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新創建集團有限公司*
NWS Holdings Limited

(incorporated in Bermuda with limited liability)

(stock code: 0659)

CONTINUING CONNECTED TRANSACTIONS

In the ordinary course of its business, the Group regularly enters into certain continuing connected transactions with the NWD Group. In April 2003, the Company obtained the Conditional Waiver from strict compliance with the connected transactions requirements under the then Listing Rules and an annual cap as a percentage of the annual turnover of the Group was assigned to each category of continuing connected transactions for each of the three financial years ending 30 June 2005.

It is expected that the transaction values of various categories of continuing connected transactions under the Conditional Waiver would exceed their respective annual caps (as a percentage of the expected turnover of the Group for the year ending 30 June 2005). Pursuant to the terms of the Conditional Waiver, the Company will seek to obtain Independent Shareholders' approval of new annual caps for certain categories of continuing connected transactions for the year ending 30 June 2005.

The continuing connected transactions will continue following the expiry of the Conditional Waiver on 30 June 2005. The Directors announce that on 30 May 2005, the Company and NWD entered into the Master Services Agreement whereby (a) NWD agrees to, and agrees to procure that members of the NWD Group shall (to the extent practicable), engage members of the Group to provide the Operational Services and to sell food products to the NWD Group and (b) the Company agrees to, and agrees to procure that members of the Group shall (to the extent practicable), engage members of the NWD Group to rent properties, vehicles and vessels to the Group.

As NWD holds approximately 54% of the total issued share capital of the Company, it is a substantial shareholder of the Company and hence, a connected person of the Company. Accordingly, the transactions contemplated under the Master Services Agreement will constitute continuing connected transactions of the Company under Rule 14A.14 of the Listing Rules. As one or more of the percentage ratios will exceed 2.5% on an annual basis, such transactions will be subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Continuing Connected Transactions. Commerzbank has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions.

A circular containing, among other things, a notice convening the SGM, details of the Continuing Connected Transactions, a letter from the Independent Board Committee and a letter from Commerzbank will be despatched to the Shareholders as soon as practicable.

1. BACKGROUND

In April 2003, the Company obtained the Conditional Waiver from strict compliance with the connected transactions requirements under the then Listing Rules and an annual cap as a percentage of the annual turnover of the Group was assigned to each category of continuing connected transactions for each of the three financial years ending 30 June 2005. Such continuing connected transactions will continue following the expiry of the Conditional Waiver on 30 June 2005.

Pursuant to the Engagement Undertaking, NWD has, subject to certain qualifications, undertaken to engage the Group for the provision of the Operational Services for a period of 15 years from 29 January 2003. On 30 May 2005, the Company and NWD entered into the Master Services Agreement whereby (a) NWD agrees to, and agrees to procure that members of the NWD Group shall (to the extent practicable), engage members of the Group to provide the Operational Services and to sell food products to the NWD Group and (b) the Company agrees to, and agrees to procure that members of the Group shall (to the extent practicable), engage members of the NWD Group to rent properties, vehicles and vessels to the Group, during the term of the Master Services Agreement.

The Operational Services, the Other Services and the continuing connected transactions under the Conditional Waiver shall collectively be referred to as the “**Continuing Connected Transactions**”.

2. THE MASTER SERVICES AGREEMENT

Date

30 May 2005

Parties

The Company and NWD

Term

The Master Services Agreement has an initial term of three years (from 1 July 2005 to 30 June 2008). Subject to re-compliance with the reporting, announcement and independent shareholders’ approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules and/or any other applicable requirements under the Listing Rules at the relevant time, the Master Services Agreement may be renewed for a further term of three years unless either party gives written notice to the other party not later than two months before the expiry of the initial term.

Provision of the Operational Services and the Other Services

Under the Master Services Agreement, (a) NWD agrees to, and agrees to procure that members of the NWD Group shall (to the extent practicable), engage members of the Group to provide the Operational Services and to sell food products to NWD and/or relevant members of the NWD Group and (b) the Company agrees to, and agrees to procure that members of the Group shall (to the extent practicable), engage members of the NWD Group to rent properties, vehicles and vessels to the Group, during the term of the Master Services Agreement.

