or redeemed (but free of charge to the holder) to the address of such holder appearing on the Register.

For the purposes of these Conditions (except Condition 8), “business day” shall mean a day other than a Saturday or Sunday on which banks are open for business in the city in which the specified office of the Registrar (if a Certificate is deposited with it in connection with a transfer or conversion) or the Agent with whom a Certificate is deposited in connection with a transfer or conversion, is located.

(D) *Formalities Free of Charge*

Registration of a transfer of Bonds will be effected without charge by or on behalf of the Issuer or any of the Agents, but upon payment (or the giving of such indemnity as the Issuer or any of the Agents may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

(E) *Closed Periods*

No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal of that Bond; (ii) after a Conversion Notice (as defined in Condition 7(B)) has been delivered with respect thereto or (iii) after a Put Exercise Notice (as defined in Condition 9(D)(i)) or a Change of Control Put Exercise Notice (as defined in Condition 9(F)) has been delivered with respect thereto.

(F) *Regulations*

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer in certain circumstances with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge to the Bondholder) by the Registrar to any Bondholder who asks for one. In case of amendment of the regulations, Bondholders will be informed in accordance with Condition 17.

4. Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and the Guarantor will procure that no Subsidiaries will, create or permit to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest (“Security”) upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any Investment Securities (as defined below) or to secure any guarantee of or indemnity in respect of any Investment Securities unless, at the same time or prior thereto, the Issuer’s, or, as the case may be, the Guarantor’s respective obligations under the Bonds and the Trust Deed (a) are secured equally and rateably therewith to the satisfaction of the Trustee, or (b) have the benefit of such other security, guarantee, indemnity or other

arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

For the purposes of these Conditions:

“Investment Securities” means bonds, debentures, notes or other investment securities with a maturity of not less than one year which are for the time being, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange, quotation system or over the counter market or other securities market.

“Subsidiary” means any company or other business entity of which the Guarantor owns or controls (either directly or through one or more Subsidiaries) more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors or trustees of such company or other business entity, or any company or other business entity which at any time has its accounts consolidated with those of the Guarantor or which, under Hong Kong law or regulations, should have its accounts consolidated with those of the Guarantor and for the avoidance of doubt, excludes any company or business entity which the Guarantor recognises in its consolidated financial statements as a jointly controlled entity under the generally accepted accounting principles of Hong Kong.

5. Interest

The Bonds do not bear interest; provided that, if there is a failure in payment of any sum in respect of the Bonds when the same becomes due and payable under these Conditions, interest shall accrue on the overdue sum at the rate of 3% per annum from the due date. Such default interest shall accrue on the basis of the actual number of days elapsed and a 360-day year.

6. Consolidation, Merger and Sale of Assets

Neither the Issuer nor the Guarantor will consolidate with, amalgamate with, merge with or into, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its property and assets (as an entirety or substantially an entirety in one transaction or a series of related transactions) to any entity unless:

- (A) the entity (if other than the Issuer) formed by such amalgamation or consolidation or into which the Issuer or the Guarantor, as the case may be, is merged or which acquired or leased such property and assets of the Issuer or the Guarantor, as the case may be, shall be a corporation organised and validly existing under the laws of its place of incorporation, and shall expressly assume, by a trust deed supplemental to the Trust Deed and an agency agreement supplemental to the Agency Agreement and such other undertakings or documents as the Trustee may require, executed and delivered in form and content acceptable to the Trustee, all of the obligations of the Issuer or the Guarantor, as the case may be, in respect of all of the Bonds and under the Trust Deed and the Agency Agreement;
- (B) the supplemental Trust Deed referred to in paragraph (A) above will ensure that (a) the holder of each Bond then outstanding will have the right (during the period in which such Bond shall be convertible) to convert such Bond into the class and amount of shares and other securities and property receivable upon such consolidation, amalgamation, merger, sale, conveyance, transfer, lease or other disposal by a holder of the number of Shares which would have become liable to be issued upon conversion of such Bond immediately prior to such consolidation, amalgamation, merger, sale, conveyance, transfer, lease or other disposal (such supplemental Trust Deed will provide for adjustments which will be as nearly equivalent as may be practicable to the adjustments provided for in the provisions of Condition 7(C), (b) the rights of Bondholders shall not be adversely affected as a result of such transaction and (c) that there shall be no right to exercise a redemption of the Bonds under Condition 9(C) as a result of any change in the

domicile or place of incorporation of the Issuer, the Guarantor or of the successor entity not being incorporated in Bermuda or, as the case may be, the British Virgin Islands and the provisions of Condition 10 shall also be supplemented or modified as the Trustee deems appropriate; and

- (C) immediately after giving effect to such transaction, no default or event of default (including an Event of Default) shall have occurred and be continuing.

The above provisions of this Condition 6 will apply *mutatis mutandis* to any subsequent consolidations, amalgamations, mergers, sales or transfers.

7. Conversion

(A) Conversion Right

- (i) *Conversion Period:* Subject as hereinafter provided, Bondholders have the right to convert their Bonds into Shares at any time during the Conversion Period referred to below.

The right of a Bondholder to convert any Bond into Shares is called the “Conversion Right.” Subject to, and upon compliance with, the provisions of this Condition, the Conversion Right attaching to any Bond may be exercised, at the option of the holder thereof, at any time on and after 27 May 2004 up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on 11 April 2009 (but in no event thereafter) or if such Bond shall have been called for redemption before 26 April 2009, then up to the close of business (at the place aforesaid) on the date seven business days (as in the place aforesaid) prior to the date fixed for redemption thereof (the “Conversion Period”).

The number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted by the Conversion Price in effect at the Conversion Date (both as hereinafter defined). On conversion the right of the converting Bondholder to repayment of the principal amount of the Bond to be converted shall be extinguished and released, and in consideration and in exchange therefor the Guarantor shall allot and issue Shares credited as paid up in full as provided in this Condition 7. A Conversion Right may be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

- (ii) *Fractions of Shares:* Fractions of Shares will not be issued on conversion and no cash adjustments will be made in respect thereof. Notwithstanding the foregoing, in the event of a consolidation or reclassification of Shares by operation of law or otherwise occurring after 29 March 2004 which reduces the number of Shares outstanding, the Guarantor will upon conversion of Bonds pay in cash a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights as corresponds to any fraction of a Share not issued as a result of such consolidation or reclassification aforesaid if such sum exceeds HK\$100.00.
- (iii) *Conversion Price:* The price at which Shares will be issued upon conversion (the “Conversion Price”) will initially be HK\$13.63 per Share but will be subject to adjustment in the manner provided in Condition 7(C).

- (iv) *Revival and/or survival after Default:* Notwithstanding the provisions of Condition 7(A)(i), if (a) the Issuer shall default in making payment in full in respect of any Bond which shall have been called for redemption on the date fixed for redemption thereof, (b) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events under Condition 11 or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 9(A), the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders and, notwithstanding the provisions of Condition 7(A)(i), any Bond in respect of which the Certificate and Conversion Notice are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined below) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.
- (v) *Meaning of “Shares”:* As used in these Conditions, the expression “Shares” means fully paid ordinary shares of par value HK\$1.00 each of the Guarantor or shares of any class or classes resulting from any subdivision, consolidation or re classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Guarantor.

(B) Conversion Procedure

- (i) *Conversion Notice:* To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deposit at his own expense during normal business hours at the specified office of any Conversion Agent a notice of conversion (a “Conversion Notice”) in duplicate in the form (for the time being current) obtainable from the specified office of each Agent, together with the relevant Certificate and any amounts required to be paid by the Bondholder under Condition 7(B)(ii).

The conversion date in respect of a Bond (the “Conversion Date”) must fall at a time when the Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to the provisions of Condition 7(A)(iv) above) and will be deemed to be the Stock Exchange Business Day (as defined below) immediately following the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice and, if applicable, any payment to be made or indemnity given under these Conditions in connection with the exercise of such Conversion Right, the relevant date fixed for redemption. A Conversion Notice once delivered shall be irrevocable. “Stock Exchange Business Day” means any day (other than a Saturday or Sunday) on which The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) or the Alternative Stock Exchange (as defined in Condition 7(D) below), as the case may be, is open for business.

- (ii) *Stamp Duty etc.:* A Bondholder delivering a Certificate in respect of a Bond for conversion must pay to the relevant Conversion Agent any taxes and capital, stamp, issue and registration duties arising on conversion (other than any taxes or capital or stamp duties payable in the British Virgin Islands, Bermuda, Hong Kong and, if relevant, in the place of the Alternative Stock Exchange, by the Guarantor in respect of the allotment and issue of Shares and listing of the Shares on conversion) and such Bondholder must pay all,

if any, taxes arising by reference to any disposal or deemed disposal of a Bond in connection with such conversion. The Guarantor will pay all other expenses arising on the issue of Shares on conversion of Bonds.

- (iii) *Registration:* As soon as practicable, and in any event not later than 10 business days after the Conversion Date, the Guarantor will, in the case of Bonds converted on exercise of the Conversion Right and in respect of which a duly completed Conversion Notice has been delivered and the relevant Certificate and amounts payable by the relevant Bondholder deposited or paid as required by sub paragraphs (i) and (ii), register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Shares in the Guarantor's share register and will, if the Bondholder has also requested in the Conversion Notice, take all necessary action to procure that Shares are delivered through the Central Clearing and Settlement System of Hong Kong for so long as the Shares are listed on the Hong Kong Stock Exchange; or make such certificate or certificates available for collection at the office of the Guarantor's branch share registrars in Hong Kong (currently Standard Registrars Limited) notified to Bondholders in accordance with Condition 17 or, if so requested in the relevant Conversion Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof.

The person or persons specified in the Conversion Notice will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Guarantor's register of members (the "Registration Date"). The Shares issued upon conversion of the Bonds will in all respects rank *pari passu* with the Shares in issue on the relevant Registration Date. Save as set out in these Conditions, a holder of Shares issued on conversion of Bonds shall not be entitled to any rights, the record date for which precedes the relevant Registration Date.

If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Bond, but before the Registration Date, the Guarantor will (i) pay to the converting Bondholder or his designee an amount (the "Equivalent Amount") equal to the Fair Market Value (as defined below) of any such dividend or other distribution to which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter or, (ii) at the Guarantor's election prior to the Registration Date, issue to the relevant Bondholder such number of Shares as is equal to the Equivalent Amount divided by the Current Market Price of the Shares on the date of such election, such additional Shares to be issued to, and registered in the name of, the relevant person or persons specified in the Conversion Notice on the Registration Date in accordance with the provisions of this Condition 7(B)(iii). The Equivalent Amount shall, if paid in the form of cash, be paid by means of a HK dollar cheque drawn on a bank in Hong Kong and sent to the address specified in the relevant Conversion Notice.

- (iv) *Cash Settlement:* Notwithstanding the Conversion Right of each Bondholder in respect of each Bond, at any time when the delivery of Shares deliverable upon conversion of the Bonds is required to satisfy the Conversion Right in respect of a Conversion Notice, the Issuer shall have the option to pay to the relevant Bondholder an amount of cash in Hong Kong dollars equal to the Cash Settlement Amount (as defined below) in order to satisfy

such Conversion Right in full or in part (in which case the other part shall be satisfied by the delivery of Shares) (the “Cash Settlement Option”). In order to exercise the Cash Settlement Option, the Issuer shall provide notice of the exercise of the Cash Settlement Option (the “Cash Settlement Notice”) to the relevant Bondholder as soon as practicable but no later than the fifth business day (as defined below) following the date of delivery of the Conversion Notice (the “Cash Settlement Notice Date”). The Cash Settlement Notice must specify the number of Shares in respect of which the Issuer will make a cash payment in the manner described in this Condition. The Issuer shall pay the Cash Settlement Amount not less than five business days but no later than 13 business days following the Cash Settlement Notice Date. If the Issuer exercises its Cash Settlement Option in respect of Bonds held by more than one Bondholder which are to be converted on the same Conversion Date, the Issuer shall make the same proportion of cash and Shares available to such converting Bondholders.

For the purpose of this Condition 7(B)(iv):

“business day” shall mean a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong.

“Cash Settlement Amount” means the product of (i) the number of Shares otherwise deliverable upon exercise of the Conversion Right in respect of the Bond(s) to which the Conversion Notice applies, and in respect of which the Issuer has elected the Cash Settlement Option and (ii) the Volume Weighted Average Price (as defined below) per Share for each day during the five dealing days (as defined below) immediately after the Conversion Date.

“Volume Weighted Average Price” means, in respect of a Share on any dealing day, the order book volume-weighted average price of a Share appearing on or derived from Bloomberg screen 659-HK Equity VAP or such other source as shall be determined to be appropriate by a leading independent investment bank of international repute (selected by the Guarantor and approved in writing by the Trustee) and acting as an expert on such dealing day, provided that on any such dealing day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Share in respect of such dealing day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined.

(C) *Adjustments to Conversion Price*

The Conversion Price will be subject to adjustment in the following events as set out in the Trust Deed:

- (i) *Consolidation, Subdivision or Reclassification*: If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration to the nominal value takes effect.

(ii) *Capitalisation of Profits or Reserves:*

- (a) If and whenever the Guarantor shall issue any Shares credited as fully paid to the holders of Shares (the “Shareholders”) by way of capitalisation of profits or reserves (including any share premium account) including Shares paid up out of distributable profits or reserves and/or share premium account issued, save where Shares are issued in lieu of the whole or any part of a specifically declared cash dividend (the “Relevant Cash Dividend”), being a dividend which the Shareholders concerned would or could otherwise have received (a “Scrip Dividend”) and which does not constitute a Capital Distribution (as defined below), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

- (b) In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price on the date of the first public announcement of the terms of such Scrip Dividend of such Shares exceeds 105 per cent. of the amount of the Relevant Cash Dividend or the relevant part thereof and which does not constitute a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue;

B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is the Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and

C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend;

or by making such other adjustment as a leading independent investment bank of international repute (acting as expert), selected by the Guarantor and approved in writing by the Trustee, shall certify to the Trustee is fair and reasonable.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (iii) *Capital Distribution:* If and whenever the Guarantor shall pay or make any Capital Distribution to the Shareholders (except where the Conversion Price falls to be adjusted under Condition 7(C)(ii) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price of one Share on the date on which the Capital Distribution is first publicly announced; and
- B is the Fair Market Value on the date of such announcement of the Capital Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Capital Distribution is actually made.

- (iv) *Rights Issues of Shares or Options over Shares:* If and whenever the Guarantor shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant of options, warrants or other rights to subscribe for or purchase Shares to all or substantially all Shareholders as a class by way of rights, in each case at a price per Share which is less than 95 per cent. of the Current Market Price per Share on the date of the first public announcement of the terms of the issue or grant of such Shares, options, warrants or other rights, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would purchase at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, the maximum number of Shares which may be issued upon exercise of such options, warrants or rights.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights or, where a record date is set, the first dealing day the Shares trade ex-rights (as the case may be).

- (v) *Rights Issues of Other Securities:* If and whenever the Guarantor shall issue any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares) to all or substantially all Shareholders as a class by way of rights or grant of options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares) to all or substantially all Shareholders as a class by way of rights, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price of one Share on the date on which such issue or grant is first publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or issue or grant of such options, warrants or other rights or, where a record date is set, the first dealing day the Shares trade ex-rights (as the case may be).

- (vi) *Issues at less than Current Market Price:* If and whenever the Guarantor shall issue (other than as mentioned in Condition 7(C)(iv) above) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or the issue or grant (other than as mentioned in Condition 7(C)(iv) above) of options, warrants or other rights to subscribe or purchase Shares in each case at a price per Share which is less than 95 per cent. of the Current Market Price on the date of the first public announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase any Shares;
- B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and
- C is the aggregate number of additional Shares issued or the maximum number of Shares that may be issued upon exercise of such options, warrants or rights.

References to additional Shares in the above formula shall, in the case of an issue by the Guarantor of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue of such options, warrants or other rights.

- (vii) *Other Issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 7(C)(vii), if and whenever the Guarantor or any of its Subsidiaries (otherwise than as mentioned in Conditions 7(C)(iv), 7(C)(v) or 7(C)(vi)), or (at the direction or request of or pursuant to any arrangements with the Guarantor or any of its Subsidiaries) any other company, person or entity shall issue any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Guarantor on conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. of the Current Market Price on the date of the first public announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration receivable by the Guarantor for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and
- C is the maximum number of Shares which could be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities

- (viii) *Modification of Rights of Conversion etc.:* If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 7(C)(vii) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 95 per cent. of the Current Market Price on the date of the first public announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the number of Shares in issue on the dealing day immediately preceding the announcement of such modification;

- B is the number of Shares which the aggregate consideration receivable by the Guarantor for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price; and
- C is the maximum number of Shares which could be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as a leading independent investment bank of international repute (acting as expert), selected by the Guarantor and approved in writing by the Trustee, considers appropriate (if at all) for any previous adjustment under this Condition 7(C)(viii) or Condition 7(C)(vii).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (ix) *Other Offers to Shareholders:* If and whenever the Guarantor or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Guarantor or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer under which Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Condition 7(C)(iv), Condition 7(C)(v), Condition 7(C)(vi) or Condition 7(c)(vii)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price of one Share on the date on which such issue is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities.

- (x) *Other Events:* If the Guarantor determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 7, the Guarantor shall, at its own expense, consult a leading independent investment bank of international repute (acting as expert), selected by the Guarantor and approved in writing by the Trustee, to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the independent investment bank such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the circumstances giving rise to any adjustment pursuant to this Condition 7 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment to the

Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 7 as may be advised by the independent investment bank to be in their opinion appropriate to give the intended result.

- (xi) If elected by the Issuer, no adjustment to the Conversion Price shall be made under this Condition 7 until such adjustment has been determined by a leading independent investment bank of international repute (acting as expert) selected by the Guarantor and approved by the Trustee in writing.

If the Guarantor fails to select a leading independent investment bank of international repute for the purposes of these Conditions, the Trustee may select such bank. The Trustee shall not be obliged to monitor whether any event has occurred that might fall within (i) to (x) above and shall assume that no such event has occurred until it has actual knowledge by way of notice in writing from the Guarantor to the contrary.

For the purposes of this Condition 7(C):

- (i) “Average Closing Price” is the arithmetic average of the closing price per Share for each dealing day during the Relevant Period.
- (ii) “Capital Distribution” means (a) any distribution of assets in specie by the Guarantor for any financial period (whenever paid or made and however described) but excluding a distribution of assets in specie in lieu of, and to a value not exceeding, a cash dividend which would not otherwise constitute a Capital Distribution under (b) below (and for these purposes a distribution of assets in specie includes without limitation an issue of shares or other securities credited as fully or partly paid (other than Shares credited as fully paid) by way of capitalisation of reserves); and (b) any cash dividend or distribution in kind (excluding any dividend or distribution to the extent that it is not an Excess Dividend) to all Shareholders by the Guarantor for any financial year (whenever paid and however described) unless:
 - (A) (and to the extent that) in the case of a distribution in specie only it does not, when taken together with the aggregate of the Fair Market Value of any other dividend or distribution previously made or paid in respect of all periods after 31 December 2003 (excluding for this purpose any dividend or distribution to the extent such dividend or distribution has already resulted in an adjustment to the Conversion Price under Condition 7), exceed the aggregate of the consolidated net profits for such periods less the aggregate of any consolidated net losses for such periods attributable to shareholders after deducting minority interests and preference dividends (if any) but (a) deducting any amounts in respect of any asset previously credited to the Guarantor’s reserves (in respect of any period or date up to and including 31 December 2003) pursuant to any revaluation of such asset, where amounts arising on the disposal of such asset have contributed to such profits and (b) deducting any exceptional and extraordinary items, (and for the avoidance of doubt after excluding any amount arising as a result of any reduction in registered capital, share premium account or capital redemption reserve), in each case calculated by reference to the audited consolidated profit and loss accounts of the Guarantor for such periods, or
 - (B) it comprises a purchase or redemption of Shares by or on behalf of the Guarantor (or a purchase of Shares by or on behalf of a Subsidiary), where the weighted average price (before expenses) on any one day in respect of such purchases does not exceed the Current Market Price of the Shares, as the case may be, by more than 5% either (1) on that date, or (2) where an announcement has been made (excluding for the avoidance of doubt, any general authority given by shareholders in general meeting

of the Guarantor or any notice convening such meeting) of the intention to purchase Shares at some future date at a specified price, on the dealing day immediately preceding the date of such announcement and, if in the case of either (1) or (2), the relevant day is not a dealing day, the immediately preceding dealing day.

In making any such calculation, such adjustments (if any) shall be made as a leading independent investment bank of international repute (acting as expert) selected by the Guarantor and approved by the Trustee may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event or (c) the modification of any rights to dividends of Shares.

- (iii) “Current Market Price” means in respect of a Share at a particular date the average of the closing prices published in the Hong Kong Stock Exchange’s daily quotations sheet (the “Daily Quotations Sheet”) for shares traded on the Hong Kong Stock Exchange (or the equivalent quotations sheet of an Alternative Stock Exchange (as defined below), as the case may be) for one Share (assuming a transaction in a board lot) for the five consecutive dealing days ending on the dealing day immediately preceding such date; provided that if at any time during the said five dealing days the Shares shall have been quoted ex-dividend or ex- any other entitlements and during some other part of that period the Shares shall have been quoted cum- dividend or cum- any other entitlements then:
 - (x) if the Shares to be issued or purchased do not rank for the dividend or other entitlements in question, the quotations on the dates on which the Shares shall have been quoted cum- dividend or cum- any other entitlements shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend or other entitlements per Share; and
 - (y) if the Shares to be issued or purchased rank for the dividend or other entitlements in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend or ex- any other entitlements shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of that dividend or other entitlement per Share;

and provided further that if the Shares on each of the said five dealing days have been quoted cum- dividend or cum- any other entitlements in respect of a dividend which has been declared or announced but the Shares to be issued or purchased do not rank for that dividend or other entitlements, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend or other entitlement per Share.

For the purposes of these Conditions, a “dealing day” means a day when the Hong Kong Stock Exchange (or an Alternative Stock Exchange, as the case may be) is open for dealing business provided that if no closing price is reported in respect of the relevant Shares on the Hong Kong Stock Exchange or, as the case may be, the Alternative Stock Exchange for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and shall be deemed not to have existed when ascertaining any period of dealing days.

- (iv) “Excess Dividend” means the excess of (a) the aggregate, on a per Share basis, of all dividends or distributions in cash charged or provided for in the accounts of the Guarantor in respect of the same financial year, over (b) the higher of:
 - (x) 3.67% of the Average Closing Price of one Share during the Relevant Period; and

- (y) the amount per Share corresponding to the relevant financial year set out below:

<u>in respect of the financial year ending</u>	<u>Amount (HK\$)</u>
30 June 2004	0.4000
30 June 2005	0.4400
30 June 2006	0.4840
30 June 2007	0.5324
30 June 2008	0.5856
30 June 2009	0.6442

For the avoidance of doubt, more than one adjustment to the Conversion Price may be required in respect of Excess Dividends in any financial year, but so that the full amount of any cash dividend or distribution which is charged or provided for in the accounts of the Guarantor for the same financial year in respect of which an adjustment has already been made, shall be treated as an Excess Dividend.

- (v) “Fair Market Value” means, with respect to any assets, security, option, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by a leading independent investment bank of international repute (acting as expert) selected by the Guarantor and approved in writing by the Trustee, provided that (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such investment bank) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five dealing days on the relevant market commencing on the first such dealing day such options, warrants or other rights are publicly traded.
- (vi) “Relevant Period” means the period beginning on the 10th dealing day prior to, and ending on, the dealing day immediately preceding the date of declaration for a dividend or distribution in respect of a relevant financial year, which when aggregated with any other dividends or distributions declared or made in respect of that financial year, causes an adjustment to the Conversion Price to be made pursuant to Condition 7(C)(iii).
- (vii) On any adjustment, the relevant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than 1% of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has not been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given to Bondholders in accordance with Condition 17 as soon as practicable after the determination thereof.
- (viii) The Conversion Price may not be reduced so that, on conversion of Bonds, Shares would fall to be issued at a discount to their par value or would require Shares to be issued in any other circumstances not permitted by applicable law.
- (ix) Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of a leading independent investment bank of international repute (acting as expert), selected by the Guarantor and approved in writing by the Trustee, the foregoing provisions would need to

be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such bank to be in its opinion appropriate in order to give such intended result.

- (x) No adjustment will be made to the Conversion Price when Shares or other securities (including rights or options) are issued, offered or granted to employees or former employees (including directors or former directors) of the Guarantor or any Subsidiary or associated company of the Guarantor pursuant to any share option scheme adopted by the Guarantor (and which is in compliance with the listing rules of the Hong Kong Stock Exchange or, if applicable, those of an Alternative Stock Exchange).
- (xi) No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares as referred to in Condition 7(C)(i) above.

(D) *Undertakings*

The Guarantor has undertaken in the Trust Deed that so long as any Bond remains outstanding it will use all reasonable endeavours (a) to maintain a listing for all the issued Shares on the Hong Kong Stock Exchange, (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the Hong Kong Stock Exchange and (c) if the Guarantor is unable to obtain or maintain such listing, to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights on any other stock exchanges (each an “Alternative Stock Exchange”) as the Guarantor may from time to time (with the written consent of the Trustee, such consent not to be unreasonably withheld) determine and will forthwith give notice to the Bondholders in accordance with Condition 17 below of the listing or delisting of the Shares (as a class) by any of such stock exchanges.

The Guarantor has undertaken in the Trust Deed to pay the expenses of the issue of, and all expenses of obtaining listing for, Shares arising on conversion of the Bonds.

The Guarantor has also given certain other undertakings in the Trust Deed for the protection of Conversion Rights.

The Guarantor has also undertaken in the Trust Deed that:

- (i) the Issuer shall remain its wholly-owned Subsidiary; and
- (ii) it will procure that the Issuer will not carry on any business activity whatsoever other than in connection with the Bonds and, in particular, will not incur any indebtedness (other than to the Guarantor or the Guarantor’s Subsidiaries) or issue any bonds, notes, debentures, loan stock or other debt securities of any kind, other than the Bonds.

(E) *Notice of Change in Conversion Price*

The Issuer shall give notice to the Bondholders in accordance with Condition 17 of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

8. Payments

(A) *Principal and interest*

Payment of principal and interest (if any) on Bonds, will be made by transfer to the registered account of the Bondholder or by Hong Kong dollar cheque drawn on a bank in Hong Kong mailed to the registered address of the Bondholder if it does not have a registered account.

Payment of principal will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

(B) *Registered Accounts*

For the purposes of this Condition, a Bondholder's registered account means the Hong Kong dollar account maintained by or on behalf of it with a bank in Hong Kong, details of which appear on the Register at the close of business on the second business day (as defined below) before the due date for payment, and a Bondholder's registered address means its address appearing on the Register at that time.

(C) *Fiscal Laws*

All payments are subject in all cases to any applicable laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(D) *Payment Initiation*

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a business day (as defined below), for value on the first following day which is a business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder) on the due date for payment (or, if it is not a business day, the immediately following business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Certificate is surrendered at the specified office of an Agent.

(E) *Delay In Payment*

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day, if the Bondholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

(F) *Business Day*

In this Condition, "business day" means a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong and London and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered. If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

9. Redemption, Purchase and Cancellation

(A) Maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at 97.53% of its principal amount on 26 April 2009 (the “Maturity Date”). The Issuer may not redeem the Bonds at its option prior to that date except upon the occurrence of the circumstances provided in paragraphs (B) and (C) below (but without prejudice to Condition 11).

(B) Redemption at the Option of the Issuer

On and at any time after 26 October 2005 but prior to the Maturity Date, the Issuer may, having given not less than 30 nor more than 60 days’ notice to the Bondholders, the Trustee and the Principal Agent (which notice will be irrevocable), redeem all or some only (being HK\$10,000 in principal amount or an integral multiple thereof) of the Bonds from time to time at their Early Redemption Amount (as defined in Condition 9(C) below), provided, however, that no such redemption may be made unless the closing price of the Shares (as derived from the Daily Quotations Sheet or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange) for each of any 20 dealing days falling within a period of 30 consecutive dealing days, the last day of which period occurs no more than five dealing days prior to the date upon which notice of such redemption is given pursuant to Condition 17, was at least 120% of the Conversion Price then in effect on each such dealing day.

If there shall occur an event giving rise to a change in the Conversion Price during any such 30 consecutive dealing day period, appropriate adjustments for the relevant days approved by a leading independent investment bank of international repute (acting as experts) selected by the Guarantor and approved in writing by the Trustee shall be made for the purpose of calculating the closing price of such days.

In the event of the proposed redemption of some but not all of the Bonds in the manner described above, the Bonds to be so redeemed shall be determined individually by the drawing of lots by the Trustee or such persons, agents, delegates or nominees which the Trustee may approve or such other method in such place as the Trustee shall approve and in such manner as the Trustee shall deem to be fair and reasonable in the circumstances, taking into account prevailing market practices, subject to compliance with any applicable laws and stock exchange requirements. The identifying numbers of the Bonds drawn for redemption shall be published in accordance with Condition 17 by the Issuer not less than 30 days prior to the date fixed for redemption.

In addition, the Issuer may at any time on or after 26 April 2004, having given not less than 30 nor more than 60 days’ notice to the Bondholders, the Trustee and the Principal Agent (which notice will be irrevocable), redeem all (but not some only) of the Bonds at their Early Redemption Amount if the aggregate principal amount of the Bonds outstanding is less than 10% of the aggregate principal amount originally issued (including any Bonds issued pursuant to Condition 16).

Upon the expiry of any notice given under this paragraph (B), the Issuer will be bound to redeem the Bonds at their Early Redemption Amount on the date fixed for such redemption.

(C) Redemption for Taxation Reasons

At any time the Issuer may, having given not less than 30 nor more than 60 days’ notice to the Bondholders, the Trustee and the Principal Agent (which notice shall be irrevocable) redeem all (but not some only) of the Bonds at their Early Redemption Amount (as defined below) (subject to provisions of Condition 9(E) below), if (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay additional amounts as referred to in Condition 10 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, Bermuda or Hong

Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 29 March 2004, and (ii) such obligation cannot be avoided by the Issuer (or, as the case may be, the Guarantor) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or, as the case may be, the Guarantor) would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer (or, as the case may be, the Guarantor) shall deliver to the Trustee (a) a certificate signed by two directors of the Issuer (or, as the case may be, the Guarantor) stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or, as the case may be, the Guarantor) taking reasonable measures available to it and (b) an opinion of independent legal or tax advisors of recognised standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective) and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Bondholders.

Upon the expiry of any such notice, the Issuer will be bound to redeem the Bonds at their Early Redemption Amount on the date fixed for redemption.

For the purposes of Condition 9(B), this Condition 9(C), Condition 9(D), Condition 9(F) and Condition 11, the “Early Redemption Amount” of a Bond shall be in relation to a Bond to be redeemed on any redemption date, an amount of principal that would result in a negative annual yield on the Bond purchased on the date of the original issue of the Bond, at its principal amount, of -0.50% per annum through to the redemption date, calculated on a semi-annual bond equivalent basis using a 360-day year consisting of twelve 30-day months.

For the avoidance of doubt, references in these Conditions to “principal” of a Bond shall, where the context so permits, be deemed to include references to the Early Redemption Amount payable in respect of that Bond.

(D) *Redemption at the Option of the Bondholders*

- (i) *Put Option:* On 26 April 2006 (the “Put Option Date”), each Bondholder shall have the right at such Bondholder’s option to require the Issuer to redeem all or some only (being HK\$10,000 in principal amount or an integral multiple thereof) of the Bonds held by such Bondholder on the Put Option Date at 99.00% of the principal amount of each such Bond.

To exercise the right to require redemption of a Bond, a Bondholder must complete, execute and deposit at his own expense during normal business hours at the specified office of any Paying Agent a notice of exercise (a “Put Exercise Notice”) in duplicate in the form (for the time being current) obtainable from the specified office of each Paying Agent together with the certificate evidencing the Bonds to be redeemed not earlier than 60 and not later than 30 days prior to the Put Option Date.

A Put Exercise Notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Issuer consents to such withdrawal in writing) and the Issuer will be bound to redeem the Bonds the subject of such notice delivered as aforesaid in accordance with this Condition 9(D) on the Put Option Date. For the avoidance of doubt, such put option may not be exercised at any time after the Put Option Date.

- (ii) *Delisting Put:* In the event that the Shares cease to be listed or admitted to trading on the Hong Kong Stock Exchange or, if applicable, the Alternative Stock Exchange, the Guarantor shall notify the holders promptly (which notice shall be delivered in accordance with Condition 17), and each holder of the Bonds shall have the right, by completing,

executing and depositing a Put Exercise Notice in the manner referred to above, require the Issuer to redeem such holder's Bonds in whole, but not in part, at the Early Redemption Amount on the 20th business day after the date of such notice (the "Delisting Put Date").

(E) *Non Redemption Option of the Bondholders*

If the Issuer gives a notice of redemption of the Bonds under Condition 9(C), each holder of the Bonds shall have the right (the "Non Redemption Right") to elect that all or a portion (being HK\$10,000 in principal amount or an integral multiple thereof) of its Bonds not be redeemed. To exercise the Non Redemption Right, a Bondholder must complete, execute and deposit at his own expense during normal business hours at the specified office of any Paying Agent a notice in duplicate in the form (for the time being current) obtainable from the specified office of each Paying Agent not less than five business days prior to the date fixed for redemption.

Upon the exercise of the Non Redemption Right with respect to such Bonds, no additional amounts referred to in Condition 10 shall be payable on the payments due after the relevant date in respect of such Bonds and, subject to Condition 10, such payments shall be made subject to any deduction or withholding required under the laws or regulations of the British Virgin Islands, Bermuda or Hong Kong. For the avoidance of doubt, any increased amounts that had been payable in respect of the Bonds under Condition 10 as a result of the laws or regulations of the British Virgin Islands, Bermuda or Hong Kong in effect on the original date of their issuance shall continue to be payable to the holders of such Bonds.

(F) *Redemption of the Bonds in the Event of Change of Control*

If a Change of Control, as defined below, occurs with respect to the Guarantor, each holder of the Bonds shall have the right (the "Change of Control Put Right") at such holder's option, to require the Guarantor to repurchase all (or any portion of the principal amount thereof which is HK\$10,000 or any integral multiple thereof) of such holder's Bonds on the date set by the Guarantor for such repurchase (the "Change of Control Put Date"), which shall not be less than 30 nor more than 60 days following the date on which the Guarantor notifies the Trustee of the Change of Control, at a price equal to the Early Redemption Amount of the Bonds.

To exercise the Change of Control Put Right, a Bondholder must complete, execute and deposit at his own expense during normal business hours at the specified office of any Paying Agent a notice of exercise (a "Change of Control Put Exercise Notice") in duplicate in the form (for the time being current) obtainable from the specified office of each Paying Agent together with the certificate evidencing the Bonds to be redeemed not later than 21 days after the date on which the Guarantor notifies the Trustee of the Change of Control.

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Issuer consents to such withdrawal in writing).

The definitions of certain terms used in this Condition 9(F) are listed below.

The term "Control" as used in this Condition 9(F) means the acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of the Guarantor or the right to appoint and/or remove all or the majority of the members of the Guarantor's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise.

A “Change of Control” occurs when:

- (i) any Person or Persons (as defined below) acting together acquires Control of the Guarantor if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Guarantor on 29 March 2004;
- (ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor’s assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Guarantor or the successor entity; or
- (iii) one or more other Persons acquires the legal or beneficial ownership of all or substantially all of the Guarantor’s total issued and outstanding Capital Stock (as defined below).

However, a Change of Control will not be deemed to have occurred if the closing price of the Shares (as derived from the Daily Quotations Sheet or, as the case may be, the equivalent quotation of an Alternative Stock Exchange) for any five dealing days within the period of ten consecutive dealing days ending immediately after the formal announcement of the event resulting in the Change of Control equals or exceeds 110% of the Conversion Price in effect on each of those five dealing days.

“Capital Stock” means, with respect to any Person, any and all shares, ownership interests, participation or other equivalents (however designated), including all ordinary shares and all preferred shares, of such Person.

“Person” means any individual, limited liability company, corporation, company, firm, partnership, joint venture, tribunal, undertaking, association, organisation, trust, government or political subdivision or agency or instrumentality thereof or any other entity or organisation, in each case whether or not being a separate legal entity; provided, however, that “Person” does not include (a) the Guarantor’s board of directors or (b) the Guarantor’s wholly owned direct or indirect subsidiaries.

(G) *Exercise of Put Option*

Upon the exercise of any put option specified in Conditions 9(D) or (F) payment of the applicable redemption amount shall be conditional upon delivery of the Bondholder’s Certificate (together with any necessary endorsements) to any Paying Agent on any business day together with the delivery of any other document(s) required by these Conditions, and will be made promptly following the later of the date set for redemption and the time of delivery of such Certificate.

(H) *Purchases*

The Guarantor or any of its Subsidiaries may at any time and from time to time purchase Bonds at any price in the open market or otherwise. Such Bonds may, at the option of the Guarantor or the relevant Subsidiary, be held, resold or cancelled. The Bonds so acquired, while held on behalf of the Guarantor or any Subsidiary, shall not entitle the holders thereof to convert the Bonds in accordance with these Conditions nor exercise any voting rights with respect to such Bonds and shall be deemed not outstanding (as defined in the Trust Deed).

(I) *Cancellation*

All Bonds which are redeemed or converted by the Guarantor or any of its Subsidiaries, will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

(J) *Redemption Notices*

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition will specify the Conversion Price as at the date of the relevant notice, the closing price of the Shares (as derived from the Daily Quotations Sheet or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange) as at the latest practicable date prior to the publication of the notice, the Early Redemption Amount per Bond, the date for redemption, the manner in which redemption will be effected and the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

10. Taxation

All payments of principal or interest (if any) by the Issuer or the Guarantor will be made free from any restriction or condition and will be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the British Virgin Islands, Bermuda or Hong Kong or any political subdivision thereof or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Issuer (or, as the case may be, the Guarantor) will pay such additional amounts as will result in the receipt by the Bondholders of net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Bond:

- (i) to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands (or, as the case may be, Bermuda or Hong Kong) otherwise than merely by holding the Bond or by the receipt of amounts in respect of the Bond or where the withholding or deduction could be avoided by the holder making a declaration of non residence or other similar claim for exemption to the appropriate authority which such holder is legally capable and competent of making but fails to do so; or
- (ii) (in the case of a payment of principal) if the Certificate in respect of such Bond is surrendered more than 30 days after the relevant date except to the extent that the holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days; or
- (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any European Union Directive (a "Directive") on the taxation of savings implementing the conclusions of the ECOFIN Council Meeting of 26–27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iv) presented for payment by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Bond to another Paying Agent in a member state of the European Union (the "EU").

The Issuer has undertaken in the Trust Deed that, if the conclusions of the ECOFIN Council meeting of 26–27 November 2000 are implemented, it will ensure that it maintains or appoints, as the case may be, a Paying Agent in an EU member state that will not be required to withhold or deduct tax pursuant any Directive on the taxation of savings.

For the purposes hereof, “relevant date” means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received in Hong Kong by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and cheques despatched or payment made.

References in these Conditions to principal, Early Redemption Amount, Cash Settlement Amount or interest shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

11. Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25% in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (subject to its rights under the Trust Deed to be indemnified), give notice to the Issuer that the Bonds are, and they shall accordingly thereby become, immediately due and repayable at their Early Redemption Amount (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 7) if:

- (i) *Payment Default:* a default is made in the payment of any principal or any other amount due on the Bonds and such failure continues for a period of more than 5 days; or
- (ii) *Default on Conversion:* the Guarantor fails to give effect to a Conversion Right which has been exercised by a Bondholder in accordance with the terms of these Conditions and such failure continues for a period of 14 days; or
- (iii) *Other Default:* a default is (or, but for the provisions of any applicable law, would be) made by the Issuer or the Guarantor in the performance or observance of any covenant, condition or provision contained in the Trust Deed or in the Bonds and on its part to be performed or observed (other than the covenant to pay any amount in respect of any of the Bonds and the covenant to give effect to a Conversion Right) and (except where the Trustee certifies in writing that, in its opinion, such default is not capable of remedy, when no such notice as mentioned below shall be required) such default continues for a period of 30 days next following the service by the Trustee on the Issuer or the Guarantor of notice requiring such default to be remedied; or
- (iv) *Cross Default:* (a) any other present or future indebtedness of the Issuer or the Guarantor or any of the Guarantor’s Subsidiaries or Material Group Entities for or in respect of moneys borrowed or raised in an aggregate principal amount of HK\$100,000,000 or more (or its equivalent in any other currency or currencies) becomes due and payable prior to its stated maturity by reason of an event of default (however called) which is not remedied within any applicable grace period or (b) any such indebtedness is not paid when due (or within any applicable grace period) or (c) the Issuer or the Guarantor or any of the Guarantor’s Subsidiaries or Material Group Entities fails to pay when due (or within any applicable grace period) any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate principal amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (iv) have occurred equals or exceeds HK\$100,000,000 (or its equivalent in any other currency or currencies); or
- (v) *Dissolution of the Issuer or the Guarantor:* a resolution is passed or an order of a court of competent jurisdiction is made that the Issuer or the Guarantor be wound up or dissolved or the Guarantor ceases or threatens to cease to carry on all or substantially all or a material part of its

business or operations, otherwise, in any such case, than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reorganisation permitted by Condition 6 above; or

- (vi) *Dissolution of Material Group Entities*: a resolution is passed or an order of a court of competent jurisdiction is made for the winding up or dissolution of any Material Group Entity (as defined below) except, in any such case:
 - (a) for the purposes of or pursuant to and followed by a consolidation or amalgamation or merger permitted by Condition 6 above; or
 - (b) by way of a voluntary winding up or dissolution where there are surplus assets in such Material Group Entity and such surplus assets attributable to the Guarantor and/or any other Subsidiary are distributed to the Guarantor and/or any such other Subsidiary; or
- (vii) *Security Enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or the Guarantor or any of the Guarantor's Subsidiaries or Material Group Entities for or in respect of indebtedness of HK\$100,000,000 or more (or its equivalent in any other currency or currencies) becomes enforceable against a material part of the undertaking, property, assets or revenues of the Issuer or the Guarantor or any of the Guarantor's Subsidiaries or Material Group Entities and any step is taken to enforce it (including the taking of possession or the appointment of a trustee, receiver, manager or other similar person) and is not discharged or stayed within 30 days; or
- (viii) *Distress etc.*: a distress, attachment, execution or seizure before judgment is levied or enforced upon or sued out against any material part of the undertaking, property, assets or revenues of the Issuer, the Guarantor or any Material Group Entity, which is material to the Guarantor and its Group Entities as a whole, and is not discharged or stayed within 30 days thereof; or
- (ix) *Bankruptcy*: the Issuer or the Guarantor or any Material Group Entity is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of (or of a particular type of) its debts, makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due) or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any such debts, or a moratorium is agreed or declared in respect of or affecting all or any material part of (or of a particular type of) the debts of the Issuer or the Guarantor or any Material Group Entity or (otherwise than for the purposes of such a consolidation, amalgamation, merger or reorganisation as is referred to in paragraph (v) of this Condition) the Issuer or the Guarantor or any Material Group Entity ceases to carry on (but not merely to make a change in) all or a substantial part of its business or operations; or
- (x) *Bankruptcy Proceedings*: proceedings shall have been initiated against the Issuer or the Guarantor or any Material Group Entity under any applicable bankruptcy, reorganisation or insolvency law and such proceedings shall not have been discharged or stayed within a period of 45 days; or
- (xi) *Unlawfulness*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Bonds, the Trust Deed; or
- (xii) *Analogous Events*: any event occurs which has an analogous effect under the laws of any relevant jurisdiction to any of the events referred to in paragraphs (iv) to (x) (inclusive) above,

provided that in the case of each of (a) any of the events referred to in paragraphs (vi), (vii), (viii), (ix) and (x) above (or, to the extent that the event has an analogous effect, as referred to in paragraph (xii), to any of the events referred to in paragraphs (vi), (vii), (viii), (ix) and (x) above) occurring in relation to a Material Group Entity, and (b) any of the events referred to in paragraphs (vii) and (viii) above (or, to the extent that the event has an analogous effect, as referred to in paragraph (xii), to any of the events referred to in paragraphs (vii) or (viii) above) occurring in relation to the Issuer or the Guarantor, the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the holders of the Bonds.

Upon any such notice being given to the Issuer, the Bonds will immediately become due and repayable at their Early Redemption Amount on the date fixed for redemption.

For the purposes of these Conditions:

“Auditors” means the auditors for the time being of the Guarantor or, in the event of their being unable or unwilling to carry out any action requested of them pursuant to the terms of the Trust Deed, such other firm of certified accountants of internationally recognised standing as the Trustee may in writing nominate or approve for the purpose.

“Event of Default” means any of the events referred to in paragraphs (i) to (xiv) above.

“Group Entity” means any company or other business entity which the Guarantor recognises in its consolidated financial statements as a subsidiary, jointly controlled entity or associated company under the generally accepted accounting principles of Hong Kong.

“Material Group Entity” means, at any time during the subsistence of the Bonds, any Group Entity of the Guarantor:

- (a) whose gross revenues or (in the case of a Group Entity which has subsidiaries) consolidated gross revenues as shown by its latest audited profit and loss account exceeds 12.5% of the consolidated gross revenues as shown by the then latest published audited consolidated profit and loss account of the Guarantor and its Subsidiaries;
- (b) whose profit after taxation and minority interest (“after-tax profit”) or (in the case of a Group Entity which has subsidiaries) consolidated after-tax profit as shown by its latest audited profit and loss account exceeds 12.5% of the consolidated after-tax profit as shown by the then latest published audited consolidated profit and loss account of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Group Entities’ share of profits of Group Entities not consolidated and of associated companies (including Jointly Controlled Entities);
- (c) whose gross assets or (in the case of a Group Entity which has subsidiaries) gross consolidated assets (as consolidated into the latest published audited consolidated balance sheet of the Guarantor and its Subsidiaries) as shown by its latest audited balance sheet exceeds 12.5% of the gross consolidated assets of the Guarantor and its Subsidiaries as shown by the then latest published audited consolidated balance sheet of the Guarantor and its Subsidiaries; or
- (d) to which is transferred the whole or substantially the whole of the assets and undertaking of a Group Entity which immediately prior to such transfer is a Material Group Entity, provided that, in such a case, the Group Entity so transferring its assets and undertaking shall thereupon cease to be a Material Group Entity.