The Operational Services and the Other Services include the following categories of services, and such other types of services as the Company and NWD may agree upon from time to time in writing:

Operational Services category	Description of services
a. Contracting Services	Building and general construction, civil engineering, building exterior and interior design, building repair, renovation maintenance and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction management, the supply of construction and building equipment and materials, electrical and mechanical engineering works, supply and installation of air-conditioning, heating and ventilation systems, fire services systems, plumbing and drainage systems, lift repair and maintenance services and electrical systems and system design and consultancy and computer aided drafting services.
b. Facility Management Services	Provision of information technology services, provision of convention and exhibition facilities, related functions and services, food and beverage catering services at the Hong Kong Convention and Exhibition Centre and other locations, food processing, trading and supply, and merchandise sourcing, procurement and supply.
c. Security and Guarding Services	Provision of security guards, security systems installation and maintenance services, armoured transport services and supply of security products.
d. Cleaning and Landscaping Services	General cleaning, landscaping and plant maintenance, the supply of plants and laundry services.
e. Financial Services	Risk management, insurance management, global and regional management, alternate risk financing and reinsurance broking services.

Operational Services category	Description of services
f. Property Management Services	Property management, property sales, letting agency services, pre-marketing consultancy services, technical services and the provision of car parking, management and related services (including certain rebates to be paid by the Group).

Other Services category	Description of services
a. Rental of properties, vehicles and vessels	Rental of office, commercial, storage and car-parking spaces, vehicles and vessels by the Group from the NWD Group.
b. Sale of Food Products	Supply of food products by the Group to the NWD Group in Hong Kong and the PRC.

Terms and pricing policies

Pursuant to the Master Services Agreement, members of the NWD Group and members of the Group shall, from time to time during the term of the Master Services Agreement, enter into separate Operational Agreements in respect of the provision and/or acquisition of the Operational Services and the Other Services. The terms of each Operational Agreement shall be the same as the provisions of the Master Services Agreement except for operational details. The Company and NWD have agreed that:

(a) With respect to the Operational Services:

- (i) the prices and terms of the Operational Agreements with respect to the Contracting Services, the Facility Management Services, the Property Management Services, the Cleaning and Landscaping Services and the Financial Services shall be determined in the ordinary course of business at prices and terms no less favourable than those charged and provided to independent third party customers;
- (ii) the prices and terms at which the Security and Guarding Services are to be provided shall be determined in the ordinary course of business on a cost-plus basis at prices and terms no less favourable than those charged to and contracted with other independent third party customers; and
- (iii) the term of each Operational Agreement shall be fixed and in any event shall not exceed three years. If the term of an Operational Agreement extends beyond 30 June 2008 (that is, the expiry date of the Master Services Agreement), the Company shall re-comply with the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules and/or any other applicable Listing Rules at the relevant time.

(b) With respect to the Other Services:

- (i) in respect of the rental of properties, vehicles and vessels, the rent payable shall be based on normal commercial terms, negotiated on an arm's length basis at prices and terms no less favourable than those charged and provided by the NWD Group to independent third parties; and
- (ii) the prices and terms at which food products are to be sold shall be those applicable from time to time in the ordinary course of business at prices and terms no less favourable than those charged and provided by the Group to independent third party customers; and
- (iii) the term of each Operational Agreement shall be fixed and in any event shall not exceed three years. If the term of an Operational Agreement extends beyond 30 June 2008 (that is, the expiry date of the Master Services Agreement), the Company shall re-comply with the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules and/or any other applicable Listing Rules at the relevant time.

Historical figures

The aggregate transaction values in respect of the Operational Services for the years ended 30 June 2002, 2003 and 2004 were approximately HK\$1,435 million, HK\$1,811 million and HK\$2,115 million respectively.