In addition, any Group Entity which is not itself a Material Group Entity shall nevertheless be treated as a Material Group Entity in any of the events referred to in paragraphs (iv), (vi), (vii), (viii), (ix) and (x) of this Condition if its gross revenues, after-tax profit or gross assets (or consolidated gross revenues, consolidated after-tax profit or gross consolidated assets in the case of a Group Entity which has subsidiaries) when aggregated with the gross revenues, gross after-tax profit or gross assets of each other Group Entity which is not itself a Material Group Entity (or consolidated gross revenues, consolidated after-tax profit or gross consolidated assets in the case of a Group Entity which has subsidiaries) with respect to which any of the events referred to in paragraphs (iv), and (vi) to (x) of this Condition (disregarding the necessity for any opinion or certificate of the Trustee or any requirement for the Trustee to be satisfied as to any matter) has occurred during the preceding 12 months, exceeds 12.5% of the consolidated gross revenues, consolidated after-tax profit or gross consolidated assets of the Guarantor and its Subsidiaries.

A report by the Auditors that, in their opinion, a Group Entity is or is not or was or was not at any particular time a Material Group Entity shall, in the absence of manifest error, be conclusive and binding on all parties concerned. References to the audited profit and loss account and balance sheet of a Group Entity which has subsidiaries shall be construed as references to the audited consolidated profit and loss account and consolidated balance sheet of such Group Entity and its subsidiaries, if such are required by law to be produced, or if no such profit and loss account or balance sheet is required by law to be produced, to a pro forma profit and loss account or balance sheet, prepared for the purpose of such report. References to “gross revenues”, “after-tax profit”, “gross assets”, consolidated or non consolidated, shall include references to equivalent items in the relevant accounts as determined by the Auditors.

12. Prescription

Claims in respect of amounts due in respect of the Bonds will become prescribed unless made within six years (in the case of principal) and five years (in the case of interest) from the relevant date (as defined in Condition 10) in respect thereof.

13. Enforcement

At any time after the Bonds have become due and repayable, the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce repayment of the Bonds and to enforce the provisions of the Trust Deed, but it will not be bound to take any such proceedings unless (a) it shall have been so requested in writing by the holders of not less than 25% in principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Bondholders and (b) it shall have been indemnified to its satisfaction. No Bondholder will be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

14. Meetings of Bondholders, Modification, Waiver and Substitution

(A) Meetings

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds or the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50% in principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the due date for any payment in respect of the Bonds, (ii) to reduce or cancel the amount of principal or Equivalent Amount payable in respect of the Bonds, (iii) to change the currency of

payment of the Bonds, (iv) to modify or cancel the Conversion Rights or (v) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 66%, or at any adjourned such meeting not less than 33%, in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting.

The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 90% of the aggregate principal amount of Bonds outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

(B) *Modification and Waiver*

The Trustee may agree, without the consent of the Bondholders, to (i) any modification (except as mentioned in Condition 14(A) above) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Agency Agreement or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders or (ii) any modification to the Bonds, the Trust Deed or the Agency Agreement which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorisation will be binding on the Bondholders and, unless the Trustee agrees otherwise, any such modifications will be notified by the Issuer to the Bondholders as soon as practicable thereafter.

(C) *Substitution*

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Bondholders, to the substitution of any other company in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Bonds. If such substitution shall occur, the Issuer will procure that a supplemental memorandum will be prepared, and notice will be given to the Bondholders in accordance with Condition 17.

(D) *Interests of Bondholders*

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, authorisation, waiver or substitution), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders.

15. Replacement of Certificates

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

16. Further Issues

The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or, in all respects, except for the first payment of interest in respect of them) and so that such further issue shall be consolidated and form a single series with the Bonds. Such further bonds may, with the consent of the Trustee, be constituted by a deed supplemental to the Trust Deed.

17. Notices

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the Register maintained by the Registrar or published in a leading newspaper having general circulation in Asia (which is expected to be the *Asian Wall Street Journal*) and, so long as the Bonds are listed on the Hong Kong Stock Exchange and the rules of that Exchange so require, published in a leading newspaper having general circulation in Hong Kong (which is expected to be the *South China Morning Post*). Any such notice shall be deemed to have been given on the date of such publication or if posted, on the seventh day after being so mailed.

18. Agents

The names of the initial Agents and their specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents. The Issuer will at all times maintain a Registrar which will maintain the register of Bondholders outside Hong Kong and the United Kingdom. Notice of any such termination or appointment, of any changes in the specified offices of any Agent and of any change in the identity of the Registrar or the Principal Agent will be given promptly by or on behalf of the Issuer to the Bondholders and in any event not less than 45 days' notice will be given.

19. Indemnification

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit.

20. Contracts (Rights of Third Parties) Act 1999 and Trustee Acts

No person shall have any right to enforce any term or condition of this Bond or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

The Trust Deed contains provisions which have the effect of giving priority, to the extent permitted by law, to the provisions of the Trust Deed over the relevant provisions of the Trustee Act 1925 and/or the Trustee Act 2000.

21. Governing Law

The Bonds, the Trust Deed and the Agency Agreement are governed by, and shall be construed in accordance with, the laws of England. In relation to any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds, each of the Issuer and the Guarantor has in the Trust Deed irrevocably submitted to the courts of England and provision is made in relation thereto for the Issuer and the Guarantor to appoint Clifford Chance Secretaries Limited as its agent for service of process in England.

THE GLOBAL CERTIFICATE

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions set out in this Offering Memorandum. Terms defined in the Terms and Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

Meetings

The registered holder of the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each HK\$10,000 in principal amount of Bonds for which the Global Certificate is issued. The Trustee may allow a person with an interest in Bonds in respect of which the Global Certificate has been issued to attend and speak at a meeting of Bondholders on appropriate proof of his identity and interest.

Cancellation

Cancellation of any Bond by the Issuer following its redemption, conversion or purchase by the Issuer will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Conversion

Subject to the requirements of Euroclear and Clearstream (or any Alternative Clearing System), the Conversion Rights attaching to the Bonds in respect of which the Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Principal Agent of one or more Conversion Notices duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Principal Agent together with the relevant Conversion Notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the Global Certificate.

Payment

Payments of principal in respect of Bonds represented by the Global Certificate will be made without presentation or if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Terms and Conditions.

Bondholder's Redemption

The Bondholder's redemption options in Conditions 9(D) and 9(F) may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised and presenting the Global Certificate for endorsement or exercise within the time limits specified in the Conditions.

Redemption at Issuer's Option

No drawing of Bonds will be required in the event that the Issuer exercises its option to redeem some of the Bonds pursuant to Condition 9(B) in respect of which the Global Certificate is issued.

Registration of Title

Certificates in definitive form for individual holdings of Bonds will not be issued in exchange for interests in Bonds in respect of which the Global Certificate is issued, except if either Euroclear or Clearstream (or any Alternative Clearing System) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

Enforcement

For the purposes of enforcement of the provisions of the Trust Deed against the Trustee, the persons named in a certificate of the holder of the Bonds in respect of which the Global Certificate is issued shall be recognised as the beneficiaries of the trust set out in the Trust Deed, to the extent of the principal amount of their interest in the Bonds set out in the certificate of the holder, as if they were themselves the holders of Bonds in such principal amounts.

USE OF PROCEEDS

The net proceeds from the issue of the Bonds (assuming the Option is not exercised), estimated to be approximately HK\$1,325 million after deducting expenses (including but not limited to underwriting commission to be charged by MSI), will be used for repayment of existing debt (as to approximately 50%) and for general working capital of the Group (as to approximately 50%).

CAPITALISATION AND INDEBTEDNESS

Capitalisation and Indebtedness of the Guarantor and its Subsidiaries

As at 31 December 2003, the authorised share capital of the Guarantor was HK\$2,400,000,000 divided into 2,400,000,000 ordinary shares of HK\$1.00 par value each and its issued share capital was HK\$1,780,829,001 consisting of 1,780,829,001 ordinary shares of HK\$1.00 par value each.

The following table sets forth the unaudited consolidated capitalisation and indebtedness of the Guarantor and its subsidiaries as at 31 December 2003 and as adjusted to give effect to the issue of the Bonds (assuming the Option is not exercised):

	As at 31 December 2003		
	Actual	As Adjusted	
	(HK\$ million)	(HK\$ million)	(US\$ million)
Current portion of long-term borrowing	881.1	881.1	113.5
Short-term borrowings			
Secured	2.6	2.6	0.3
Unsecured	1,349.6	1,349.6	173.8
Total short-term borrowings	<u>2,233.3</u>	<u>2,233.3</u>	<u>287.6</u>
Long-term borrowings			
Secured	126.2	126.2	16.2
Unsecured	6,951.7	6,951.7	895.4
The Bonds to be issued	—	1,350.0	173.9
Total long-term borrowings	<u>7,077.9</u>	<u>8,427.9</u>	<u>1,085.5</u>
Shareholders' equity			
Share capital.	1,780.8 ⁽¹⁾	1,780.8	229.4
Reserves	6,942.7 ⁽²⁾	6,942.7	894.2
Shareholders' funds	<u>8,723.5</u>	<u>8,723.5</u>	<u>1,123.6</u>
Minority interests and loans	<u>1,739.2</u>	<u>1,739.2</u>	<u>224.0</u>
Total capitalisation	<u>17,540.6</u>	<u>18,890.6</u>	<u>2,433.1</u>
Total short-term borrowings and capitalisation	<u>19,773.9</u>	<u>21,123.9</u>	<u>2,720.7</u>

(1) If all the Bonds were converted at the initial conversion price of HK\$13.63 per Share, an additional 99,046,221 Shares would be issued on conversion (assuming the Option is not exercised).

(2) The Guarantor announced on 18 March 2004 the declaration by the directors of an interim dividend of HK\$0.15 per Share in respect of the six months ended 31 December 2003. Based on a total number of approximately 1,791.9 million Shares in issue as at 16 April 2004, the Guarantor's consolidated reserves stated as at 31 December 2003 will be reduced on or about 30 April 2004 by the payment of such dividends in the total amount of approximately HK\$268.8 million.

Other than disclosed above, there has been no material change in the consolidated capitalisation and indebtedness of the Guarantor and its subsidiaries since 31 December 2003.

Capitalisation and Indebtedness of the Issuer

The authorised share capital of the Issuer is US\$50,000 divided into 50,000 ordinary shares of US\$1.00 par value each, of which one share of US\$1.00 par value has been issued to the Guarantor. The Issuer does not have any debt outstanding other than the Bonds to be issued hereby.

The following table sets forth the unaudited capitalisation of the Issuer as at the date of this Offering Memorandum adjusted to give effect to the proposed issue of the Bonds:

	<u>As at 21 April 2004</u>	
	<u>Actual</u>	<u>As Adjusted</u>
	(US\$)	
Borrowings		
The Bonds to be issued	—	173,879,444
Shareholders' equity		
Share capital.	<u>1</u>	<u>1</u>
Total capitalisation	<u><u>1</u></u>	<u><u>173,879,444</u></u>

Since 9 March 2004, the date of its incorporation, the Issuer has been dormant and no financial statements of the Issuer have been prepared. The Issuer is not required by the laws of the British Virgin Islands to publish any financial statements.

THE ISSUER

Formation

The Issuer is a limited liability company incorporated under The International Business Companies Act of the British Virgin Islands (IBC number: 584993). It was established in the British Virgin Islands and incorporated on 9 March 2004. The Issuer is a wholly-owned subsidiary of the Guarantor.

Business Activity

The Issuer was established to raise financing for the Guarantor and the Group pursuant to its Memorandum of Association. The Issuer does not sell any products or provide any services and the Guarantor has undertaken to procure the Issuer not to carry on any business activity whatsoever other than in connection with the Bonds.

Financial statements

Under the laws of the British Virgin Islands, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published any financial statements since its incorporation. The Issuer is, however, required to keep proper books of account as are necessary or desirable to reflect the financial position of the Issuer.

Directors and Officers

The directors of the Issuer are Mr. Wong Kwok Kin, Andrew and Mr. Lam Wai Hon, Patrick and each of their business addresses are c/o 17th Floor, New World Tower 2, 18 Queen's Road Central, Hong Kong. None of the directors of the Issuer holds any shares or options to acquire shares of the Issuer.

The Issuer does not have any employees and has no subsidiaries.

Share Capital

The authorised share capital of the Issuer is US\$50,000 divided into 50,000 shares of US\$1.00 par value each, of which one ordinary share has been issued and is held by the Guarantor. The register of members of the Issuer is maintained at its registered office in the British Virgin Islands at TrustNet Chamber, P.O. Box 3444, Road Town, Tortola, British Virgin Islands. No part of the equity securities of the Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. As of the date of this Offering Memorandum, the Issuer does not have any debt outstanding other than the Bonds.

THE GROUP

Introduction

NWS Holdings Limited (the “Guarantor”, formerly known as Pacific Ports Company Limited) is a company incorporated with limited liability under the laws of Bermuda (company registration number: EC/22286). It was incorporated on 3 September 1996 and is a leading service provider in the service, infrastructure and ports sectors in Hong Kong, the PRC and Macau.

The Group is primarily engaged in: (i) facilities, contracting, transport, financial and environmental services businesses; (ii) the development, investment, operation and/or management of toll roads, expressways, bridges, tunnel, power plants and water treatment and waste management plants; and (iii) the development, investment, operation and management of container handling, logistics and warehousing businesses.

Prior to 29 January 2003, the Group was primarily engaged in the ports and port-related businesses. The Group acquired a significantly enlarged asset portfolio with different lines of businesses in the service and infrastructure industries in Hong Kong, the PRC and Macau upon the completion of the Reorganisation on 29 January 2003 which involved certain subsidiaries of NWD including the Guarantor. See “Reorganisation”.

As at 16 April 2004, the Guarantor had an authorised ordinary share capital of HK\$2,400,000,000 consisting of 2,400,000,000 ordinary shares of HK\$1.00 each and an issued and fully paid up share capital of HK\$1,791,904,663 consisting of 1,791,904,663 ordinary shares of HK\$1.00 each. The Shares are listed on the Hong Kong Stock Exchange (stock code: 659). Based on the closing price of the Shares on 16 April 2004, the Guarantor’s market capitalisation was approximately HK\$18,815.0 million.

Reorganisation

The Reorganisation comprised:

- **Acquisition of Infrastructure Business** — the acquisition by the Guarantor from New World Infrastructure Limited (now known as New World TMT Limited, “NWTMT”) of its entire effective interests (comprising equity and shareholders’ loans and advances) in its jointly controlled entities which operated the infrastructure business for an aggregate consideration of approximately HK\$9.6 billion, representing the aggregate value of: (i) a cash consideration of approximately HK\$8.5 billion; (ii) approximately 853 million new ordinary shares of HK\$0.10 each in the share capital of the Guarantor (before the share consolidation which took effect from 10 February 2003) (“Pre-Consolidation Shares”); and (iii) the undertaking by the Guarantor to pay certain liabilities of NWTMT in the aggregate amount of approximately HK\$0.9 billion;
- **Acquisition of Services Business** — the acquisition by the Guarantor from the then shareholders of NWSS of the entire issued share capital of NWSS (the service provider arm of the NWD group prior to the Reorganisation) by the issue of approximately 11,701 million Pre-Consolidation Shares; and
- **Distribution of Shares** — the distribution, following completion of the Reorganisation, by NWTMT of its entire holding of approximately 5,592 million Pre-Consolidation Shares to its shareholders, including approximately 3,194 million Pre-Consolidation Shares issued by the Guarantor to NWTMT upon conversion of preference shares of the Guarantor held by NWTMT into Pre-Consolidation Shares.

(See also Note 1 to the audited consolidated financial statements contained in the annual report of the Guarantor for the year ended 30 June 2003.)

Completion of the Reorganisation took place on 29 January 2003. Upon completion of the Reorganisation, the Guarantor increased its authorised share capital from HK\$1,180 million to HK\$2,400 million and changed its name from Pacific Ports Company Limited to NWS Holdings Limited. The Guarantor subsequently consolidated, with effect from 10 February 2003, its issued and unissued share capital, so that every ten issued and unissued ordinary shares of par value of HK\$0.10 each were consolidated into one ordinary share of par value of HK\$1.00 each.

Strategy

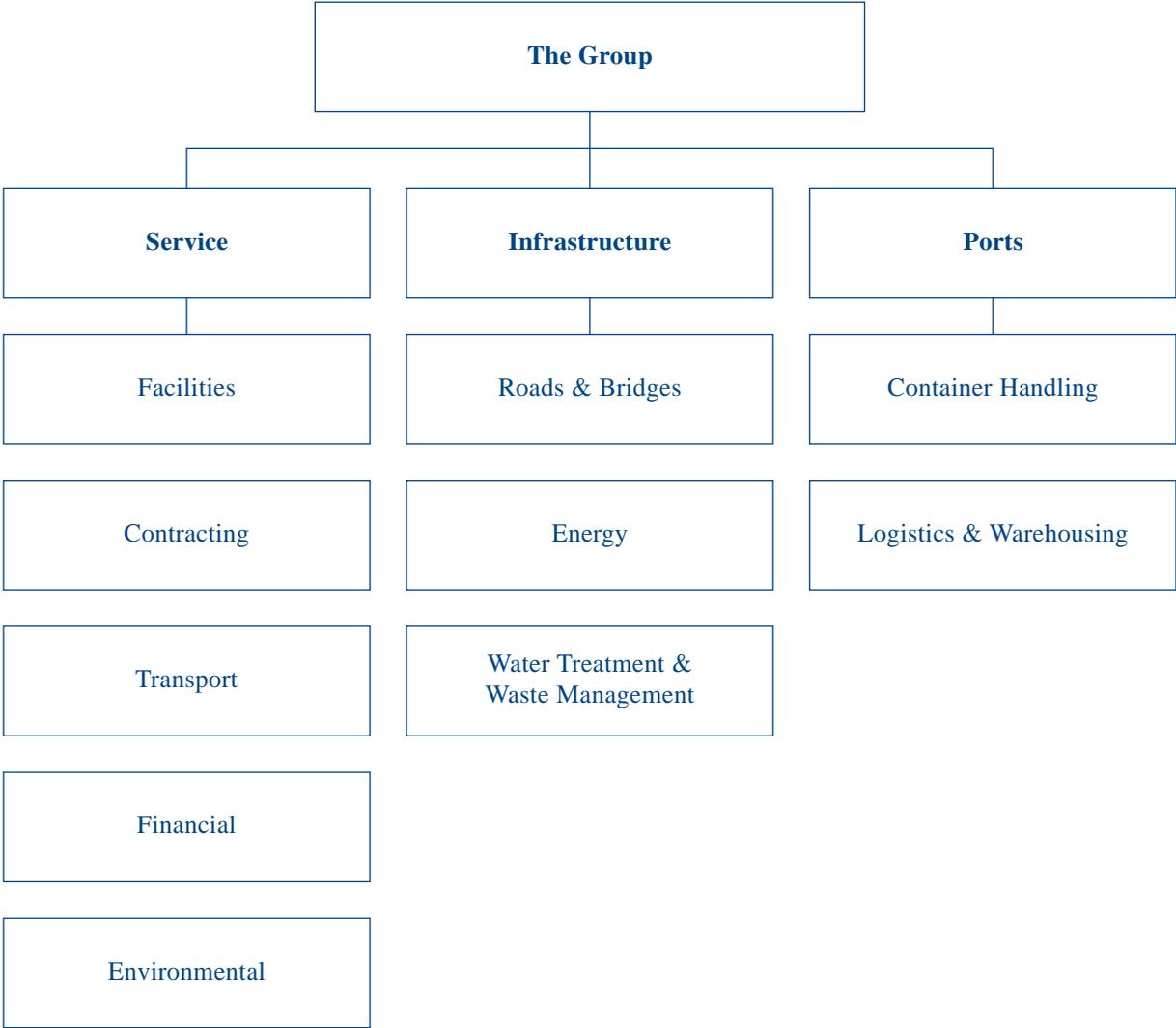
The Group's strategy is:

- to focus on its key service, infrastructure and ports businesses and to leverage on the stable cash flows and earnings from these businesses and invest in new projects with high growth potential;
- to optimise its capital structure through rationalisation of the cash flows from its core operations and selective disposals of non-core and under-performing project assets enabling the Group to reduce its indebtedness, thereby achieving a sustainable target debt to total capital ratio; and
- to pursue a dividend policy which enables the Group to provide shareholders with a competitive return and at the same time continue to reduce its indebtedness and invest in new projects to achieve future growth.

Business

The Group is one of the largest service providers in Hong Kong by market capitalisation and one of the largest foreign investors in and operators of infrastructure projects in the PRC by value of investments.

The following chart sets forth the principal activities of the Group’s main businesses:

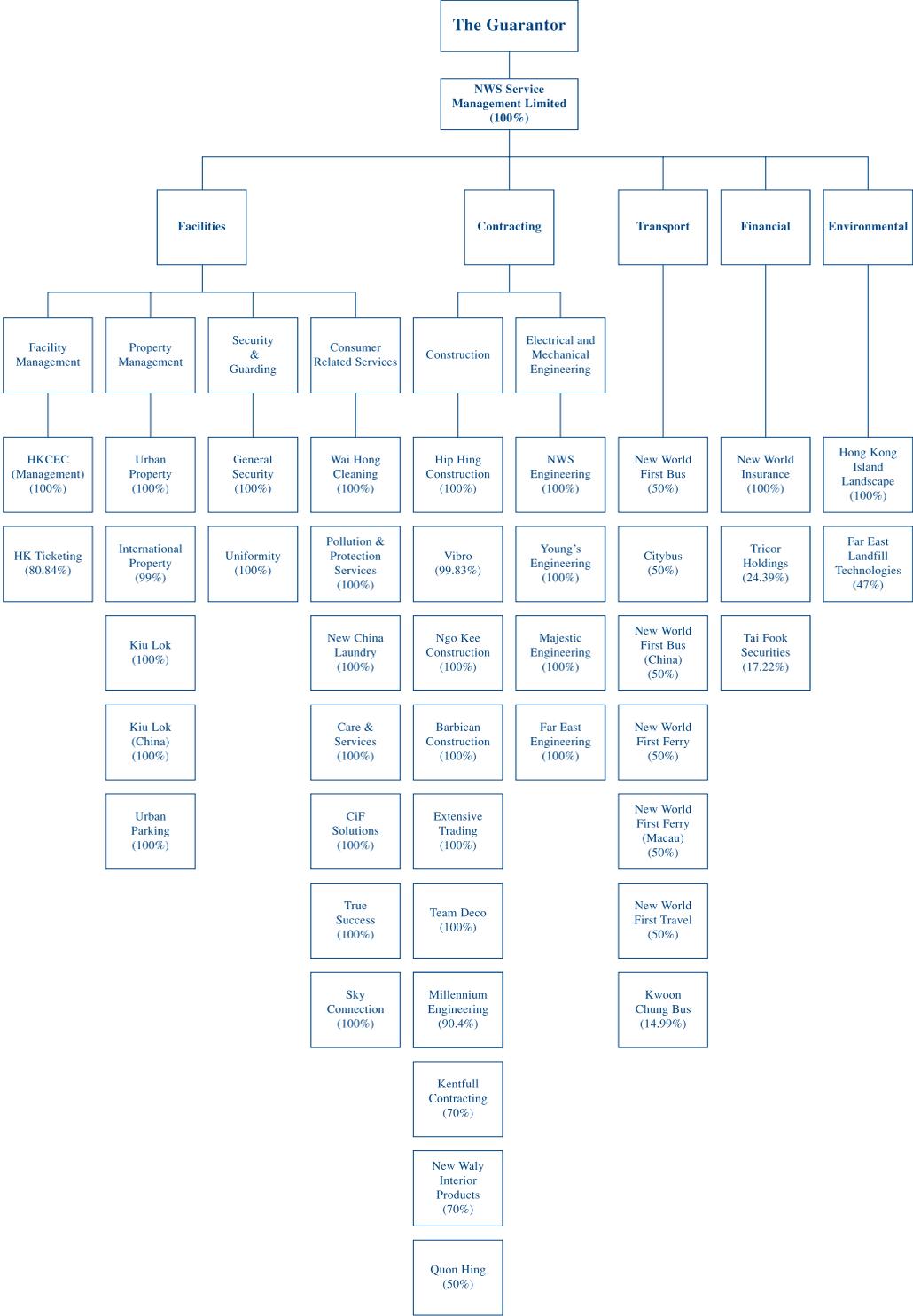


Service

The Group, through its subsidiaries, jointly controlled entities and associated companies, is engaged in a diversified range of service businesses. It provides facilities, contracting, transport, financial and environmental services to other members of the Group and to third parties in Hong Kong, the PRC and Macau. The facilities business carried on by NWSS consists of exhibition and convention operations, property management, security and guarding services, building and office cleaning, laundry and certain other customer related businesses. With contracts on hand with an estimated aggregate value of approximately HK\$20.5 billion and an aggregate remaining value of work of approximately HK\$10.5 billion as at 31 December 2003, the Group is one of the largest construction, civil engineering and electrical and mechanical engineering contractors in Hong Kong. The public transportation services provided by the

Group include franchised bus services in Hong Kong, public bus services in the PRC and passenger ferry services in Hong Kong waters and between Hong Kong and Macau. The Group also provides risk and insurance management consultancy services, securities and investment services and landscaping services.