The aggregate transaction values in respect of the Other Services for the years ended 30 June 2002, 2003 and 2004 were approximately HK\$35 million, HK\$36 million and HK\$29 million respectively.

3. REASONS FOR, AND BENEFITS, OF THE MASTER SERVICES AGREEMENT

The Continuing Connected Transactions are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. Under the Master Services Agreement, the terms of the Operational Agreements will be agreed on an arm's length basis and on normal commercial terms. The Directors (excluding the independent non-executive directors) of the Company are of the view that the terms of the Master Services Agreement are fair, reasonable and in the interests of the Company and its shareholders as a whole, and that it is beneficial to the Company to enter into the Master Services Agreement as the continuing connected transactions thereunder will continue to facilitate the operation of the Group's businesses in general.

4. MAXIMUM AGGREGATE ANNUAL VALUES

The Company expects that the maximum aggregate annual value (the "Annual Cap") in respect of each category of the Operational Services and the Other Services contemplated under the Master Services Agreement will be as follows:

Category	Annual Cap for each year ending 30 June 2006, 2007, 2008		
	30 June 2006 (HK\$' million)	30 June 2007 (HK\$' million)	30 June 2008 (HK\$' million)
Contracting Services	3,288	4,083	4,111
Facility Management Services	17	18	19
Security and Guarding Services	33	37	40
Cleaning and Landscaping Services	70	78	86
Financial Services	9	10	11
Property Management Services	50	55	60
Other Services:			
(a) Rental of properties, vehicles and vessels	35	40	46
(b) Sale of Food Products	1	2	2

The aggregate contract amounts in respect of each category of the Operational Services and the Other Services for each year ended 30 June 2002, 2003 and 2004 and the six months ended 31 December 2004 are as follows:

**Aggregate contract amounts for each year ended
30 June 2002, 2003, 2004 and the six months ended
31 December 2004**

Category	30 June 2002	30 June 2003	30 June 2004	31 December 2004*
	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>
Contracting Services	1,280	1,683	1,989	550
Facility Management Services	7	10	11	7
Security and Guarding Services	34	29	26	12
Cleaning and Landscaping Services	77	48	52	28
Financial Services	12	12	8	3
Property Management Services	25	29	29	20
other services:				
(a) Rental of properties, vehicles and vessels	30	31	29	13
(b) Management Services	5	5	0	0

* The aggregate contract amounts for the six months ended 31 December 2004 are based on the unaudited interim consolidated results of the Group for the six months ended 31 December 2004. The Company would like to remind the Shareholders that certain Operational Services are subject to seasonality, and accordingly, the unaudited interim results of the Group for the six months ended 31 December 2004 may not be indicative of the audited annual results of the Group for the year ending 30 June 2005.

The Annual Cap in respect of each category of the Operational Services has been determined by reference to: (a) the historical annual or annualised amounts in respect of that category of service provided by relevant members of the Group to relevant members of the NWD Group during the past three financial years; and (b) the projected annual or annualised amounts in respect of that category of service to be provided by relevant members of the Group to relevant members of the NWD Group in the next three financial years.

The Annual Cap in respect of the Other Services has been determined by reference to: (a) the historical annual or annualised amounts in respect of that category of service provided by relevant members of the NWD Group to relevant members of the Group or vice versa (as the case may be) during the past three financial years; and (b) the projected annual or annualised amounts in respect of that category of service to be provided by relevant members of the NWD Group to relevant members of the Group or vice versa (as the case may be) in the next three financial years.

The above projected figures are determined based on the relevant historical figures, taking into account the estimated future demand and adjustments for non-recurring items, and on the principal assumptions that, for the duration of the projected period: (i) the businesses of the Group and the NWD Group (in particular, the service industries in which the Group operates) will experience significant growth in light of the improved economic conditions in Hong Kong and the PRC and the potential rebound in the property market in Hong Kong. Furthermore, as members of the Group have submitted tenders for a number of large construction projects, it is possible that the Contracting Services will experience a significant growth if the Group is chosen as the successful bidder; (ii) there will not be any adverse change or disruption in the market conditions, operation and business environment or government policies which may materially affect the Group's and/or the NWD

Group's businesses; and (iii) the service industries in which the Group and the NWD Group operate will experience significant growth particularly in light of the rebound in the property market and potential new opportunities in the PRC.

5. ANNUAL CAPS UNDER THE CONDITIONAL WAIVER

It is expected that the annual turnover of the Group for the year ending 30 June 2005 will decrease mainly due to the deconsolidation of NWS Transport Services Limited (formerly known as Merryhill Group Limited) from the accounts of the Company as a result of the share exchange which was completed on 9 March 2004 and the general adverse economic conditions in Hong Kong in recent years. Consequently, the transaction values of the E & M Engineering Services, the Facility Management Services, the Property Management Services and other services (including rental of properties and provision of the Management Services) under the Conditional Waiver are expected to exceed their respective annual caps (as a percentage of the expected turnover of the Group for the year ending 30 June 2005). Pursuant to the terms of the Conditional Waiver, the Company will have to comply with the reporting, announcement and independent shareholders' approval requirements with respect to those continuing connected transactions.

6. REQUIREMENTS OF THE LISTING RULES

Master Services Agreement and the Annual Caps

As NWD holds approximately 54% of the total issued share capital of the Company, it is a substantial shareholder of the Company and hence, a connected person of the Company. Accordingly, the transactions contemplated under the Master Services Agreement will constitute continuing connected transactions of the Company under Rule 14A.14 of the Listing Rule. As one or more of the relevant percentage ratios will exceed 2.5% on an annual basis, such transactions will be subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules.

At the SGM, NWD and its associates shall abstain from voting on the resolution in connection with the Master Services Agreement and the Annual Caps. The vote taken at the SGM to seek approval of the Master Services Agreement and the Annual Caps will be taken by poll.

In the event that any of the Annual Cap is exceeded or the Master Services Agreement is renewed or materially varied, the Company will re-comply with the reporting, announcement and independent shareholders' approval requirements pursuant to Rules 14A.45 to 14A.48 of the Listing Rules.

Annual caps under the Conditional Waiver

Pursuant to the terms of the Conditional Waiver, the Company will have to comply with the reporting, announcement and independent shareholders' approval requirements with respect to those categories of continuing connected transactions with transaction values which are expected to exceed their respective annual caps (as a percentage of the expected annual turnover of the Group for the year ending 30 June 2005).

At the SGM, NWD and its associates shall abstain from voting on the resolution in connection with the approval of the new annual caps of the following categories of the existing continuing connected transactions. The vote taken at the SGM will be taken by poll.

Categories of existing continuing connected transactions with transaction values which are expected to exceed their respective annual caps under the Conditional Waiver	Annual Cap approved under the Conditional Waiver (expressed as a percentage of the Group's consolidated turnover of the relevant financial year)	Aggregate contract	Aggregate contract	Aggregate contract	Aggregate contract	New annual caps for the year ending 30 June 2005 (HK\$' million)
		amounts for the year ended 30 June 2002 (HK\$' million)	amounts for the year ended 30 June 2003 (HK\$' million)	amounts for the year ended 30 June 2004 (HK\$' million)	amounts for the six months ended 31 December 2004* (HK\$' million)	
E & M Engineering Services	2.5%	165	96	233	112	304
Facility Management Services	0.1%	7	10	11	7	16
Property Management Services	0.35%	25	29	29	20	45
Rental of properties and provision of the Management Services	0.3%	35	36	29	13	31

* The aggregate contract amounts for the six months ended 31 December 2004 are based on the unaudited interim consolidated results of the Group for the six months ended 31 December 2004. The Company would like to remind the Shareholders that certain Operational Services are subject to seasonality, and accordingly, the unaudited interim results of the Group for the six months ended 31 December 2004 may not be indicative of the audited annual results of the Group for the year ending 30 June 2005.