The following chart sets forth an overview of the principal operating companies of the service operations of the Group and the Guarantor’s shareholding in these companies:



Facilities

Facility Management: The Group, through its wholly-owned subsidiary, Hong Kong Convention and Exhibition Centre (Management) Limited (“HKCEC (Management)”), operates and manages the HKCEC, one of Hong Kong’s largest multi-function facilities, and provides consultancy and advisory services relating to the design and operation of convention and exhibition facilities and related functions. Since its opening in 1988, the HKCEC has hosted a wide range of events and functions, including the historic ceremony marking Hong Kong’s return to Chinese sovereignty in 1997, annual meetings of the board of governors of the World Bank and the International Monetary Fund and many of Asian premier exhibitions and tradeshows. The HKCEC has approximately 64,000 sq.m. of rentable space. For the year ended 30 June 2003, it hosted approximately 1,900 events with more than 3.6 million visitors.

Hong Kong Ticketing Limited was established in November 2000 to offer comprehensive ticketing services for events held in the HKCEC, the Academy for Performing Arts and Hong Kong Arts Centre through its extensive distribution network.

Property Management: The Group’s property management and related services include property sales and leasing agency, property management consultancy and carpark management. Principal operating companies include Urban Property Management Limited, Kiu Lok Service Management Company Limited, Kiu Lok Property Services (China) Limited, Urban Parking Limited and International Property Management Limited. As at 30 June 2003, the Group through its subsidiaries managed, including properties owned by the NWD group, approximately 180,000 household units, 25,000 car park spaces and 2.42 million sq.ft. of commercial and industrial premises in Hong Kong and the PRC.

Security and Guarding: The Group’s security and guarding services include guarding services, security system installation, maintenance and alarm monitoring, armoured transport services and supply of security products. The Group’s security and guarding companies, employing approximately 2,500 staff, are some of the leading providers of security services in Hong Kong, responsible for approximately 200 service locations. Principal operating companies include General Security (H.K.) Limited and Uniformity Security Company Limited.

Consumer Related Business: The Group, through its principal operating subsidiaries, Pollution & Protection Services Limited, Wai Hong Cleaning & Pest Control Company Limited, New China Laundry Limited and Care & Services Company Limited, provides a diversified range of services from cleaning and pest control to laundry and elderly care services. The Group also provides professional IT consultancy services, customised enterprise solutions and packaged solutions to businesses in Hong Kong, the PRC and South East Asia through its subsidiary CiF Solutions Limited. In addition, through Sky Connection Limited, the Group also engages in retailing duty free liquor and tobacco at the Hong Kong International Airport, Hong Kong — Macau Ferry Terminal and China Ferry Terminal.

Contracting

The Group undertakes a variety of contracting works including construction, electrical and mechanical engineering, principally in Hong Kong, but also in the PRC. As at 31 December 2003, the Group had contracts on hand with an estimated aggregate value of approximately HK\$20.5 billion and an aggregate remaining value of work of approximately HK\$10.5 billion. As at 30 June 2003, the aggregate value of contracts on hand and remaining value of work of the Group were approximately HK\$25 billion and HK\$13.6 billion, respectively.

Construction: The Group provides a comprehensive range of construction and related services such as building construction, civil engineering, foundation, demolition, building services, decoration and fitting-out works, construction management, building equipment and materials supply. Principal operating companies include Hip Hing Construction Company Limited (“Hip Hing”), Vibro (H.K.) Limited, Ngo Kee

Construction Company Limited, Barbican Construction Company, Limited, Extensive Trading Company Limited, Team Deco International Limited, Millennium Engineering Limited, New Waly Interior Products Limited and Kentfull Contracting Limited.

Hip Hing, the principal company of the Group's construction operations, is one of Hong Kong's leading and most established building contractors. As at 30 June 2003, it had contracts on hand with an aggregate value of approximately HK\$14,403 million and an aggregate remaining value of work of approximately HK\$7,398 million. Hip Hing undertakes construction projects for both the Group and other developers. Significant projects of Hip Hing completed or under construction in 2003 include Chi Lin Nunnery, Hammer Hill Road Park, Hong Kong Disneyland Resort Project (Main Street, site infrastructure and back-of-house facilities), Cybercentre, The Harbourside and Sorrento.

Electrical and Mechanical Engineering: The Group provides and installs a variety of building-related electrical and mechanical equipment in Hong Kong and the PRC. The Group's main engineering companies are Young's Engineering Holdings Limited (air-conditioning systems), Majestic Engineering Company Limited (electrical and fire services systems) and Far East Engineering Services Limited (maintenance). As at 30 June 2003, such electrical and mechanical engineering operating companies held contracts on hand with an estimated aggregate value of approximately HK\$5,300 million and aggregate remaining value of work of approximately HK\$2,600 million.

Significant projects completed or under construction include AIG Tower, KCRC West Rail Nam Cheong Station, Lok Ma Chau Terminus, Police Headquarter Phase III, Shanghai Raffles Square and Dalian Tin An Building.

PRC Strategy: As part of the Group's strategy to diversify its contracting operations into the rapidly growing PRC market, the Group acquired in 2003 a 10% interest in China Construction Third Engineering Bureau Co., Ltd., one of the largest construction groups in the PRC. The Group has also set up wholly-owned foreign enterprises in Beijing to provide construction and electrical and mechanical contracting services in the PRC.

Transport

The Group, through its 50% interest in Merryhill Group Limited ("Merryhill"), provides comprehensive transport services including local franchised and non-franchised bus services, inner and outer Hong Kong harbour and Hong Kong-Macau ferry services, local sightseeing ferry services, bus services in the PRC and other transport and related services.

The principal operating companies include:

New World First Bus Services Limited ("NWFB"): NWFB was first granted a franchise to operate bus routes in Hong Kong in September 1998, which was subsequently extended to 1 July 2013. As at 30 June 2003, it owned a fleet of 769 buses and operated 100 bus routes, including Hong Kong Island routes, Kowloon routes and cross harbour tunnel routes. For the year ended 30 June 2003, it carried a total of approximately 184 million of passengers.

Citybus Limited ("Citybus"): Citybus started operating bus services and was granted its first franchised route on Hong Kong Island in 1991. As at 30 April 2003, Citybus operated a total of 112 franchised routes and owned a franchised fleet of 954 buses.

New World First Ferry Services Limited ("NWFF"): NWFF was established in November 1999 and commenced its business operations on 15 January 2000. NWFF is principally engaged in providing licensed ferry services in Hong Kong. It currently operates a total of ten outlying and inner harbour ferry routes.

New World First Ferry Services (Macau) Limited (“NWFF(M)”): NWFF(M) is engaged in providing cross boundary ferry services between Macau and Hong Kong.

New World First Travel Services Limited (“NWFT”): NWFT commenced its business operations in 2003 and 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 Services (China) Limited (“NWFB(C)”): NWFB(C) holds the Group’s equity investment in a joint venture that operates bus operations in Kunming, the provincial capital of Yunnan Province, the PRC.

Kwoon Chung Bus Holdings Limited (“KCB”): KCB is listed on the Hong Kong Stock Exchange. KCB is principally engaged in providing designated bus routes, non-franchised and franchised bus services in Hong Kong and the PRC. In addition, it also provides tour and hotel services.

HK Kwoon Chung (Chongqing) Bus Investment Limited (“HKKC(C)”): HKKC(C) holds the equity interest in two subsidiaries which provide bus services in Chongqing municipal city, the PRC.

The Group acquired its 50% interest in Merryhill pursuant to a share exchange agreement (the “Share Exchange Agreement”) dated 8 December 2003 between Chow Tai Fook Enterprises Limited (“CTF”), the Guarantor and Merryhill. Following completion of the Share Exchange Agreement on 9 March 2004, each of CTF and the Guarantor indirectly owns a 50% interest in the issued share capital of Merryhill. Prior to 9 March 2004, the Group did not have any interest in Citybus.

Financial

The Group’s financial services include international risk management and insurance broking services, securities services and secretarial services. The principal operating companies are New World Insurance Services Limited, Tai Fook Securities Group Limited and Tricor Holdings Limited.

Environmental

The Group’s environmental services include landscaping consultancy, plant hire and maintenance services. The principal operating companies are Hong Kong Island Landscape Company Limited and Far East Landfill Technologies Limited. Its nursery in Fanling has an area of approximately 0.4 million sq.ft. and the other two nurseries in the PRC occupy an area of approximately 1.8 million sq.ft. The North East New Territories Landfill in Fanling is considered to be one of Asia’s largest landfill sites.

Infrastructure

The Group, through its subsidiaries and jointly controlled entities, is engaged in the development, operation, management and ownership of infrastructure projects in Hong Kong, the PRC and Macau.

The Group is one of the largest foreign investors in, and operators of, infrastructure projects in the PRC. The Group is a diversified infrastructure investor which is engaged in developing, owning, operating and managing infrastructure projects, including toll roads, toll expressways, toll bridges, power stations and water treatment and waste management plants in Macau and the PRC and a toll tunnel in Hong Kong. As at the date of this Offering Memorandum, the Group had a total of 46 infrastructure projects in its portfolio, 43 of which were located in the PRC.

The Group focuses on strategic alliances with major international and PRC infrastructure and infrastructure-related companies. The Group believes that its network of strategic partners enables it to secure local support, diversify risks and continue to develop new projects in Hong Kong, the PRC and Macau. The Group believes that these strategic relationships will lead to co-investment opportunities in new projects for the Group.

The Group's strategy is to develop infrastructure projects in Hong Kong, the PRC and Macau that are likely to yield an attractive stream of long term income. The Group seeks to achieve this goal by developing infrastructure projects in areas it expects will experience significant economic growth in the near term, but which may lack the infrastructure that will be necessary to achieve or sustain such growth. In the PRC, high rates of economic growth in recent years have provided significant opportunities for the Group. The Group believes its projects are well-positioned to benefit from any increase in economic activities in the PRC following China's accession to the World Trade Organization and implementation of the Closer Economic Partnership Arrangement.

The Group has recently begun to dispose of certain of its non-core and under-performing infrastructure projects to enable it to improve its gearing and to focus its resources on its core projects and potential new investments.

Roads and Bridges

The Group has set up separate joint venture companies to construct, manage and operate its roads and bridges projects. The operations of the project companies, except the Tate's Cairn Tunnel which is in Hong Kong, are in the PRC. The local partners of the Group's road and bridge projects in the PRC are mainly business entities supervised by the relevant local government authorities. In total, the Group has interests in 20 toll roads (of which Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) comprises Sections I and II and Hui-Ao Roadway comprises the Hui-Ao section and the Hui-Dan section), two bridges and one tunnel. In terms of geographical location, there are seven toll roads and expressways and one bridge in Guangdong Province, seven toll roads in Guangxi Province, four toll roads in Shanxi Province, one expressway in Tianjin Municipality, one expressway and one bridge in Wuhan City and one tunnel in Hong Kong.

The following is a brief description of the major road and bridge projects of the Group:

Guangzhou City Northern Ring Road is a joint venture project that developed and operates a 22 km dual three-lane expressway which links the eastern and western areas of Guangzhou City. The Northern Ring Road benefits from its location in the most populated area of Guangzhou and its role as a by-pass for local traffic. The right to operate the road is held until 2023 by the joint venture through which the Group operates the Northern Ring Road together with its partner, an enterprise supervised by the Guangzhou City Government. The average daily traffic volume for 2003 was 117,217 vehicles, as compared to 120,556 and 130,747 vehicles in 2002 and 2001, respectively.

Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) is a joint venture that developed and operates the expressway which links Guangzhou and Zhuhai. Section I is a 8.6 km dual three-lane expressway. Section II is a 53.8 km dual three-lane/dual two-lane expressway. The right to operate the expressway is held until 2030. The average daily traffic volume of Section I for 2003 was 31,513 vehicles, as compared to 27,731 and 24,912 vehicles in 2002 and 2001, respectively. The average daily traffic volume of Section II for 2003 was 29,039 vehicles, as compared to 24,926 and 20,079 vehicles in 2002 and 2001, respectively.

Shenzhen-Huizhou Expressway (Huizhou Section) and Shenzhen-Huizhou Roadway (Huizhou Section) comprise two joint ventures that developed and operate a 34.7 km dual two-lane expressway and a 21.8 km dual two-lane roadway, respectively, in Huizhou City. The rights to operate the expressway and the roadway are held until 2027 and 2023, respectively. The average daily traffic volume of the expressway for 2003 was

11,375 vehicles, as compared to 7,314 and 6,312 vehicles in 2002 and 2001, respectively. The average daily traffic volume of the roadway for 2003 was 11,529 vehicles, as compared to 11,979 and 11,383 vehicles in 2002 and 2001, respectively.

Hui-Ao Roadway (Hui-Dan Section and Hui-Ao Section) is a joint venture that developed and operates a 36 km dual one-lane roadway (Hui-Dan Section) and a 50.5 km dual two lane roadway (Hui-Ao Section) in Huizhou City. The right to operate the roadway is held until 2028. The average daily traffic volume of the roadway for 2003 was 7,462 vehicles, as compared to 5,930 and 4,062 vehicles in 2002 and 2001, respectively.

Roadway No. 1959 (Qingxin Section) is a joint venture that developed and operates a 26.6 km dual two-lane roadway in Qingxin County, Qingyuan City. The right to operate the road is held until 2027. The average daily traffic volume for 2003 was 3,592 vehicles, as compared to 3,928 and 3,879 vehicles in 2002 and 2001, respectively.

Roadway No. 1906 (Qingcheng Section) is a joint venture that developed and operates a 26.8 km dual two-lane roadway in Qingcheng District, Qingyuan City. The right to operate the road is held until 2028. The average daily traffic volume for 2003 was 3,569 vehicles, as compared to 2,909 vehicles in 2002. The roadway commenced operations in September 2001.

The Guangxi Roads are seven roadway projects in Guangxi Autonomous Region ranging from 10 km to 40 km, six of which are operational. The right to operate these roads is until 2022. The combined average daily traffic volume for 2003 was 27,213 vehicles, as compared to 27,150 and 27,402 vehicles in 2002 and 2001, respectively.

The Shanxi Roads are four roadway projects in Shanxi Province ranging from 18 km to 36 km. The right to operate two of these roads is until 2023 and the other two until 2025. The combined average daily traffic volume for 2003 was 5,359 vehicles, as compared to 6,354 and 5,228 vehicles in 2002 and 2001, respectively.

Wuhan Airport Expressway is a 18 km dual 2-lane which links Wuhan Tianhe Airport to Wuhan City. The right to operate this expressway is held until 2025. In 2003, the average daily traffic volume was 6,974 vehicles, as compared to 6,647 and 5,700 vehicles in 2002 and 2001, respectively.

Tangjin Expressway (North Section) is a 60.4 km expressway which links Tangshan to the north and Tianjin to the south. The project comprises two major sections. Section I includes an 11.1 km dual three-lane section which runs from the border of Fengnan County, Hebei Province to Tao Yuan, Tianjin and a 32.3 km dual two-lane section which runs from Tao Yuan to Yong Ding Xin He, Tianjin. The right to operate Section I is held until 2028. Section II is a 17 km dual two-lane section which runs from Yong Ding Xin He to the Jingtang Highway, Tianjin. The right to operate Section II is held until 2030. The average daily traffic volume for 2003 was 13,313 vehicles, as compared to 10,615 and 9,235 vehicles in 2002 and 2001, respectively.

Tate's Cairn Tunnel is a 4 km twin tube vehicular toll tunnel which links a major highway servicing the New Territories to East Kowloon and to the access highway for the Eastern Harbour Tunnel, one of the three harbour crossing tunnels to Hong Kong Island. The tunnel franchise was granted to the Group in 1988 for a term of 30 years. In 2003, average daily traffic volume was 61,456 vehicles, as compared to 63,519 and 63,992 vehicles in 2002 and 2001, respectively.

Gaoming Bridge is a joint venture project that developed and operates a 1.1 km dual one-lane bridge that links Gaoming and Nanhai to the eastern part of the Pearl River Delta region. The right to operate the bridge is held until 2021. In 2003, the average daily traffic volume was 16,227 vehicles, as compared to 15,816 and 14,977 vehicles in 2002 and 2001, respectively.

Energy

The Group has set up separate joint-venture companies to construct, manage and operate its power projects in the PRC and Macau. The PRC power projects comprise four power plants in the PRC, which include three power plants in Guangdong Province and one power plant in Sichuan Province. The Group also has interest in a power plant which is the exclusive electricity supplier in Macau.

The power projects have a total installed power generating capacity of 2,015 MW.

The following is a brief description of the major power projects of the Group:

Zhujiang Power Station — Phase I is a joint venture project that developed and operates two 300 MW coal-fired power generators that service power requirements associated with commercial and industrial growth in the Guangzhou area. The right to operate Phase I of the station is held until 2017. The plant generated 3,373 GWh of electricity in 2003, as compared to 3,537 GWh and 3,148 GWh of electricity in 2002 and 2001, respectively.

Zhujiang Power Station — Phase II is a joint venture project that developed and operates an additional two 300 MW coal-fired power generators adjacent to the site of Zhujiang Power Station Phase I to serve the Guangzhou area. The right to operate Phase II of the station is held until 2020. The plant generated 3,902 GWh of electricity in 2003, as compared to 3,183 GWh and 3,335 GWh of electricity in 2002 and 2001, respectively.

Companhia de Electricidade de Macau-CEM, S.A. (“Macau Power”) is a limited company engaged in the business of electricity supply in Macau. Under its concession agreement with the government of Macau, Macau Power has the exclusive right to generate, import, export, transport, distribute and sell electricity in Macau until the end of November 2010, subject to the right of early termination by the government of Macau. The supply of electricity is subject to a limit on the permitted return per annum of 14% of the net book value of fixed assets (subject to revaluation and adjustments) plus certain additional amounts. Macau Power owns a series of generators in three power plants which, together with its substations and transmission cables, provide a total installed generation capacity of 488 MW. In 2003, Macau Power generated 1,876 GWh of electricity, as compared to 1,831 GWh and 1,735 GWh of electricity, respectively in 2002 and 2001.

Sichuan Qianwei Dali Power Plant is a joint venture project that developed and operates a 54 MW coal-fired power plant in the area of Qianwei County, Sichuan Province. The right to operate the plant is held until 2022. The plant generated 300 GWh of electricity in 2003, as compared to 230 GWh and 199 GWh of electricity in 2002 and 2003, respectively.

Water Treatment and Waste Management

The following is a brief description of the water treatment and waste management projects of the Group:

Sociedade de Abastecimento de Aguas de Macau, S.A.R.L. (“Macau Water”) is a joint venture company engaged in the business of water supply in Macau. Macau Water is 85% owned by Sino-French Holdings (Hong Kong) Limited (“Sino-French”), a joint venture between NWS Infrastructure Management Limited (“NWSI”, a direct wholly-owned subsidiary of the Guarantor) and SUEZ. The Group holds a 50% interest in Sino-French. Under a concession agreement with the government of Macau, Macau Water has the exclusive right to provide water supply in Macau until July 2010, subject to the right of early termination by the government of Macau. The two water treatment plants owned by Macau Water have a total capacity of 255,000 cubic metres per day. Water tariffs are revised annually subject to approval of the government of Macau.

PRC Water Projects include 16 water treatment projects in the PRC, comprising four water treatment plants in Guangdong, two in each of Liaoning and Shanghai, one in each of Jiangxi, Hebei, Jilin, Henan, Zhejiang, Shandong, Chongqing and Hainan, and a waste water treatment plant in Shanghai. All of them were developed by Sino-French. The aggregate capacity of the operational plants is approximately 3.3 million cubic metres per day.

In addition, the Group has also invested in a waste incineration plant under construction in Shanghai and a microfiltration equipment plant in Dongguan, Guangdong Province.

Set forth below is a list of the major infrastructure projects of the Group:

<u>Project</u>	<u>Gross Length/ Capacity</u>	<u>The Group's profit sharing percentage</u>	<u>Term</u>	<u>Location</u>
Roads and Bridges				
Guangzhou City Northern Ring Road . . .	22.0 km	65.29%	2023	Southern Guangdong
Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section).	8.6 km (Phase I-Section I) 53.8 km (Phase I-Section II)	25.00%	2030	Southern Guangdong
Shenzhen-Huizhou Expressway (Huizhou Section) and Shenzhen-Huizhou Roadway (Huizhou Section)	34.7km/21.8 km	33.33%/50.00%	2027/2023	Eastern Guangdong
Hui-Ao Roadway.	36.0 km (Hui-Dan Section) 50.5 km (Hui-Ao Section)	50.00%	2028	Eastern Guangdong
Roadway No. 1959 (Qingxin Section) . .	26.6 km	75.00%	2027	Northern Guangdong
Roadway No. 1906 (Qingcheng Section).	26.8 km	80.00%	2028	Northern Guangdong
Beiliu City Roadways	18.2 km (Phase I) 21.6 km (Phase II)	60.00%	2022	Guangxi
Rongxian Roadways	9.2 km (Phase I) 16.8 km (Phase II)	70.00%	2022	Guangxi
Yulin-Shinan Roadway.	27.8 km	60.00%	2022	Guangxi
Yulin Shinan-Dajiangkou Roadway	8.7 km (Phase I) 30.0 km (Phase II)	60.00%	2022	Guangxi
Yulin Shinan-Guigang Roadway	20.0 km	60.00%	2022	Guangxi
Roadway No. 321 (Wuzhou Section) . . .	8.7 km (Phase I) 4.3 km (Phase II)	45.00%	2022	Guangxi
Cangwu County Roadway.	10.1 km	70.00%	2022	Guangxi
Shanxi Taiyuan-Gujiao Roadway (Taiyuan Section).	23.2 km	60.00%/90.00%	2025	Shanxi
Shanxi Taiyuan-Gujiao Roadway (Gujiao Section).	36.0 km	60.00%/90.00%	2025	Shanxi
Roadway No. 309 (Changzhi Section) . .	22.2 km	60.00%/90.00%	2023	Shanxi

Project	Gross Length/ Capacity	The Group's profit sharing percentage	Term	Location
Taiyuan — Changzhi Roadway (Changzhi Section)	18.3 km	60.00%/90.00%	2023	Shanxi
Wuhan Airport Expressway	18.0 km	40.00%	2025	Hubei
Tangjin Expressway (Tianjin North Section)	43.4 km (Section I) 17.0 km (Section II)	60.00%/90.00%	2028 (Section I) 2030 (Section II)	Tianjin
Tate's Cairn Tunnel	4.0 km	29.50%	2018	Hong Kong
Gaoming Bridge	1.1 km	30.00%/80.00%	2021	Western Guangdong
Energy				
Zhujiang Power Station-Phase I	600.0 MW	50.00%	2017	Southern Guangdong
Zhujiang Power Station-Phase II	600.0 MW	25.00%	2020	Southern Guangdong
Sichuan Qianwei Dali Power Plant	54.0 MW	60.00%	2022	Sichuan
Macau Power	488.0 MW	19.00%	2010	Macau
Water Treatment and Waste Management				
Macau Water	255,000.0 cubic metres/day	42.50%	2010	Macau
Zhongshan Tanzhou Water Plant	60,000.0 cubic metres/day	29.00%	2027	Southern Guangdong
Zhongshan Dafeng Water Plant	200,000.0 cubic metres/day	33.06%	2020	Southern Guangdong
Zhongshan Quanlu Water Plant	500,000.0 cubic metres/day	33.06%	2020	Southern Guangdong
Lianjiang Water Plant	100,000.0 cubic metres/day	30.00%	2027	Western Guangdong
Nanchang Water Plant	50,000.0 cubic metres/day	25.00%	2023	Jiangxi
Baoding Water Plant	260,000.0 cubic metres/day	45.00%	2020	Hebei
Siping Water Plant	118,000.0 cubic metres/day	25.00%	2030	Jilin
Zhengzhou Water Plant	360,000.0 cubic metres/day	25.00%	2031	Henan
Xinchang Water Plant	100,000.0 cubic metres/day	25.00%	2032	Zhejiang
Changtu Water Plant	50,000.0 cubic metres/day	35.00%	2029	Liaoning

<u>Project</u>	<u>Gross Length/ Capacity</u>	<u>The Group's profit sharing percentage</u>	<u>Term</u>	<u>Location</u>
Panjin Water Plant	110,000.0 cubic metres/day	30.00%	2032	Liaoning
Shanghai Spark Water Plant	100,000.0 cubic metres/day	25.00%	2031	Shanghai
Shanghai SCIP Waste Water Plant.	Waste water — 50,000.0 cubic metres/day Industrial Water — 200,000.0 cubic metres/day	25.00%	2052	Shanghai
Qingdao Water Plant	543,000.0 cubic metres/day	25.00%	2027	Shandong
Chongqing Water Plant	275,000.0 cubic metres/day	30.00%	2052	Chongqing
Sanya Water Plant.	235,000.0 cubic metres/day	25.00%	2033	Hainan
Shanghai SCIP Waste Incineration Plant.	50,000.0–60,000.0 tonnes per annum	10.00%	2053	Shanghai
Dongguan Microfiltration Equipment Plant	N/A	25.00%	2014	Southern Guangdong

Ports

The Group is engaged in the development and operation of container handling and logistics and warehousing businesses in Hong Kong and the PRC through joint ventures. The Group's ports operations cover the geographic regions of Northern and Southern China. Container handling encompasses terminal operations focused on the loading and unloading of containers from vessels. The container handling process involves a diverse range of terminal-related operations including container loading and unloading, container pick-up and grounding, container storage, and internal terminal transportation. The Group's container handling business is mainly located in three locations: Hong Kong, Tianjin and Xiamen. The logistics business facilitates the efficient flow of cargo by integrating different transportation modes and freight services (air, land and sea), container freight station (CFS) services and warehousing operations. In the PRC, the Group is developing logistics and warehousing facilities mainly at Xiamen and Yantian, Shenzhen.

The following is a brief description of the ports operations of the Group:

Container Handling

CSX World Terminals Hong Kong Limited ("CSXWTHK") currently operates Container Terminal No. 3 ("CT3") in Kwai Chung, Hong Kong. CT3 comprises a single 305-metre berth with an associated container yard, which occupies approximately 41 acres (approximately 16.7 hectares). Stacking capacity of the container yard is approximately 10,872 Twenty-Foot Equivalent Units ("TEUs"). The berth is presently operated by four shore cranes. CT3 is one of the most efficient container terminals in Hong Kong in terms of throughput per berth and average crane productivity. It provides container terminal services such as loading and unloading containers between vessels and the terminal, cargo consolidation, equipment repair and maintenance. The throughput achieved for 2003 was approximately 1,337,000 TEUs per annum compared to approximately 1,369,000 TEUs per annum and approximately 1,742,000 TEUs per annum in 2002 and 2001, respectively. The Group's attributable interest in this project is 33.34%.

Asia Container Terminals Limited (“ACT”) holds the joint right with Hongkong International Terminals Limited and Modern Terminals Limited (“MTL”) granted by the Hong Kong Government on 7 December 1998 to construct, develop and operate Container Terminal No. 9 (“CT9”) in Tsing Yi, Hong Kong. ACT has an interest in two berths in CT9. CT9 will have a total of six berths with an estimated berth length of 1,940 metres. Under a swap agreement dated 7 December 1998 with MTL, ACT will swap its interest in the two berths of CT9 upon its completion in the first half of 2004 for the right to own and operate two existing berths at Container Terminal No. 8 West (“CT8W”) currently operated by MTL. The potential cooperation of the two berths at CT8W with CT3 is expected to generate operating synergies. Construction of CT9 commenced in early 2000 and the estimated completion date for ACT’s two berths at CT9 is scheduled for the first half of 2004. The Group’s attributable interest in this project is approximately 23.34%.

CSX Orient (Tianjin) Container Terminals Co., Limited (“CSXOT”) currently operates four container berths and one coal berth at Dongtudi in Tianjin Xingang, the PRC. CSXOT’s services include container stevedoring, storage, repairs and refrigerated container handling services. The joint venture period is for a term of 30 years commencing from 6 March 1997.

Pursuant to a Sino-foreign equity joint venture contract dated 31 January 1997, CSXOT was established by Tianjin Port (Group) Co., Limited (formerly known as Port of Tianjin Authority) and CSX World Terminals New World (Tianjin) Limited (“CSXWTNW”). CSXOT is 49% owned by CSXWTNW, of which the Guarantor has a 50% interest. The designed handling capacity is 1.4 million TEUs per annum. Throughput achieved for 2003 was approximately 1,027,000 TEUs per annum compared to approximately 884,000 TEUs per annum and approximately 767,000 TEUs per annum in 2002 and 2001, respectively. The Group’s attributable interest in this project is approximately 24.5%.

Xiamen Xiang Yu Quay Co., Ltd. (“Xiangyu”) is a Sino-foreign joint venture established in the PRC. It operates berths no. 12 to 16 in Dongdu Port of Xiamen and provides container terminal services that range from container handling to CFS operations, storage, warehousing and other related services. Pursuant to a merger agreement dated 28 June 2002, Xiangyu merged with Xiamen Xiangyu Free Trade Zone Huijian Quay Co., Ltd. and Xiamen Xiangyu Free Port Developing Co., Ltd., by way of absorption whereby all assets and liabilities of the other two entities were absorbed by Xiangyu.

Following the merger, quay length controlled by Xiangyu increased to approximately 1,000 metres. Throughput achieved for 2003 increased to approximately 482,000 TEUs per annum compared to approximately 320,000 TEUs per annum and approximately 210,000 TEUs per annum in 2002 and 2001, respectively. The Group’s attributable interest in this project is 50%.

Logistics and Warehousing

ATL Logistics Centre Hong Kong Limited (“ATL”) is the developer and operator of ATL Logistics Centre, a container freight station and cargo distribution centre at CT3, which provides a full range of cargo handling, warehouse leasing, bonded and general storage services. The container freight station and cargo distribution centre currently occupies two blocks of 7 and 13 storeys completed in 1988 and 1994, respectively. The two blocks together provide a total gross floor area of over 9.3 million sq.ft., giving some 5.9 million sq.ft. of usable office, warehousing and loading/unloading space. It is one of the world’s largest multi-storey drive-in container freight storage buildings. The terminal is constructed on part of the land occupied by CT3. The average occupancy rate of ATL Logistics Centre in 2003 was 95.4%, as compared to 93.6% and 92.7% in 2002 and 2001, respectively. The Group has an attributable interest of approximately 55.67% in ATL.

ATL Logistics Centre Yantian Limited (“ATLY”) provides CFS, warehousing and distribution services in Yantian, Shenzhen. The handling capacity is 600,000 cubic metres per annum and the total area is 25,944 sq.m. CFS handling volume achieved in 2003 was 396,000 cubic metres, as compared to 31,847 cubic metres in 2002. The Group has an attributable interest of approximately 46% in ATLY.

Xiamen New World Xiangyu Warehouse & Processing Zone Limited (“WPZ”) operates as a logistics and distribution centre in Huli Industrial Zone, Xiamen, Fujian which provides facilities for auxiliary services such as container depot, warehousing, maintenance workshop and logistics facilities. The Group is currently planning to develop WPZ into an advanced warehousing and logistics facility. The total area is 89,448 sq.m. and its average occupancy rate in 2003 was 75%.

United Asia Terminals (Yantian) Limited (“UATYL”) is situated in Yantian, Shenzhen. It is one of the leading providers of CFS, warehousing and distribution services in southern China. UATYL intends to diversify its services into customised processing and packaging in the future. The handling capacity is 700,000 cubic metres per annum and the total area is 11,733 sq.m. CFS handling volume achieved in 2003 was 452,000 cubic metres as compared to 411,000 cubic metres and 296,000 cubic metres in 2002 and 2001, respectively. The Group has an attributable interest of 40% in UATYL.

Competition

Whilst the Group is one of the largest service providers in Hong Kong and one of the first and largest foreign investors in the infrastructure and ports sectors in the PRC, the service, infrastructure and ports markets in Hong Kong and the PRC are expected to remain highly competitive.

The Group’s service, infrastructure and ports businesses compete with both domestic and international companies. Some of these companies have significant financial resources, marketing and other capabilities. In the PRC, some of the domestic companies have extensive local knowledge and business relationships and a longer operational track record in the domestic market than the Group. The international companies are able to capitalise on their overseas experience to compete in the PRC and Hong Kong markets.

The Group also faces competition in the specific types of businesses in which it is involved. With respect to road projects, alternate routes which avoid the tolls or charge less tolls may be devised or competing roads or bridges may be built in the future.

In respect of the power projects of the Group, in addition to projects which are currently being constructed, there have been constant announcements of plans or intentions to develop future power projects in the regions in which the Group operates or in the surrounding regions. Competition is also expected to increase for independent power producers with the introduction of regional power pooling in certain provinces in the PRC in 2004, as the PRC Central Government moves towards nationwide pooling by 2010.

In Hong Kong, the HKCEC, the most significant revenue contributor of the Group’s facilities business, faces intensified competition as a result of increased supply of conference and exhibition facilities in the PRC and South East Asia. In addition, the Hong Kong Airport Authority has also announced its plan to construct a new conference and exhibition centre in the Hong Kong International Airport.

Finally, the Group anticipates that competition in the container handling and logistics and warehousing industry in Hong Kong will intensify upon completion and commencement of operations of the new berths at CT9 in the second half of 2004.

The Group believes that its experience in and familiarity with the Hong Kong and the PRC markets gives it competitive advantages over potential competitors who are new to these markets.

Employees

As at 31 December 2003, the Group had approximately 29,000 employees, approximately 25,000 of which were employees in Hong Kong. Staff benefits include salaries, provident fund, insurance and medical cover, housing and share option schemes. The Group believes its employees are critical to its success and is committed to investing in the development of its employees through continuing education and structured training, as well as the creation of opportunities for career growth.

Environment

The Guarantor believes that the Group is in compliance in all material respects with applicable environmental regulations in the jurisdictions in which the Group operates. The Guarantor is not aware of any environmental proceedings or investigations to which it or any member of the Group is or might become a party and which may have a material adverse effect on its properties and operations.

Insurance

The Group is covered by insurance policies which cover loss of rental, fire, flood, riot, strike, malicious damage, other material damage to property, business interruption and public liability. The Group believes that its properties are covered with adequate insurance provided by reputable independent insurance companies in the relevant jurisdiction and with commercially reasonable deductibles and limits on coverage, which are normal for the type and location of the properties to which they relate. Notwithstanding such insurance coverage, damage to the buildings, facilities, equipment, or other properties as a result of occurrences such as fire, floods, water damage, explosion, power loss, typhoons and other natural disasters or terrorism, or any decline in the Group's business as a result of any threat of war, outbreak of disease or epidemic may potentially have a material adverse effect on the Group's financial condition and results of operations.

Government Regulations

The operations of the Group are subject to various laws and regulations in the jurisdictions in which it operates. The Group's properties are subject to routine inspections by government officials with regard to various safety and environmental issues. The Group believes that it is in compliance in all material respects with government regulations currently in effect in the jurisdictions in which it operates. The Guarantor is not aware of significant problems experienced by any member of the Group with respect to compliance with government regulations in relation to its operations which could materially adversely affect its properties or operations, nor is it aware of any pending government legislation that might have a material adverse effect on its properties or operations.

Legal Proceedings

Neither the Issuer nor the Guarantor or any member of the Group is involved in any litigation or arbitration proceedings which may have, or have had during the 12 months preceding the date of this Offering Memorandum, a significant adverse effect on the financial position of the Issuer or the Group nor is the Issuer or the Guarantor aware that any such proceedings are pending or threatened.

Subsidiaries, Jointly Controlled Entities and Associated Companies

Notes 39 to 41 to the Guarantor's audited consolidated financial statements for the year ended 30 June 2003 set forth the subsidiaries, jointly controlled entities and associated companies of the Guarantor as at 30 June 2003 which, in the opinion of the directors of the Guarantor, principally affected the results for the year or formed a substantial proportion of the net assets of the Group for the year, to which such accounts relate.

RECENT DEVELOPMENTS AND PROSPECTS

The following discussion should be read in conjunction with the audited and unaudited consolidated financial statements of the Guarantor and related notes thereto.

References below to “Fiscal 2002” and “Fiscal 2003” are references to the years ended 30 June 2002 and 2003, respectively. References below to “2003 Interim” and “2004 Interim” are references to the six months ended 31 December 2002 and 2003, respectively. References to “AOP” for Fiscal 2002, Fiscal 2003 and 2003 Interim are references to “unaudited pro forma attributable operating profit” of the Group or, as the case may be, the relevant business segments for the relevant periods. References below to “AOP” for 2004 Interim are references to the “unaudited actual attributable operating profit” of the Group or, as the case may be, the relevant business segments for the same period. The Group’s results of operations for 2004 Interim are not necessarily indicative of the results that may be expected for the full year ending 30 June 2004.

The unaudited pro forma combined AOP of the Group for Fiscal 2002 is prepared on an aggregate basis and combines the AOP of the service, infrastructure and ports businesses for Fiscal 2002 as if the Reorganisation, which took place on 29 January 2003, had occurred on 1 July 2001. The unaudited pro forma combined AOP of the Group for Fiscal 2003 is prepared on an aggregate basis and combines the AOP of the service, infrastructure and ports businesses for Fiscal 2003 as if the Reorganisation had occurred on 1 July 2002. The unaudited pro forma combined AOP of the Group for 2003 Interim is prepared on an aggregate basis and combines the AOP of the service, infrastructure and ports businesses for 2003 Interim as if the Reorganisation had occurred on 1 July 2002. The Group began to consolidate the results of the service and infrastructure businesses from 29 January 2003. The unaudited pro forma financial information set forth below is presented to show (for analytical purposes only) what the combined AOP of the Group might have been for the periods indicated on that basis and is for informational purposes only. The unaudited pro forma combined AOP information does not purport to be indicative of the results of operations of the Group which would have actually been obtained if the Reorganisation had been completed as at the dates indicated. Furthermore, the unaudited pro forma combined AOP information which is based on historical audited and unaudited consolidated profit and loss accounts of the Guarantor and NWSS and unaudited pro forma combined profit and loss accounts of a total of 42 companies (through which NWTMT held its effective interest in the operating companies which operated the infrastructure business of the Guarantor prior to the Reorganisation) and 14 Sino-foreign cooperative joint ventures which were 60%-owned by NWTMT prior to the Reorganisation and which operated the Tangjin Expressway, is subject to the adjustments referred to below, and cannot be taken as indicative of the likely performance of the Group in the future.

The AOP analysis set forth below is derived from the management discussion and analysis sections of the Guarantor’s published annual report for the year ended 30 June 2003 and interim report for the six months ended 31 December 2003 respectively. It is presented (for analytical purposes only) to indicate the Group’s unaudited actual or pro forma profit attributable to shareholders which, in the management’s opinion, was directly attributable to the operations of the Group or the relevant business segments for the periods indicated and is not prepared on the basis of HK GAAP nor any other recognised accounting standards. In computing the AOP for the relevant business segments during the relevant periods, certain non-recurring items such as amortisation of net negative goodwill, impairment loss on fixed assets, loss on disposal of fixed assets, subsidiaries and/or jointly controlled entities and fair value adjustments arising from the Reorganisation at the corporate level and certain head office items such as interest income, finance costs and other overheads, which the management believes were not directly related to the operations of the relevant business segments, have not been allocated to the relevant business segments. In addition, certain head office expenses have been allocated solely to a particular business segment or in different proportions to different business segments based on the management’s judgement of the relevance of such items to such business segments. Accordingly, the amounts of the combined AOP from the relevant business segments during the periods indicated below are significantly different from the amounts of the actual or pro forma consolidated operating profit or profit attributable to shareholders achieved for the

same periods. The management believes that the allocations or non-allocations referred to above have been made on a fair and consistent basis after due and careful consideration of all the relevant circumstances and matters. The preparation of the AOP analysis however requires the management to make estimates, assumptions and judgements that affect the amounts of AOP presented below but are inherently subjective and discretionary in nature. As a result, the amounts of AOP presented below may differ materially from the actual results of operations of the relevant business segments had the non-recurring or head office items been allocated on a different basis and is for informational purposes only.

Overview

The Guarantor is a holding company which is engaged in a variety of business activities through its subsidiaries, jointly controlled entities and associated companies. The Group derives and expects to continue to derive its AOP from its service, infrastructure and ports businesses.

The Group completed the Reorganisation on 29 January 2003. See “The Group — Reorganisation”. Following the Reorganisation, the Group combined the acquired service and infrastructure businesses with its original ports business. As a result, the Group’s results of operations for Fiscal 2003 and 2004 Interim were substantially different from its results of operations for Fiscal 2002 and 2003 Interim. Actual turnover (as reported in the audited and unaudited consolidated financial statement of the Guarantor for the relevant periods) for Fiscal 2003 and 2004 Interim were HK\$5,770.0 million and HK\$6,542.5 million, respectively, compared to HK\$125.1 million and HK\$6.1 million, respectively for Fiscal 2002 and 2003 Interim. Actual net profit (as reported in the audited and unaudited consolidated financial statements of the Guarantor for the relevant periods) for Fiscal 2003 and 2004 Interim were HK\$1,213.4 million and HK\$814.2 million, respectively, compared to HK\$143.9 million and HK\$185.8 million, respectively for Fiscal 2002 and 2003 Interim. The substantial growth was mainly attributable to contributions from the service and infrastructure businesses acquired upon completion of the Reorganisation. For analytical purposes, the analysis of results of operations below is based on unaudited actual or pro forma AOP of the three business segments for the relevant periods. See “Summary Unaudited Pro Forma Combined Financial Information”.

The following table sets forth the Group’s unaudited actual and pro forma AOP by business segment for the periods indicated:

	Six months ended 31 December				Year ended 30 June			
	2003		2002		2003		2002	
	(Actual)		(Pro Forma)		(Pro Forma) ⁽¹⁾		(Pro Forma) ⁽¹⁾	
	HK\$ million	%	HK\$ million	%	HK\$ million	%	HK\$ million	%
Infrastructure								
Roads and Bridges	150.8	15.1	142.1	15.1	351.9	19.5	242.3	12.2
Energy	241.2	24.2	185.9	19.7	398.1	22.0	367.5	18.5
Water treatment and waste management	21.4	2.2	17.3	1.8	26.2	1.5	34.3	1.7
Sub-total	413.4	41.5	345.3	36.6	776.2	43.0	644.1	32.4
Service								
Facilities	188.9	19.0	157.5	16.7	265.5	14.7	290.9	14.7
Contracting	119.4	12.0	134.8	14.3	214.5	11.9	425.2	21.4
Transport	36.0	3.6	53.4	5.7	32.1	1.8	160.9	8.1
Financial, Environmental and Others	36.3	3.6	22.5	2.4	115.3	6.3	103.4	5.2
Sub-total	380.6	38.2	368.2	39.1	627.4	34.7	980.4	49.4
Ports	202.6	20.3	229.6	24.3	403.6	22.3	360.8	18.2
Total	996.6	100.0	943.1	100.0	1,807.2	100.0	1,985.3	100.0

⁽¹⁾ The unaudited pro forma AOP for the years ended 30 June 2002 and 2003, respectively has not been restated to reflect the revised SSAP 12.

Service

Most of the Group's service operations are undertaken through its subsidiaries. The portions of the Group's total AOP (representing the combined AOP contributed by the service, infrastructure and ports businesses) contributed by the service business on a pro forma basis were 49.4%, 34.7% and 38.2% for Fiscal 2002, Fiscal 2003 and 2004 Interim, respectively. In the second half of Fiscal 2003, the service business was materially and adversely affected by the economic downturn and disruption of business and social activities following the outbreak of SARS in Hong Kong.

Infrastructure

The Group's infrastructure operations are principally conducted through joint ventures. The proportions of the Group's total AOP contributed by the infrastructure business on a pro forma basis were 32.4%, 43.0% and 41.5% for Fiscal 2002, Fiscal 2003 and 2004 Interim, respectively. Such increases were primarily attributable to the increase in contributions from the PRC infrastructure projects, which benefited from increased demand driven by PRC domestic economic growth, as well as the decrease in contributions from the service business.

Ports

The Group's ports operations are principally conducted through joint ventures. Among the three main lines of business of the Group, the port operations constitute the smallest contributor to the Group's AOP. The proportions of the Group's total AOP contributed by the ports on a pro forma basis were relatively stable during Fiscal 2002, Fiscal 2003 and 2004 Interim. The portions of the Group's total AOP contributed by the ports business were 18.2%, 22.3% and 20.3% for Fiscal 2002, Fiscal 2003 and 2004 Interim, respectively.

Results of Operations

Comparison of 2004 Interim (Actual) to 2003 Interim (Pro Forma)

Total AOP

The Group's total AOP increased 6% to HK\$996.6 million in 2004 Interim compared to HK\$943.1 million in 2003 Interim. The increase was principally due to increased contributions from the facilities and energy segments which more than offset the decrease in contribution from the contracting segment.

Set forth below is a discussion of the Group's AOP by business segment:

Service

AOP from the service business increased 3% to HK\$380.6 million in 2004 Interim compared to HK\$368.2 million during 2003 Interim. The increase in AOP was primarily attributable to the significant improvement of the results of operations of the facilities segment after the end of the outbreak of SARS in July 2003.

Facilities: AOP from the facilities segment increased 20% to HK\$188.9 million in 2004 Interim compared to HK\$157.5 million in 2003 Interim.

During 2004 Interim, turnover from HKCEC (Management), the largest contributor of the AOP from the facilities segment, increased significantly as it began to host many of the exhibitions, events and banquets which had been deferred or rescheduled to the third quarter of 2004 as a result of the SARS outbreak in March 2003 which ended in July 2003. The property management segment also recorded strong

growth. The Group also recorded significant contribution from Sky Connection Limited, the operator of liquor and tobacco duty free shops, which became a wholly-owned subsidiary of the Group in November 2003.

Contracting: The contracting segment continued to suffer decreased volume of infrastructure and property construction projects as a result of the weak economic conditions and in particular, decreased government spending on infrastructure and public housing. Primarily as a result of these factors, AOP from the contracting segment decreased 11% to HK\$119.4 million in 2004 Interim compared to HK\$134.8 million in 2003 Interim.

Transport: AOP from the transport segment, which did not recover from the negative impact of SARS as quickly as the facilities segment, decreased 33% to HK\$36.0 million in 2004 Interim compared to HK\$53.4 million in 2003 Interim. The daily passenger flow of the bus business only returned to pre-SARS level in the last month of 2004 Interim.

Financial, Environmental and Others: AOP from the financial services and environmental services segments and other investments increased 61% to HK\$36.3 million in 2004 Interim compared to HK\$22.5 million in 2003 Interim.

Infrastructure

AOP from the infrastructure business increased 20% to HK\$413.4 million in 2004 Interim compared to HK\$345.3 million during 2003 Interim. The increase in AOP was primarily attributable to the significant increase in contributions from the energy and water treatment and waste management segments, while the roads and bridges segment also recorded a modest growth in contribution.

Roads and Bridges: AOP from the roads and bridges segment increased 6% to HK\$150.8 million in 2004 Interim compared to HK\$142.1 million in 2003 Interim. The roads and bridges segment recorded mixed results of operations, notwithstanding the overall growth in AOP.

In Guangdong, toll income of Guangzhou City Northern Ring Road increased 15% during 2004 Interim, mainly as a result of the change in toll rates/vehicle types classification under the Guangdong joint toll collection scheme, which took effect from August 2003. The average daily traffic flow of Sections I and II of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) (“BZE”) increased 19% and 14%, respectively during 2004 Interim. However, AOP from BZE decreased during 2004 Interim due to decreased net interest income following the repayment of the Group’s shareholders’ loan in February 2003. AOP from Shenzhen-Huizhou Roadway and Expressway (Huizhou Section) also decreased significantly with average daily traffic flow and toll income of the expressway decreased 23% and 25%, respectively. The decreases were primarily attributable to decreased traffic volumes after completion of nearby roadways’ repair and maintenance works.

AOP from the Guangxi Roads decreased slightly. The Tangjin Expressway (North Section) recorded an increase in toll income of 32% or HK\$30.4 million during 2004 Interim due to the commencement of operations of Tangjin Expressway (South Section) in mid-November 2003. The average daily traffic flow increased by 7% in 2004 Interim. Such increase was offset by an increase in repair and maintenance costs during 2004 Interim.

In Hong Kong, AOP from Tate’s Cairn Tunnel decreased slightly, mainly as a result of the decrease of 2% in average daily traffic flow due to the prevailing recessionary economic climate.

Energy: AOP from the energy segment increased 30% to HK\$241.2 million in 2004 Interim compared to HK\$185.9 million in 2003 Interim. The increase was mainly attributable to the increased contributions from the power plants in the PRC. The overall electricity sales by Zhujiang Power Station Phases I and II increased by 22% during 2004 Interim, primarily due to the continuous increase in electricity

consumption as a result of prolonged hot weather condition during the period, domestic economic growth and a tariff reduction which took effect from July 2002. The significant increase in contribution from Phase I was also partly due to an extension of the useful life of the power plant that reduced the depreciation charge during 2004 Interim. Macau Power also recorded a 7% increase in electricity sales.

Water Treatment and Waste Management: AOP from the water treatment and waste management segment increased 24% to HK\$21.4 million in 2004 Interim compared to HK\$17.3 million in 2003 Interim. The increase was primarily attributable to the improved performance of certain projects in the PRC, in particular, a full-period contribution from a project in Chongqing which commenced operations in November 2002. Sales of water by Macau Water increased by 7% in 2004 Interim.

Ports

AOP from the ports business decreased 12% to HK\$202.6 million in 2004 Interim compared to HK\$229.6 million during 2003 Interim. The decrease was primarily attributable to decreased contribution from the container handling segment. Contributions continued to be mainly attributable to the Hong Kong operations.

Contributions from CSXWTHK and ATL decreased because of decreases in the throughput of CSXWTHK and average occupancy rate of ATL Logistics Centre. CSXWTHK handled approximately 676,000 TEUs in 2004 Interim, a decrease of approximately 4% compared to approximately 702,000 TEUs in 2003 Interim. The average occupancy rate of ATL Logistics Centre decreased to approximately 91% in 2004 Interim from approximately 97% in 2003 Interim. The decreases in throughput and average occupancy rate were because of slowing down of throughput growth and surfacing of SARS impact in Hong Kong.

Contribution from CSXOT increased modestly. During 2004 Interim, CSXOT handled approximately 578,000 TEUs, representing a 16% increase over 2003 Interim. Contribution from Xiangyu during 2004 Interim remained stable, with throughput improved by 39% to approximately 281,000 TEUs.

Comparison of Fiscal 2003 (Pro Forma) to Fiscal 2002 (Pro Forma)

Total AOP

The Group's total AOP decreased 9% from HK\$1,985.3 million in Fiscal 2002 to HK\$1,807.2 million in Fiscal 2003, principally due to the significant decrease in contribution from the service business as a result of the negative impact of the outbreak of SARS during the last quarter of Fiscal 2003, which more than offset the significant growth in contributions from the infrastructure and ports businesses.

Set forth below is a discussion of the Group's AOP by business segment:

Service

AOP from the service business decreased 36% to HK\$627.4 million in Fiscal 2003 compared to HK\$980.4 million during Fiscal 2002. The decrease was primarily attributable to the substantially decreased contributions from the contracting and transport segments.

Facilities: AOP from the facilities segment decreased 9% to HK\$265.5 million in Fiscal 2003 compared to HK\$290.9 million in Fiscal 2002. Notwithstanding the postponement and cancellation of exhibitions, functions and banquets during the fourth quarter of Fiscal 2003 as a result of the outbreak of SARS, the results of operations of HKCEC (Management) had not been significantly and adversely affected because of the stringent cost saving measures implemented by management. AOP from the other components of the facilities segment (except the laundry operations) during Fiscal 2003 had not been significantly affected by SARS.

Contracting: AOP from the contracting segment decreased 50% to HK\$214.5 million in Fiscal 2003 compared to HK\$425.2 million in Fiscal 2002, primarily due to the continued economic downturn in Hong Kong, which resulted in a low level of tenders and decreased capital investments and public spending, particularly in the private and public housing sectors.

Transport: AOP from the transport segment also decreased 80% to HK\$32.1 million in Fiscal 2003 from HK\$160.9 million in Fiscal 2002, primarily due to the decrease in passenger flows along bus routes that overlapped with the Tseung Kwan O Line of the Mass Transit Railway (which commenced operations in September 2002) and the business disruptions caused by the outbreak of SARS during the fourth quarter of Fiscal 2003. Average daily passenger flows for the Group's public bus and ferry operations decreased approximately 20% and 58% respectively during the fourth quarter of Fiscal 2003 compared to the preceding period of the year.

Financial, Environmental and Others: AOP from the financial services and environmental services segments and other investments increased 12% to HK\$115.3 million in Fiscal 2003 compared to HK\$103.4 million in Fiscal 2002.

Infrastructure

AOP from the infrastructure business increased 21% to HK\$776.2 million in Fiscal 2003 compared to HK\$644.1 million during Fiscal 2002. The increase in AOP was primarily attributable to the increase in contributions from the roads and energy segments, which was partially offset by the decrease in contribution from the water treatment and waste management segment.

Roads and Bridges: Notwithstanding the negative impact of the outbreak of SARS on its results of operations in the second half of Fiscal 2003, AOP from the roads and bridges segment increased significantly by 45% to HK\$351.9 million in Fiscal 2003 from HK\$242.3 million in Fiscal 2002, primarily due to a significant growth in the traffic flows of the expressway projects and certain one-off gains recorded in Fiscal 2003. Despite a slight decrease in its daily average traffic flow and a decrease in interest income following repayment of the Group's shareholders' loans, Guangzhou City Northern Ring Road recorded an increase in AOP as a result of a withholding tax refund and a decrease in operating expenses. Contribution from BZE also increased during Fiscal 2003 as a result of the increases in average daily traffic flows of Phase I and II of BZE of 14% and 17% respectively and the recognition of an one-off net interest income previously deferred. The Group also recorded growth in contribution from Hui-Ao Roadway and Tangjin Expressway (North Section) in Tianjin and stable contributions from the Guangxi and Shanxi Roads. These increases were partially offset by the decrease in AOP from Shenzhen-Huizhou Expressway/Roadway (Huizhou Section) and road projects in the Zhaoqing and Qingyuan regions primarily due to the decrease in interest income following repayments of shareholders' loans from the Group and certain other one-off expenses.

In Hong Kong, AOP from Tate's Cairn Tunnel increased slightly primarily as a result of interest expense savings.

Energy: AOP from the energy segment increased 8% to HK\$398.1 million in Fiscal 2003 compared to HK\$367.5 million in Fiscal 2002. AOP from Zhujiang Power Station Phase I and II increased slightly primarily due to (i) an increase in electricity sales due to the continuous increase in electricity consumption driven by domestic economic growth, which more than offset the decrease in the tariffs of Phases I and II, which was made with retroactive effect to July 2002, of 24% and 21%, respectively and (ii) the gain made by the Group on the disposal of an effective interest of 1.35% in Macau Power in May 2003.

Water Treatment and Waste Management: AOP from water treatment and waste management decreased 24% to HK\$26.2 million in Fiscal 2003 from HK\$34.3 million in Fiscal 2002 due to certain one-off expenses and disposals, which was mitigated by the commencement of operations of two new water treatment projects in Qingdao and Chongqing in August 2002 and November 2002 respectively.

Ports

AOP from the ports business increased 12% to HK\$403.6 million in Fiscal 2003 compared to HK\$360.8 million in Fiscal 2002. The increase in AOP was primarily attributable to increased contributions from the operations in both Hong Kong and the PRC, and Hong Kong continued to contribute most of the AOP from the ports segment.

Contribution from CSXWTHK increased mainly as a result of productivity improvement and stringent cost control, which more than offset the slight decrease in throughput. CSXWTHK handled approximately 1.34 million TEUs during Fiscal 2003, representing a decrease of 2% compared to approximately 1.37 million TEUs in Fiscal 2002.

Contribution from ATL increased primarily as a result of the increase in CFS and storage cargo volume for existing and new customers and a corresponding increase in vehicle gate charge revenue. The average occupancy rate increased to 95.4% in Fiscal 2003 from 93.6% in Fiscal 2002.

Contribution from CSXOT increased significantly primarily as a result of addition of new customers, higher tariff rates and stringent cost control. Throughput achieved in Fiscal 2003 increased to approximately 1.03 million TEUs, representing an increase of 16% from approximately 884,000 TEUs in Fiscal 2002.

Contribution from Xiangyu decreased significantly mainly as a result of the decrease in the Group's shareholding in Xiangyu to 50% in Fiscal 2003 from 92% in Fiscal 2002 following the merger of Xiangyu with two other entities in the PRC. Throughput handled by Xiangyu increased by 51% to approximately 482,000 TEUs in Fiscal 2003 from approximately 320,000 TEUs in Fiscal 2002.

Goodwill arising from the Reorganisation (Actual)

The Guarantor and its subsidiaries, on a consolidated basis, derived a net negative goodwill of HK\$994.6 million as a result of the Reorganisation, comprising goodwill of HK\$516.3 million and negative goodwill of HK\$1,510.9 million. In Fiscal 2003, a net negative goodwill of HK\$546.0 million (actual) was recognised in the Guarantor's consolidated profit and loss account, comprising an one-off negative goodwill of HK\$474.0 million (actual) and an annual amortisation of HK\$72.0 million (actual). The remaining goodwill and negative goodwill will be amortised over a period of 10–20 years.

Financial Condition and Liquidity (Actual)

Facility maintenance, transport, infrastructure and ports investment activities are capital intensive and the Group has contracted substantial commitments over the next few years. As of 31 December 2003, the Guarantor and its subsidiaries, on a consolidated basis, had total cash and bank balances of HK\$2,331.7 million and shareholders' funds of HK\$8,723.5 million. At the same time, the Guarantor and its subsidiaries' net debt, on a consolidated basis, amounted to HK\$6,979.5 million. The gearing ratio of the Guarantor and its subsidiaries, which represents net debt to shareholders' funds plus minority interests and loans on a consolidated basis, was 67% as at 31 December 2003. As of 31 December 2003, the Guarantor and its subsidiaries' total commitments for capital expenditure were HK\$30.8 million, and the share of commitments for capital expenditure committed by jointly controlled entities was HK\$345.1 million.

Working capital and capital expenditure requirements in Fiscal 2003 were financed principally through cash flow from operating activities, existing cash balances and increases in borrowings. Although the Group has significant indebtedness and capital commitments for its projects under development, the Group believes that, with existing cash and cash equivalent balances, together with the net proceeds of the Bonds and cash flow from its operations, it will have adequate sources of capital for its continuing operations.

DIRECTORS AND MANAGEMENT

The members of the board of directors of the Guarantor as at 16 April 2004 are as follows:

Executive Director:

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

Non-executive Director:

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

Independent Non-executive Director:

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

The biographies of the Executive Directors, Non-executive Directors and Independent Non-executive Directors at 16 April 2004 are as follows:

Executive Director:

Dr. Cheng Kar Shun, Henry (57) was appointed as an Executive Director in March 2000 and became the Chairman in March 2001. Dr. Cheng is the Managing Director of New World Development Company Limited, the Chairman and Managing Director of New World China Land Limited and the Chairman of New World TMT Limited and Tai Fook Securities Group Limited. He is also the Managing Director of NWD (Hotels Investments) Limited and a Director of Chow Tai Fook Enterprises Limited and HKR International Limited. Dr. Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation and a Committee Member of the Tenth Chinese People's Political Consultative Conference of The People's Republic of China. In 2001, he was awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region ("HKSAR"). Dr. Cheng is the brother-in-law of Mr. Doo Wai Hoi, William.

Mr. Doo Wai Hoi, William (59) was appointed as an Executive Director in March 2000 and became the Deputy Chairman in January 2003. Mr. Doo's corporate positions include: Vice Chairman of New World China Land Limited; Deputy Chairman of Tai Fook Securities Group Limited; Director of NWD (Hotels Investments) Limited and Fung Seng Diamond Company Limited. Mr. Doo is appointed by The People's Republic of China as a member of the Executive Committee of Shanghai Committee of Chinese People's Political Consultative Conference. He has served as a Governor of the Canadian Chamber of Commerce in Hong Kong since 1995. Mr. Doo is the brother-in-law of Dr. Cheng Kar Shun, Henry.

Mr. Chan Kam Ling (63) was appointed as an Executive Director and the Chief Executive Officer in January 2003. Mr. Chan is a Director of New World Development Company Limited, New World China Land Limited and New World First Bus Services Limited; and a Non-executive Director of Tai Fook Securities Group Limited. In addition, Mr. Chan is the Managing Director of Sino-French Holdings (Hong

Kong) Limited and The Macao Water Supply Company Limited. He is also a Director of Companhia de Electricidade de Macau — CEM, S.A. Mr. Chan has more than 30 years of experience in construction, property development and infrastructure industry.

Mr. Wong Kwok Kin, Andrew (58) was appointed as an Executive Director in January 2003. Mr. Wong is an Executive Director of Sky Connection Limited and several subsidiaries and affiliates of New World Group providing duty-free liquor and tobacco concessions, communication services, cleaning and laundry services, and estate management in both Hong Kong and Mainland China. He is also a Director of New World First Bus Services Limited, New World Telephone Holdings Limited and Tai Fook Securities Group Limited. Mr. Wong had been an Executive Director of New World Hotels (International) Limited and Renaissance Hotel Group N.V., a company listed on the New York Stock Exchange, from 1995 to 1997.

Mr. Lam Wai Hon, Patrick (41) was appointed as an Executive Director and the Company Secretary in January 2003. Mr. Lam is a Director of Tai Fook Securities Group Limited and Wai Kee Holdings Limited as well as the Assistant General Manager of New World Development Company Limited. The area of responsibilities of Mr. Lam in the New World group includes property investment and development and service business. Mr. Lam is a Chartered Accountant by training; a Fellow of the Institute of Chartered Accountants of England and Wales, and the Hong Kong Society of Accountants, and a member of the Institute of Chartered Accountants of Ontario, Canada.

Mr. Cheung Chin Cheung (48) was appointed as an Executive Director in October 2003. He had been an Executive Director of the Guarantor during the period from May 1998 to January 2003. Mr. Cheung is also the Director and General Manager of NWS Infrastructure Management Limited and NWS Ports Management Limited. He is a Director of CSX World Terminals Hong Kong Limited, ATL Logistics Centre Hong Kong Limited, Sino-French Holdings (Hong Kong) Limited, Sino French Water Development Company Limited and The Macao Water Supply Company Limited as well as director of a number of companies in China. Mr. Cheung is a member of the China Trade Advisory Committee of the Hong Kong Trade Development Council.

Non-executive Director:

Mr. Wilfried Ernst Kaffenberger (60) was appointed as a Non-executive Director in January 2003. He is also a Non-executive Director of New World TMT Limited. Mr. Kaffenberger is the Chief Executive Officer of AIG Asian Infrastructure Fund II, a US\$1.67 billion direct equity investment pool he organised in 1997. He is also the Managing Director of Emerging Markets Partnership (“EMP”), a Washington-based asset management firm. Prior to joining EMP, Mr. Kaffenberger was the Vice President, Operations, of International Finance Corporation, a World Bank affiliate. His career at International Finance Corporation covered 25 years.

Mr. Yeung Kun Wah, David (54) was appointed as an Alternate Director to Mr. Wilfried Ernst Kaffenberger in January 2003. Mr. Yeung is the Managing Director of AIG Global Investment Group. He is responsible for AIG’s infrastructure investments in Asia, Latin America, Emerging Europe and Africa. He represents AIG on five AIG-sponsored infrastructure funds with total committed funds of US\$4.7 billion. In addition, Mr. Yeung sits on the Investment Committees of other AIG sponsored global and regional direct investment funds and on the board of various companies in AIG’s investment portfolio. Mr. Yeung is a U.S. Certified Public Accountant and a Canadian Chartered Accountant.

Mr. To Hin Tsun, Gerald (54) was appointed as an Independent Non-executive Director in May 1998 and became a Non-executive Director in August 2002. Mr. To has been a practising solicitor in Hong Kong since 1975. He is also a qualified solicitor in the United Kingdom as well as an advocate and a solicitor in Singapore. He is currently the senior and managing partner of Messrs. T. S. Tong & Co., Solicitors and Notaries. Mr. To is also a Non-executive Director of New World Cyberbase Limited, Tai Fook Securities Group Limited, Asia Logistics Technologies Limited and The Kwong Sang Hong International Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited.

Independent Non-executive Director:

Mr. Kwong Che Keung, Gordon (54) was appointed as an Independent Non-executive Director in October 2002. He is a Non-executive Director of COSCO Pacific Limited and COSCO International Holdings Limited and also independent non-executive director of a number of Hong Kong listed companies. Mr. Kwong graduated from the University of Hong Kong in 1972, qualifying as a chartered accountant in England in 1977 and was a Partner of PricewaterhouseCoopers from 1984 to 1998. He had served as a part-time panel member of the Hong Kong Government's Central Policy Unit from 1993 to 1995 and was an independent member of the Council of The Stock Exchange of Hong Kong Limited from 1992 to 1997, during which, he had acted as convener of both the Compliance Committee and the Listing Committee. He was a member of the Panel of Inquiry appointed by the Financial Secretary on the Penny Stocks Incident in 2002.

Mr. Cheng Wai Chee, Christopher (55) was appointed as an Independent Non-executive Director in January 2003. He is the Chairman of USI Holdings Limited and Winsor Properties Holdings Limited, and Director of New World China Land Limited, DBS Bank (Hong Kong) Limited and PICC Property and Casualty Company Limited. In the public service sector, he is the Chairman of the Standing Committee on Judicial Salaries and Conditions of Service, a member of the Exchange Fund Advisory Committee of the Government of the HKSAR, Non-executive Director of the Securities and Futures Commission as well as a steward of the Hong Kong Jockey Club. Mr. Cheng also serves on the Hong Kong Trade Development Council, Court of the Hong Kong University of Science and Technology and Council of the University of Hong Kong. He is a former Chairman of the Hong Kong General Chamber of Commerce and a member of the Public Service Commission.

Mr. Dominic Lai (57) was appointed as an Independent Non-executive Director in August 2002. Mr. Lai is a practising solicitor in Hong Kong and is also admitted in England and Wales, the Republic of Singapore, the States of New South Wales and Victoria, Australia. Mr. Lai is a senior partner of the Hong Kong law firm, Iu, Lai & Li and has been in practice for more than 30 years. He is also non-executive director of several other public companies listed on The Stock Exchange of Hong Kong Limited.

SUBSTANTIAL SHAREHOLDERS', DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

Substantial Shareholders' Interests

As at 16 April 2004, so far as are known to the directors of the Guarantor, the following parties were recorded in the register kept by the Guarantor under section 336 of the Securities & Futures Ordinance (Cap. 571 of the Laws of Hong Kong (the "SFO")) as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Guarantor:

Name	Number of Shares			Approximate percentage of the issued share capital of the Guarantor
	Beneficial interests	Corporate interests	Total	
CTF	59,831,893	969,779,643 ⁽¹⁾	1,029,611,536	57.46%
NWD.	664,587,141	305,192,502 ⁽²⁾	969,779,643	54.12%
Mombasa Limited ("Mombasa")	303,221,591	—	303,221,591	16.92%

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.
- (2) NWD indirectly holds 100% interest in Mombasa and is accordingly deemed to have an interest in the shares held by Mombasa in the Guarantor. NWD is also deemed to be interested in 1,970,911 shares in the Guarantor which are held by Financial Concepts Investment Limited, a non-wholly owned subsidiary of NWD.
- (3) All the interests stated above represent long positions.

Save as disclosed above, there is no other interest recorded in the register that is required to be kept under section 336 of the SFO as at 16 April 2004.

Directors' and Chief Executive's Interests

As at 16 April 2004, the interests and short positions of the directors and chief executive of the Guarantor in the shares, underlying shares and debentures of the Guarantor and its associated corporations (within the meaning of Part XV of the SFO as recorded in the register kept by the Guarantor pursuant to section 352 of the SFO or as otherwise notified to the Guarantor and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

(a) *Interests in ordinary shares of the Guarantor*

Name	Number of Shares				Approximate percentage of issued share capital of the Guarantor
	Personal interests	Family interests	Corporate interests	Total	
Dr. Cheng Kar Shun, Henry . .	1,000,000	587,000 ⁽¹⁾	—	1,587,000	0.09%
Mr. Doo Wai Hoi, William . .	666,666	—	755,000 ⁽²⁾	1,421,666	0.08%
Mr. Chan Kam Ling	670,657	—	10,254,321 ⁽³⁾	10,924,978	0.61%
Mr. Wong Kwok Kin, Andrew	3,601,681	2,650,051 ⁽¹⁾	—	6,251,732	0.35%
Mr. Lam Wai Hon, Patrick . . .	502,466	—	265,139 ⁽²⁾	767,605	0.04%
Mr. Cheung Chin Cheung . . .	258,700	—	—	258,700	0.01%
Mr. Kwong Che Keung, Gordon	200,000	—	—	200,000	0.01%
Mr. Cheng Chi Pang ⁽⁴⁾	176,759	—	—	176,759	0.01%

Notes:

- (1) The shares are held by the spouse of the relevant director.
- (2) The shares are beneficially owned by a company wholly-owned by the relevant director.
- (3) The shares are beneficially owned by a company of which Mr. Chan Kam Ling owns 50% interest.
- (4) Mr. Cheng Chi Pang is the chief executive of the Guarantor.
- (5) All the interests stated above represent long positions.

(b) Interests in shares of associated corporations of the Guarantor

	Number of shares/amount of registered capital			Total	Approximate percentage of issued/registered capital
	Personal interests	Family interests	Corporate interests		
NWD					
(Ordinary shares of HK\$1.00 each)					
Mr. Chan Kam Ling	135,335	—	—	135,335	0.00%
Mr. Cheung Chin Cheung	60,652	—	—	60,652	0.00%
Mr. Kwong Che Keung, Gordon	30,000	—	—	30,000	0.00%
Mr. Cheng Chi Pang ⁽¹⁾	1,400	—	—	1,400	0.00%
NWTMT					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar Shun, Henry	—	1,000,000 ⁽²⁾	—	1,000,000	0.11%
Mr. Doo Wai Hoi, William	—	—	12,000,000 ⁽³⁾	12,000,000	1.26%
Mr. Chan Kam Ling	6,800	—	—	6,800	0.00%
Mr. Cheung Chin Cheung	100,000	—	—	100,000	0.01%
Mr. Cheng Chi Pang ⁽¹⁾	200	—	—	200	0.00%
New World China Land Limited					
("NWCL")					
(Ordinary shares of HK\$0.10 each)					
Mr. Doo Wai Hoi, William	700,000	—	—	700,000	0.05%
Mr. Chan Kam Ling	100,000	—	—	100,000	0.01%
Fung Seng Estate Development					
(Shanghai) Co., Ltd.					
(Registered capital in US\$)					
Mr. Doo Wai Hoi, William	—	—	3,000,000 ⁽⁴⁾	3,000,000	30.00%
HH Holdings Corporation					
(Ordinary shares of HK\$1.00 each)					
Mr. Chan Kam Ling	15,000	—	—	15,000	2.50%
Master Services Limited					
(Ordinary shares of US\$0.01 each)					
Mr. Chan Kam Ling	16,335	—	—	16,335	1.63%
Mr. Wong Kwok Kin, Andrew	44,915	—	—	44,915	4.49%
Nanjing New World Chang Jiang					
Equipment Co. Ltd.					
(Registered capital in RMB)					
Mr. Doo Wai Hoi, William	—	—	5,357,275 ⁽³⁾	5,357,275	21.18%

	Number of shares/amount of registered capital			Total	Approximate percentage of issued/registered capital
	Personal interests	Family interests	Corporate interests		
Nanjing Xinlidao Property Development Limited					
(Registered capital in HK\$)					
Mr. Doo Wai Hoi, William . . .	—	—	21,000,000 ⁽³⁾	21,000,000	35.00%
Ramada Property Ltd.					
(Ordinary shares of US\$1.00 each)					
Mr. Doo Wai Hoi, William . . .	—	—	200 ⁽³⁾	200	20.00%
Shanghai Juyi Real Estate Development Co., Ltd.					
(Registered capital in US\$)					
Mr. Doo Wai Hoi, William . . .	—	—	105,000,000 ⁽⁴⁾	105,000,000	30.00%
Tai Fook Securities Group Limited					
(Ordinary shares of HK\$0.10 each)					
Mr. Wong Kwok Kin, Andrew	390,000	—	—	390,000	0.07%
Wai Kee Holdings Limited					
(Ordinary shares of HK\$0.10 each)					
Mr. Lam Wai Hon, Patrick . . .	500,000	—	—	500,000	0.06%
Mr. Cheng Chi Pang ⁽¹⁾	500,000	—	—	500,000	0.06%

Notes:

- (1) Mr. Cheng Chi Pang is the chief executive of the Guarantor.
- (2) The shares are held by the spouse of Dr. Cheng Kar Shun, Henry.
- (3) The interests are beneficially owned by companies wholly-owned by Mr. Doo Wai Hoi, William.
- (4) The interests represent the participating interests held by a company wholly-owned by Mr. Doo Wai Hoi, William.
- (5) All the interests stated above represent long positions.

(c) *Interests in underlying shares of the Guarantor — share options*

<u>Name</u>	<u>Date of grant</u>	<u>Number of share options outstanding</u>	<u>Exercisable period</u>	<u>Exercise price per share</u> HK\$
Dr. Cheng Kar Shun, Henry	21 July 2003	2,000,000	(1)	3.725
Mr. Doo Wai Hoi, William	21 July 2003	1,333,334	(1)	3.725
Mr. Chan Kam Ling	21 July 2003	1,333,334	(1)	3.725
Mr. Wong Kwok Kin, Andrew	21 July 2003	933,334	(1)	3.725
Mr. Lam Wai Hon, Patrick	21 July 2003	933,334	(1)	3.725
Mr. Cheung Chin Cheung	11 May 1999	300,000	(2)	6.930
	21 July 2003	400,000	(1)	3.725
Mr. Wilfried Ernst Kaffenberger	21 July 2003	600,000	(1)	3.725
Mr. To Hin Tsun, Gerald	21 July 2003	400,000	(1)	3.725
Mr. Kwong Che Keung, Gordon	21 July 2003	400,000	(1)	3.725
Mr. Cheng Wai Chee, Christopher	21 July 2003	600,000	(1)	3.725
Mr. Dominic Lai	21 July 2003	400,000	(1)	3.725
Mr. Cheng Chi Pang ⁽³⁾	21 July 2003	300,000	(1)	3.725

Notes:

- (1) Divided into 3 tranches exercisable from 21 January 2004, 21 July 2004, 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) Mr. Cheng Chi Pang is the chief executive of the Guarantor.
- (4) All the interests stated above represent long positions.

(d) **Interests in underlying shares in the associated corporations of the Guarantor — share options**

(i) **NWTMT**

Under a share option scheme of NWTMT, a fellow subsidiary company of the Guarantor, the following director of the Guarantor, who is also director of NWTMT, has a personal interest in options to subscribe for shares in NWTMT which has been granted to him as follows:

<u>Name</u>	<u>Date of grant</u>	<u>Number of share options outstanding with exercise price per share of</u>	
		<u>HK\$10.20⁽¹⁾</u>	<u>HK\$12.00⁽²⁾</u>
Dr. Cheng Kar Shun, Henry	2 December 1998	600,000	2,400,000

Notes:

- (1) Exercisable from 1 July 1999 to 1 June 2004.
- (2) Divided into 3 tranches exercisable from 1 July 2000, 1 July 2001 and 1 July 2002, respectively to 1 June 2004.
- (3) The interest stated above represents a long position.

(ii) **NWCL**

Under a share option scheme of NWCL, a fellow subsidiary company of the Guarantor, the following directors of the Guarantor, who are also directors of NWCL, have personal interests in options to subscribe for shares in NWCL which have been granted to them as follows:

<u>Name</u>	<u>Date of grant</u>	<u>Exercisable period</u>	<u>Number of share options outstanding with exercise price per share of</u>
			<u>HK\$1.955</u>
Dr. Cheng Kar Shun, Henry	7 February 2001	8 March 2001 to 7 March 2006 ⁽¹⁾	5,000,000
Mr. Doo Wai Hoi, William	8 February 2001	9 March 2002 to 8 March 2006 ⁽²⁾	2,800,000
Mr. Chan Kam Ling	9 February 2001	10 March 2002 to 9 March 2006 ⁽²⁾	400,000

Notes:

- (1) 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 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 years.
- (2) 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.
- (3) All the interests stated above represent long positions.

(e) *Interests in debentures of the associated corporations of the Guarantor*

The following director of the Guarantor has interests in the debentures issued by New World Capital Finance Limited, a fellow subsidiary company of the Guarantor, as follows:

Name	Amount of debentures			Percentage to the total debentures in issue as at 31.12.03
	Interests as founder of discretionary trust ⁽¹⁾	Family interests ⁽²⁾	Total	
	US\$	US\$	US\$	
Mr. Cheng Wai Chee, Christopher	10,500,000	200,000	10,700,000	3.06%

Notes:

- (1) The debentures are convertible into 3,308,087 shares of HK\$1 each of NWD, representing 0.096% of its issued share capital as at 16 April 2004, for the period from 9 August 1999 to 9 May 2004.
- (2) The debentures are convertible into 63,010 shares of HK\$1 each of NWD, representing 0.002% of its issued share capital as at 16 April 2004, for the period from 9 August 1999 to 9 May 2004. The interests are held by the spouse of Mr. Cheng Wai Chee, Christopher.
- (3) All the interests stated above represent long positions.

Save as disclosed above, none of the directors or chief executive of the Guarantor had or were deemed under the SFO, to have any interest or short position in the shares, underlying shares or debentures of the Guarantor or any associated corporations (within the meaning of Part XV of the SFO) as at 16 April 2004.

DESCRIPTION OF THE SHARES

Set out below is certain information concerning the Shares and a summary of certain provisions of the Guarantor's Bye-laws (the "Bye-laws") and certain other information concerning the Guarantor. Such summary does not purport to be complete and is qualified in its entirety by reference to the full Bye-laws.

General Meetings and Voting Rights

The Guarantor shall in each year hold a general meeting as its annual general meeting in addition to any other meeting in that year and shall specify the meeting as such in the notice calling it, and not more than fifteen months shall elapse between the date of one annual general meeting of the Guarantor and that of the next. All general meetings may be held in any part of the world as may be determined by the board of directors of the Guarantor (the "Board"). The Board may, whenever it thinks fit, convene a special general meeting, and members holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Guarantor carrying the right of voting at general meetings have the right, by written requisition to the Guarantor to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

Subject to any special rights, privileges, or restrictions as to voting for the time being attached to any Shares, at any general meeting on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a representative duly authorised under Section 78 of the Companies Act or by proxy shall have one vote, and on a poll every member present in person, or (being a corporation) by duly authorised representative, or by proxy shall have one vote for every Share of which he is the holder which is fully paid up or credited as paid up (but so that no amount paid up or credited as paid up on a Share in advance of calls or instalments shall be treated for the purposes of the Bye-laws as paid up on the Share). On a poll a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way. Where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) duly demanded.

Directors

The number of directors shall not be less than two.

The Guarantor in general meeting may by ordinary resolution or the Board from time to time and at any time shall have power to appoint any person as a director either to fill a casual vacancy or, subject to authorisation by the members in general meeting, as an addition to the existing Board but so that the number of directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any director so appointed shall hold office only until the next following annual general meeting of the Guarantor and shall then be eligible for re-election.

The Guarantor may by special resolution remove any director before the expiration of his period of office notwithstanding anything in the Bye-laws or in any agreement between the Guarantor and such director (but without prejudice to any claim which such director may have for damages for any breach of any contract of service between him and the Guarantor) provided that notice of any such meeting convened for the purpose of removing a director shall contain a statement of the intention so to do and be served on such director fourteen days before the meeting and at such meeting such director shall be entitled to be heard on the motion for his removal. A vacancy on the Board created by the removal of a director may be filled by the election or appoint by the members at the meeting at which such director is removed to hold office.

No director or intended director shall be disqualified by his office from contracting with the Guarantor, either as vendor, purchaser or otherwise nor shall any such contract or any other contract or arrangement entered into by or on behalf of the Guarantor with any person, company or partnership of or in which any director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any director so contracting or being such member or so interested be liable to account to the Guarantor for any profit realised by any such contract or arrangement by reason only of such director holding that office or the fiduciary relationship thereby established, provided that such director shall disclose the nature of his interest in any contract or arrangement in which he is interested at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested.

A director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (i) any contract or arrangement for giving to such director of any security or indemnity to the director in respect of money lent by him or obligations incurred or undertaken by him at the request of or for the benefit of the Guarantor or its subsidiaries;
- (ii) any contract or arrangement for the giving by us of any security or indemnity to a third party in respect of a debt or obligation of the Guarantor or its subsidiaries for which the director has himself assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any contract or arrangement concerning an offer of Shares or debentures or other securities of or by the Guarantor or any other company which the Guarantor may promote or be interested in for subscription or purchase, where the director is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any contract or arrangement in which the director is interested in the same manner as other holders of our Shares or debentures or other securities or those of any of our subsidiaries by virtue only of his interest in Shares or debentures or other securities of the Guarantor;
- (v) any contract or arrangement concerning any other company in which the director is interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the director together with any of his associates is beneficially interested in 5 percent. or more of the issued Shares or of the voting rights of any class of Shares of such company (or of any third company through which his interest is derived); or
- (vi) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to directors and our employees or those of any of our subsidiaries and does not provide in respect of any director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

Alteration of Capital

The Guarantor may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

- (i) increase its capital by such sum, to be divided into Shares of such amounts as the resolution shall prescribe;

- (ii) consolidate and divide all or any of its capital into Shares of larger amount than its existing Shares;
- (iii) divide its Shares into several classes and without prejudice to any special rights previously conferred on the holders of existing Shares as the Directors may determine;
- (iv) sub-divide its Shares or any of them into Shares of smaller amount than is fixed by the Memorandum of Association;
- (v) change the currency denomination of its share capital;
- (vi) make provision for the issue and allotment of Shares which do not carry any voting rights; and
- (vii) cancel any Shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the Shares so cancelled.

The Guarantor may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, any share premium account (save that the Guarantor may always use the share premium in its share premium account in the manner as expressly permitted by the Companies Act 1981 of Bermuda (the “Companies Act”) without the need to seek the approval of the members) or other undistributable reserve.

Variation of Rights of Existing Shares or Classes of Shares

If at any time the capital is divided into different classes of Shares, all or any of the special rights attached to any class (unless otherwise provided for by the terms of issue of the Shares of that class) may, subject to the provisions of the Statutes, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued Shares of that class, and at an adjourned meeting two persons holding or representing by proxy Shares of that class, and that any holder of Shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any Shares or class of Shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such Shares, be deemed to be altered by the creation or issue of further Shares ranking *pari passu* therewith.

Transfer of Shares

Subject to the Bye-laws, all transfers of Shares may be effected by transfer in writing in the usual or common form or in such other form prescribed by the Hong Kong Stock Exchange or in any other form approved by the Board and may be under hand or by mechanically imprinted signature or such other manner as the Board may from time to time approve.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. Nothing in the Bye-laws shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any Share by the allottee in favour of some other person.

The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any Share which is not fully paid up to a person of whom it does not approve, or any Share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any Share to more than four joint holders or any transfer of any Share (not being a fully paid up Share) on which the Guarantor has a lien.

Power for the Guarantor to Purchase its Own Shares

Subject to the provisions of the Companies Act and where applicable, the rules or regulations issued by the Hong Kong Stock Exchange or the Securities and Futures Commission of Hong Kong, the power of the Guarantor to purchase or otherwise acquire its own securities, including Shares and warrants, shall be exercisable by the Board upon such terms and conditions as it thinks fit. Under the Listing Rules and the Code on Share Repurchases published by the Securities and Futures Commission of Hong Kong, restrictions are imposed on the purchase by a listed company of its own shares, including a requirement for advance approval (either by way of a general mandate or by specific approval in relation to a particular transaction) by the shareholders in general meeting, limitations on purchases in the market over a particular period and reporting requirements. At the general meeting of the Guarantor held on 28 November 2003, the directors were given a mandate authorising the directors to repurchase the Shares of the Guarantor listed on the Hong Kong Stock Exchange or any other stock exchange on which the Shares may be listed and recognised by the Hong Kong Stock Exchange and the Securities and Futures Commission of Hong Kong for that purpose. The aggregate nominal amount of the Shares to be repurchased shall not exceed 10% of the aggregate nominal amount of the share capital of the Guarantor in issue as at the date of the general meeting passing the mandate. The mandate is effective until the earlier of (i) the conclusion of the next annual general meeting of the Guarantor, (ii) the expiration of the period within which the next annual general meeting of the Guarantor is required by the Bye-laws or the Companies Act (as amended) to be held, and (iii) the date on which such mandate is revoked or varied by an ordinary resolution of the shareholders of the Guarantor in general meeting.

Dividends and other Methods of Distributions

The Guarantor in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board. The Guarantor in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Guarantor unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

The Board may from time to time pay to the members such interim dividends as appear to the Board to be justified by the profits of the Guarantor. The Board may also pay any fixed dividend which is payable on any Shares half-yearly or on any other dates, whenever such profits, in the opinion of the Board, justify such payment.

Whenever the Board or the Guarantor in general meeting have resolved that a dividend or other distribution be paid, made or declared, the Board may further resolve that such dividend or other distribution be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up Shares, debentures or warrants to subscribe securities of the Guarantor or any other company, or in any one or more of such ways, and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may issue fractional certificates, disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend and such appointment shall be effective. The Board may resolve that no such assets shall be made available to shareholders with registered

addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable and in such event the only entitlement of the shareholders aforesaid shall be to receive cash payments as aforesaid. Shareholders affected as a result of the foregoing sentence shall not be or be deemed to be, a separate class of shareholders for any purpose whatsoever.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Guarantor until claimed and the Guarantor shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Guarantor.

The Shares are in registered form. The Guarantor's branch share registrars in Hong Kong is Standard Registrars Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong and it currently acts as the Guarantor's paying agent in respect of the payment of dividend.

Pre-emptive Rights

Subject to any special rights conferred on the holders of any Shares or class of Shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Guarantor may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Subject to the Companies Act, any preference Shares may be issued or converted into Shares that are liable to be redeemed, at a determinable date or at the option of the Guarantor or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Guarantor before the issue or conversion may by ordinary resolution determine. The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of Shares or securities in the capital of the Guarantor on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Guarantor in general meeting and, where applicable, the rules of the Hong Kong Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any Shares or any class of Shares, all unissued Shares in the Guarantor shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no Shares shall be issued at a discount.

Neither the Guarantor nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of Shares, to make, or make available, any such allotment, offer, option or Shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

The listing agreement entered into by the Guarantor and the Hong Kong Stock Exchange prohibits the issue of new shares, securities convertible into new shares or warrants or options to subscribe for new shares or such convertible securities, other than to existing shareholders of the listed company in proportion to their existing shareholdings. This restriction does not apply in any case where (a) shareholders of the listed company in general meeting have specifically approved a particular issue of new shares or such other convertible securities, or (b) the issue of new shares is made pursuant to a general mandate given by the shareholders in general meeting to the directors to issue and allot securities not exceeding 20% of the existing issued share capital of the listed company as at the date of the granting of such general mandate (provided that such issue does not effectively alter the control of the listed company). At the annual general meeting of the Guarantor held on 28 November 2003, the directors were given a general mandate to allot,

issue and deal with additional Shares of the Guarantor and to make or grant offers, agreements or options which would or might require the allotment of new Shares. The aggregate nominal amount of new Shares which may be allotted or issued or agreed to be allotted by the directors pursuant to the mandate, otherwise than in respect of any scrip dividends or similar arrangement or on the exercise of subscription or conversion rights under the terms of any securities which are convertible into Shares or pursuant to a rights issue or pursuant to any share option scheme or similar arrangement adopted by the Guarantor, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Guarantor as at the date of the general meeting plus the aggregate nominal amount of Shares repurchased by the Guarantor pursuant to the repurchase mandate referred to in the paragraph headed “Power for the Guarantor to Purchase its Own Shares” above. The mandate is effective until the earlier of (i) the conclusion of the next annual general meeting of the Guarantor, (ii) the expiration of the period within which the next annual general meeting of the Guarantor is required by the Bye-laws or the Companies Act (as amended) to be held, and (iii) the date on which such mandate is revoked or varied by an ordinary resolution of the shareholders of the Guarantor in general meeting.

Procedure on Liquidation

If the Guarantor shall be wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the Shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the Shares held by them respectively, but all subject to the rights of any Shares which may be issued on special terms or conditions.

Register of Members

In relation to the Shares, the principal share registrars is Butterfield Fund Services (Bermuda) Limited and the principal register of members is kept at Butterfield Fund Services (Bermuda) Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda. The branch share registrars in Hong Kong is Standard Registrars Limited and the branch register of members in Hong Kong is kept at Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

Share Capital

The authorised share capital of the Guarantor is HK\$2,400,000,000 divided into 2,400,000,000 Shares of HK\$1.00 each and the issued share capital of the Guarantor as at 16 April 2004 is HK\$1,791,904,663 divided into 1,791,904,663 Shares of HK\$1.00 each.

MARKET PRICE

The Shares have been listed on the Hong Kong Stock Exchange since 25 April 1997. The table below sets out the closing prices and the trading volume of the Shares on the Hong Kong Stock Exchange for the periods indicated:

	Closing Share Price			Total Trading
	High	Low	End of Period	Volume of Shares
	HK\$	HK\$	HK\$	
2000				
First Quarter	10.200	6.000	6.800	10,190,480
Second Quarter	6.900	4.700	6.000	12,039,900
Third Quarter	6.500	4.900	5.100	3,244,400
Fourth Quarter	5.400	3.850	4.100	1,212,800
2001				
First Quarter	5.100	3.750	3.900	3,342,000
Second Quarter	5.500	3.500	5.200	7,450,420
Third Quarter	5.200	2.950	3.000	1,511,100
Fourth Quarter	5.100	2.950	4.600	21,625,500
2002				
First Quarter	4.650	3.850	4.300	3,758,600
Second Quarter	5.000	3.950	4.650	7,617,000
Third Quarter	4.750	3.650	4.100	1,874,000
Fourth Quarter	5.900	3.200	3.400	28,409,600
2003				
First Quarter	3.850	1.500	2.300	80,398,710
Second Quarter	3.925	1.800	3.900	103,980,019
Third Quarter	6.300	3.575	6.300	71,628,594
Fourth Quarter	8.150	6.400	7.100	52,995,075
2004				
January	7.350	6.450	6.850	20,529,488
February	8.350	6.750	8.250	26,704,917
March	11.000	8.250	10.300	38,877,279
April (through 19 April 2004).	11.150	9.300	10.350	9,663,296

Source: Bloomberg

DIVIDENDS

Subject to the Companies Act 1981 of Bermuda (the “Companies Act”) and the Bye-laws of the Guarantor, the Guarantor in general meeting may declare dividends but no dividends shall exceed the amount recommended by the Board of Directors of the Guarantor. No dividend shall be declared or paid and no distribution of contributed surplus shall be made otherwise than in accordance with the Companies Act, other applicable laws and the Bye-laws of the Guarantor. The Board may subject to the Bye-laws from time to time pay to the members such interim dividends as appear to the Board of the Guarantor to be justified by the profits of the Guarantor.

The table below sets out certain statistics on dividends paid on Shares in respect of the periods indicated:

	<u>Interim</u>	<u>Final</u>	<u>Total</u>	<u>Interim</u>	<u>Final</u>	<u>Total Dividend</u>	
	<u>Dividend</u>	<u>Dividend</u>	<u>Dividend</u>	<u>Dividend</u>	<u>Dividend</u>	<u>HK\$ million</u>	<u>US\$ million</u>
	<u>per Share</u>	<u>per Share</u>	<u>per Share</u>	<u>HK\$ million</u>	<u>HK\$ million</u>	<u>HK\$ million</u>	<u>US\$ million</u>
Year ended 30 June							
2002	HK\$0.2	—	HK\$0.2	41.2	—	41.2	5.3
2003	—	HK\$0.2	HK\$0.2	—	356.2	356.2	45.9
Six months ended							
31 December							
2003	HK\$0.15	N/A	HK\$0.15	268.8	N/A	268.8	34.6

EXCHANGE RATES

The market exchange rate of the HK dollar against the US dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate which applies to the issue of Hong Kong currency in the form of banknotes, the market exchange rate has not deviated significantly from the level of HK\$7.80 to US\$1.00. Exchange rates between the HK dollar and other currencies are influenced by the linked rate between the US dollar and the HK dollar.

The following table sets forth, for each of the years indicated, the low, average, high and period-end noon buying rates in New York City for cable transfers, in HK dollars per US dollar, derived from Datastream:

Year	Noon Buying Rate			
	Low	Average	High	Period End
	(HK\$ per US\$)			
2001				
First Quarter	7.7990	7.7998	7.8003	7.8003
Second Quarter	7.7983	7.7996	7.8003	7.8000
Third Quarter	7.7984	7.7998	7.8003	7.7996
Fourth Quarter	7.7970	7.7995	7.8004	7.7980
2002				
First Quarter	7.7970	7.7994	7.8000	7.8000
Second Quarter	7.7990	7.7998	7.8095	7.8000
Third Quarter	7.7996	7.8002	7.8080	7.7998
Fourth Quarter	7.7980	7.7992	7.8000	7.7988
2003				
First Quarter	7.7987	7.7994	7.8001	7.7995
Second Quarter	7.7980	7.7992	7.7998	7.7984
Third Quarter	7.7444	7.7944	7.7999	7.7445
Fourth Quarter	7.7085	7.7565	7.7692	7.7640
2004				
January	7.7632	7.7663	7.7775	7.7775
February	7.7686	7.7748	7.9845	7.7845
March	7.7842	7.7930	7.7980	7.7930
April (through 19 April 2004).	7.7870	7.7951	7.7994	7.7994

Source: Federal Reserve Statistical Release, Board of Governors of the Federal Reserve System

The Noon buying rate quoted by the Federal Reserve Bank of New York on 31 December 2003 for selling HK dollars against US dollars was HK\$7.7640 = US\$1.00.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposal of Bonds and Shares is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this Offering Memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds or Shares and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Bonds and Shares.

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

Bermuda

Tax

As at the date of this Offering Memorandum, there are no taxes on profits, income or dividends, nor is there any capital gain tax, estate duty or death duty in Bermuda. There is no income or other tax of Bermuda imposed by withholding or otherwise on any payment to be made to or by the Guarantor to the Shares. Furthermore, the Guarantor has received from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act of 1966, an assurance that, in the event that Bermuda enacts any legislation imposing any tax computed on profits or income or computed on any capital assets, gain or appreciation, or any tax in the nature of an estate, duty or inheritance tax, the imposition of such tax shall not be applicable to the Guarantor or any of its operations, nor to the Shares, debentures or other obligations of the Guarantor, until 28 March 2016. This assurance does not however prevent the imposition of any such tax or duty on such persons as are ordinarily resident in Bermuda or any tax payable in accordance with the provisions of the Land Tax Act, 1967 or otherwise on land in Bermuda leased or let to the Guarantor.

Annual Government Fee

As an exempted company, the Guarantor is liable to pay to the Bermuda government an annual government fee calculated on a sliding-scale basis by reference to its assessable capital, that is, its authorised capital in addition to any share premium as at 31 August of the preceding year. On the basis that the Guarantor's assessable capital exceeds US\$500,000,001 or more, the Guarantor is required to pay the government fee at an annual rate of US\$27,825.

Stamp Duty

An exempted company is exempted from all stamp duties except on transactions involving "Bermuda property". This term relates, essentially to real and personal property physically situated in Bermuda, including shares in local (as opposed to exempted) companies. Neither the Guarantor nor the shareholders or holders of the Bonds, as the case may be, (other than shareholders or holders of the Bonds ordinarily resident in Bermuda) are subject to stamp duty or other similar duty on the issue or transfer of Shares or in relation to the Bonds (including the transfer and conversion thereof).

British Virgin Islands

As of the date of this Offering Memorandum, the Issuer is exempt from all provisions of the Income Tax Act of the British Virgin Islands, including with respect to all dividends, interests, rents, royalties, compensation and other amounts payable by the Issuer to persons who are not persons resident in the British Virgin Islands. Capital gains realised with respect to any shares, Bonds, debt obligations or other securities of the Issuer by persons who are not persons resident in the British Virgin Islands are also exempt from all

provisions of the Income Tax Act of the British Virgin Islands. No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to any shares, Bonds, debt obligations or other securities of the Issuer. There is no income or other tax of the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the Issuer to the Bonds.

Hong Kong

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal (including Early Redemption Amounts) or interest (if any) in respect of the Bonds.

No tax is payable in Hong Kong by withholding or otherwise in respect of payments of dividends on the Shares.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “Inland Revenue Ordinance”) as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal, conversion or redemption of the Bonds where such sale, disposal, conversion or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest (if any) on the Bonds will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- (a) a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (b) a corporation carrying on a trade, profession or business in Hong Kong; or
- (c) a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Shares where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue, transfer (for so long as the register of holders of the Bonds is maintained outside Hong Kong) or conversion of a Bond.

No Hong Kong stamp duty will be chargeable upon the issue of the Shares. Hong Kong stamp duty is however payable on any purchase and sale of Shares for as long as the transfer thereof is required to be registered in Hong Kong. The duty is charged on each of the purchaser and the seller at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares bought and sold. Accordingly, a total of 0.2% is currently payable on a typical sale and purchase transaction of Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5. Where a sale or purchase of Shares registered on the Hong Kong branch share register of the Guarantor is effected by a

person who is not resident in Hong Kong and any stamp duty payable thereon is not paid, the relevant instrument of transfer (if any) is chargeable with such duty in default and the transferee is liable to pay such duty.

Proposed EU Directive on the Taxation of Savings Income

The Council of the European Union has adopted a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required from 1 January 2005 to provide to the tax authorities of other Member States details of payments of interest (or other similar income) paid by a person within its jurisdiction to or for the benefit of an individual resident in that other Member State, except that Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period in relation to such payments unless during such period they elect otherwise.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with MSI on 29 March 2004 (the "Subscription Agreement"), pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to MSI, and MSI has agreed to subscribe or procure subscribers for, the aggregate principal amount of the Bonds. The Issuer has agreed to pay to MSI a management and underwriting commission of 1.75% of the principal amount of the Bonds.

Each of the Issuer and the Guarantor has agreed in the Subscription Agreement with MSI that neither the Issuer nor the Guarantor nor any of their respective subsidiaries nor any person acting on any of their respective behalves shall, without the prior written consent of MSI (such consent not to be unreasonably withheld), allot, issue, offer to allot or issue, pledge, sell, contract to sell, sell any contract to purchase, purchase any option to sell, grant any option, right or warrant to subscribe, otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) or deposit in any depository receipt facility, securities of the same class as the Bonds or the Shares or any securities which are convertible into or exercisable or exchangeable for or otherwise carrying rights to acquire or subscribe for securities of the same class as the Bonds or the Shares or enter into any agreement or arrangement whereby any such securities or interests may be issued for a period commencing from the date of the Subscription Agreement to 90 days from the Closing Date (the "Restricted Period") or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares or Bonds, whether any such transaction above is to be settled by delivery of Shares, Bonds or such other securities, in cash or otherwise, during the Restricted Period, otherwise than pursuant to the conversion of the Bonds or the granting of any option, or the exercise of any such option granted or to be granted, under the existing share option scheme of the Guarantor.

NWD has undertaken and agreed that (i) it will not, and (ii) it will procure that its subsidiaries will not, without the prior written consent of MSI (such consent not to be unreasonably withheld), during the Restricted Period, pledge, sell, contract to sell, sell any contract to purchase, purchase any option to sell, grant any option, right or warrant to subscribe, otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any securities which are convertible into or exercisable or exchangeable for or otherwise carrying rights to acquire the Shares or enter into any agreement or arrangement whereby any such securities or interests may be issued during the Restricted Period or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares, during the Restricted Period or publicly announce any sale or disposal of any Shares.

The Subscription Agreement provides that the Issuer and the Guarantor will indemnify MSI against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of MSI are subject to certain conditions precedent, and entitles MSI to terminate it in certain circumstances prior to payment being made to the Issuer.

The distribution of this Offering Memorandum or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Memorandum or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Memorandum may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

MSI and certain of its subsidiaries or affiliates have performed certain investment banking and advisory services for the Guarantor and/or its subsidiaries and affiliates from time to time for which they have received customary fees and expenses. MSI may, from time to time, engage in transactions with and perform services for the Guarantor and/or its subsidiaries and affiliates in the ordinary course of their business.

MSI or its affiliates may purchase the Bonds for its own account and enter into transactions, including (i) credit derivatives including asset swaps, repackaging and credit default swaps relating to the Bonds and/or the Guarantor's securities or (ii) equity derivatives and stock loan transactions relating to the Shares at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counter-parties and separately from any existing sale or resale of the Bonds to which this Offering Memorandum relates (notwithstanding that such selected counter-parties may also be purchasers of the Bond).

MSI may create a short position in the Bonds in connection with this offering. If MSI creates a short position in the Bonds in connection with this offering (i.e. if it sells a greater principal amount of Bonds than the principal amount of Bonds set forth on the cover page of this Offering Memorandum), MSI may reduce that short position by purchasing Bonds in the open market.

In connection with this offering, to the extent permitted by, and in accordance with, applicable laws and regulations, MSI may over allot or effect transactions with a view to supporting the market price of the Bonds at levels which might not otherwise prevail for a limited period. However, there is no obligation on MSI to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

No action has been or will be taken that would, or is intended to, permit a public offering of the Bonds, or the possession or distribution of this Offering Memorandum or any amendment or supplement thereto or any offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

Accordingly, the Bonds should not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material, circular, prospectus, form of application or advertisement in connection with the Bonds should be distributed or published in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on the Issuer, the Guarantor or MSI.

United States

The Bonds, the Guarantee and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act, and subject to certain exceptions, may not be offered or sold within the United States.

The Bonds are being offered and sold outside of the United States in reliance on Regulation S. MSI has represented, warranted and agreed that it has not offered or sold and will not offer or sell, any Bonds within the United States except in accordance with Regulation S; accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts (as such term is defined in Regulation S) with respect to the Bonds or any Shares; and neither it nor any person acting on its behalf has made or will make offers or sales of the Bonds in the United States by any form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act) in the United States.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of Bonds or Shares to be issued upon conversion of the Bonds within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

MSI has represented, warranted and agreed that:

- (i) it has not offered or sold and, prior to the expiry of a period of six months from the issue date of the Bonds, will not offer or sell any Bonds to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (ii) has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (“FSMA”)) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

MSI has represented, warranted and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent) or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) and (ii) it has not issued or had in its possession for the purpose of issue, and will not issue or have in its possession for the purpose of issue, any advertisement, invitation or document, whether in Hong Kong or elsewhere, which is or contains an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite the Bonds (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder.

Singapore

MSI acknowledges that this Offering Memorandum will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, MSI has represented and agreed that it has not offered or sold and will not offer or sell the Bonds, nor will it circulate or distribute this Offering Memorandum or any other offering document or material relating to the Bonds, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act 2001 of Singapore (the “SFA”), (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Bermuda

MSI has represented, warranted and agreed that it has not offered or sold and will not offer or sell (i) in Bermuda, by means of any document, any Bonds or Shares to be issued upon conversion of the Bonds and (ii) any Bonds or Shares to be issued upon conversion of the Bonds to any person, firm or company regarded as a resident of Bermuda for exchange control purposes.

British Virgin Islands

MSI has represented, warranted and agreed that it has not offered or sold and will not offer or sell the Bonds to the public in the British Virgin Islands other than to international business companies incorporated under The International Business Companies Act of the British Virgin Islands.

CLEARANCE AND SETTLEMENT

Custodial and depositary links have been established with Euroclear and Clearstream to facilitate the initial issue of the Bonds and transfers of the Bonds associated with secondary market trading.

The Clearing Systems

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry of changes in the accounts of their participants. Euroclear and Clearstream provide their respective participants with, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Bonds held through Euroclear or Clearstream will be credited, to the extent received by the Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

Registration and Form

Book-entry interests in the Bonds held through Euroclear and Clearstream will be evidenced by the Global Certificate, registered in the name of a nominee of the common depositary of Euroclear and Clearstream. The Global Certificate will be held by a common depositary for Euroclear and Clearstream. Beneficial ownership in Bonds will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream.

The aggregate holdings of book-entry interests in the Bonds in Euroclear and Clearstream will be reflected in the book-entry accounts of each such institution. Euroclear and Clearstream as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Bonds, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interest in the Bonds. The Paying Agent will be responsible for ensuring that payments received by it from the Issuer or the Guarantor (as the case may be) for holders of interests in the Bonds holding through Euroclear and Clearstream are credited to Euroclear or Clearstream, as the case may be.

The Issuer does not intend to impose any fees in respect of the Bonds, however, holders of book-entry interests in the Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

Global Clearance and Settlement Procedures

Initial Settlement

Interests in the Bonds will be in uncertificated book-entry form. Purchasers electing to hold book-entry interests in the Bonds through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional eurobonds. Book-entry interests in the Bonds will be credited to

Euroclear participant securities clearance accounts on the business day following the Closing Date against payment (for value on the Closing Date), and to Clearstream participant securities custody accounts on the Closing Date against payment in same day funds.

Secondary Market Trading

Secondary market sales of book-entry interests in the Bonds held through Euroclear or Clearstream to purchasers of book-entry interests in the Bonds through Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream and will be settled using the procedures applicable to conventional participants.

General

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the transfers of interests in the Bonds among participants of Euroclear and Clearstream, none of Euroclear or Clearstream is under any obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

None of the Issuer, the Guarantor or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations.

GENERAL INFORMATION

- 1. Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 18994267. The International Securities Identification Number for the Bonds is XS0189942674.
- 2. Listing of Shares:** Application has been made to the Hong Kong Stock Exchange for the listing of and permission to deal in the Shares arising on conversion of the Bonds.
- 3. Listing of Bonds:** Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds. The listing of the Bonds on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. It is expected that dealing in, and listing of, the Bonds on the Hong Kong Stock Exchange will commence on 27 April 2004. Listing of the Bonds on the Hong Kong Stock Exchange is conditional upon satisfaction of the requirements of that exchange, including execution of the Trust Deed and the Agency Agreement.
- 4. Authorisations:** The Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds and the Guarantee respectively. The issue of the Bonds was authorised by a resolution of the Board of Directors of the Issuer passed on 29 March 2004 and the giving of the Guarantee in respect of the Bonds was authorised by resolutions of the Executive Committee of the Board of Directors of the Guarantor passed at an Executive Committee meeting held on 29 March 2004.
- 5. No Material Adverse Change:** Except as disclosed in this Offering Memorandum there has been no material adverse change in the financial or trading position of the Guarantor and the Group since 30 June 2003. Except as disclosed in this Offering Memorandum, there has been no material adverse change in the financial or trading position of the Issuer since its incorporation.
- 6. Litigation:** Neither the Issuer nor the Guarantor or any member of the Group is involved in any litigation or arbitration proceedings which may have, or have had during the 12 months preceding the date of this Offering Memorandum, a significant adverse effect on the financial position of the Issuer or the Group nor is the Issuer or the Guarantor aware that any such proceedings are pending or threatened.
- 7. Available Documents:** Copies of the annual reports of the Guarantor for the years ended 30 June 2002 and 2003 and the interim reports of the Guarantor for the six-month periods ended 31 December 2002 and 2003 may be obtained free of charge, and copies of the Trust Deed and the Agency Agreement will be available for inspection from the Closing Date, at the specified office of the Guarantor at 17th Floor, New World Tower 2, 18 Queen's Road Central, Hong Kong during normal business hours, so long as any of the Bonds is outstanding.
- 8. Auditors:** The consolidated financial statements of the Guarantor as at and for the years ended 30 June 2002 and 2003 incorporated by reference in this Offering Memorandum have been audited by PricewaterhouseCoopers, certified public accountants, as stated in their reports appearing therein. The consolidated financial statements of the Guarantor as at and for the six-month periods ended 31 December 2002 and 2003 have not been audited but PricewaterhouseCoopers have conducted a review in accordance with the Hong Kong Statement of Auditing Standards SAS 700 "Engagement to review interim financial report" issued by the Hong Kong Society of Accountants, as stated in their reports appearing therein.

PricewaterhouseCoopers have given and not withdrawn their written consent for the purposes of paragraph 8(2) of Appendix 1 Part C of the Listing Rules to the issue of this Offering Memorandum with references to their audit reports dated 18 October 2002 and 16 October 2003 on the published annual consolidated financial statements of the Guarantor for the years ended 30 June 2002 and 2003, respectively and their independent review report dated 18 March 2004 on the published unaudited consolidated financial statements of the Guarantor for the six months ended 31 December 2003 included therein respectively, and with references to PricewaterhouseCoopers in the form and context in which they appear.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN HK GAAP AND IFRS

The following is a general summary of significant differences between generally accepted accounting principles in Hong Kong (“HK GAAP”) and International Financial Reporting Standards (“IFRS”) as applicable to the Guarantor.

The financial position and the results of the operations of the Guarantor have been prepared in accordance with HK GAAP, which differs in certain respects from IFRS. Certain significant differences between HK GAAP and IFRS relevant to the Guarantor’s financial position and results are summarised below. There can be no assurance that the financial positions and results of operations of the Guarantor reported in accordance with HK GAAP would not be adversely impacted if determined in accordance with IFRS. Such summary should not be construed to be exhaustive.

No numerical reconciliation of the financial results of operations under HK GAAP and IFRS is included in this Offering Memorandum. In addition, no attempt has been made to identify disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in either the Guarantor’s financial positions and results or notes thereto. Further, no attempt has been made to identify future differences between HK GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate HK GAAP and IFRS have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify all future differences between HK GAAP and IFRS that may affect either the Guarantor’s financial positions and results of operations as a result of transactions or events that may occur in the future.

HK GAAP	IFRS
Deferred taxation	
<p>Up to 30 June 2003, deferred taxation was accounted for under HK GAAP at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future.</p> <p>The revised Statement of Standard Accounting Practice (“HK SSAP”) 12 “Income taxes” (“HK SSAP 12 (revised)”) was issued by Hong Kong Society of Accountants (“HKSA”) in August 2002 and became effective for accounting periods beginning on or after 1 January 2003. The accounting treatment of deferred taxation under HK SSAP 12 (revised) is consistent with IAS 12 “Income taxes” and therefore the differences between HK GAAP and IFRS in respect of deferred taxation ceased to exist since 1 January 2003.</p> <p>The Guarantor has adopted HKSSAP 12 (revised) in the financial year commencing 1 July 2003.</p>	<p>Under International Accounting Standard (“IAS”) 12 “Income Taxes”, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.</p>

Leasehold land

Under HK GAAP, enterprises holding a leasehold interest in land from the Government are deemed to have received all the risks and rewards incidental to ownership and therefore such interest should be accounted for in accordance with either HK SSAP 17 “Property, Plant and equipment” or under HK SSAP 13 “Investment properties” as appropriate.

Investment properties

Under HK SSAP 13 “Investment property”, investment properties are stated at annual professional valuations at the balance sheet date. Changes in the value of investment properties are dealt with as movements in the investment properties revaluation reserve. If the total of this reserve is insufficient to cover a deficit on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Investment properties are not depreciated except where the unexpired term of the lease is 20 years or less.

Borrowing costs

Under HK GAAP, borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale is required to be capitalised as part of the cost of that asset.

Under IAS 17 “Leases”, interest in land held under a long-term lease where the title will not be passed to the lessee is treated as an operating lease. A premium paid for the leasehold land represents pre-paid lease payment which is amortised over the lease term in accordance with the pattern of benefits provided.

Under IAS 40 “Investment Properties”, investment properties are carried either at depreciated historical cost or fair value. Where the fair value model is adopted, the investment properties are not subject to depreciation and the gain or loss from a change in fair value is included in the profit and loss account for the period in which it arises. Where the cost model is adopted, investment properties are subject to depreciation and impairment is determined on an individual item basis and is included in the profit and loss account for the period in which it arises.

IAS 40 was revised in December 2003 whereby leasehold land portion of an investment property may be classified as part of an investment property and stated at fair value. Under the original IAS 40, leasehold land portion of an investment property had to be accounted for under IAS 17.

Under benchmark treatment of IAS 23, borrowing costs are recognised as an expense in the period in which they incurred. Capitalisation is allowed as an alternative treatment.

Investments in securities

Under HK GAAP, the Guarantor's investments are classified as non-trading and trading securities. Investments are stated at fair value with the changes in fair value taken to the investments revaluation reserve for non-trading investment whilst changes in fair values of trading investment are recognised in the profit and loss accounts.

Under IAS 39 "Financial Instrument: Recognition and Measurement", debt and equity securities which are bought and held principally with the intention of selling them in the short-term are classified as held for trading securities and are carried at fair value with unrealised gains and losses on change in fair value recorded in the profit and loss account. Equity securities that are held for trading securities are classified as available-for-sale securities and are carried at fair value with unrealised gains and losses arising from changes in the fair value recognised either in the profit and loss account or in equity until they are sold, disposed of or determined to be impaired at which time the cumulative gain or loss previously recognised in equity should be included in the profit and loss account.

Derivative financial instruments and hedging activities

There is no specific standard for accounting for derivative contracts under HK GAAP. The Guarantor enters into interest rate swaps to hedge the impact of foreign currency exposures and fluctuations in interest rates. The Guarantor does not recognise such contracts or embedded derivatives at fair value, nor does it account for the gains or losses relating to the fair value changes in these contracts as this is not required under HK GAAP.

IAS 39 "Financial Instruments: Recognition and Measurement" establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. It requires that an entity recognise all derivatives as either assets or liabilities in the balance sheet initially at cost and subsequently remeasured at their fair value. If certain specified criteria related to designation, documentation and effectiveness are met, a derivative may be accounted for as fair value hedge, cash flow hedge or hedge of a net investment in a foreign entity. Hedge accounting treatment, which is different for each type of hedge, permits the change in fair value of the derivative to be "matched" with the effect of the risk being hedged and are recognised as either in equity or profit and loss account depending on the type of hedging activities. If certain specified criteria are not met, changes in the fair value of the derivative must be recognized through profit and loss account.

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