A circular containing, among other things, a notice convening the SGM, further details of the Continuing Connected Transactions, a letter from the Independent Board Committee and a letter from Commerzbank will be despatched to the Shareholders as soon as practicable.

7. INFORMATION REGARDING THE GROUP AND THE NWD GROUP

The Group's principal businesses include: (i) the investment in and/or operation of facilities, contracting and transport; and (ii) the development, investment, operation and/or management of power plants, water treatment and waste management plants, roads as well as container terminals.

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

8. DEFINITIONS

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

“Cleaning and Landscaping Services”	cleaning, landscaping and related services as described in Section 2 of this announcement
“Commerzbank”	Commerzbank AG acting through its Hong Kong Branch, the independent financial adviser to the Independent Board Committee in relation to the Continuing Connected Transactions
“Company”	NWS Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange

“Conditional Waiver”	the conditional waiver obtained by the Company from the Stock Exchange on 8 April 2003 from strict compliance with the connected transactions requirements under the then Listing Rules
“connected person”	has the meaning ascribed to it in the Listing Rules
“Continuing Connected Transactions”	the Operational Services, the Other Services and the continuing connected transactions under the Conditional Waiver
“Contracting Services”	construction, engineering and related services as described in Section 2 of this announcement
“Directors”	directors of the Company
“E & M Engineering Services”	electrical and mechanical engineering works, supply and installation of air-conditioning, heating and ventilation systems, fire services systems, plumbing and drainage systems and electrical systems, system design and consultancy, and computer aided drafting services provided by the Group to the NWD Group pursuant to the Conditional Waiver
“Engagement Undertaking”	the deed of non-competition and engagement undertakings dated 29 January 2003 entered into between NWD and the Company, details of which are contained in Section 1 of this announcement
“Facility Management Services”	facility management, information technology and related services as described in Section 2 of this announcement
“Financial Services”	insurance brokerage and related services as described in Section 2 of this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising the independent non-executive directors of the Company for the purpose of advising the Independent Shareholders in connection with the Continuing Connected Transactions
“Independent Shareholders”	Shareholders other than NWD and its associates (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Services”	management services provided by the Group to the NWD Group for its hotel-related businesses and other development projects in Hong Kong and the PRC
“Master Services Agreement”	the master services agreement entered into between the Company and NWD on 30 May 2005
“NWD”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange

“NWD Group”	NWD, its subsidiaries and/or any other company in the equity capital of which NWD and/or any of its subsidiaries taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors but excluding members of the Group
“Operational Agreements”	the individual agreements in respect of the provision of any of the Operational Services and the Other Services which may from time to time be entered into between a member of the Group and a member of the NWD Group pursuant to the Master Services Agreement, and “ Operational Agreement ” means any of them
“Operational Services”	Contracting Services, Facility Management Services, Security and Guarding Services, Cleaning and Landscaping Services, Financial Services, Property Management Services and such other types of services as the Company and NWD may agree upon from time to time in writing
“Other Services”	the rental of properties, vehicles and vessels and the Sale of Food Products as described in Section 2 of this announcement and such other types of services as the Company and NWD may agree upon from time to time in writing
“PRC”	The People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the PRC for the purposes of this announcement)
“Property Management Services”	property management and related services as described in Section 2 of this announcement
“Sale of Food Products”	supply of food products and related services as described in Section 2 of this announcement
“Security and Guarding Services”	security and related services as described in Section 2 of this announcement
“SGM”	the special general meeting of the Company to be held for the purpose of considering and, if thought fit, approving, among other things, the Continuing Connected Transactions
“Shareholders”	holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules

As at the date of this announcement: (a) the executive directors of the Company are Dr. Cheng Kar Shun, Henry, Mr. Doo Wai Hoi, William, Mr. Chan Kam Ling, Mr. Tsang Yam Pui, Mr. Wong Kwok Kin, Andrew, Mr. Lam Wai Hon, Patrick and Mr. Cheung Chin Cheung; (b) the non-executive directors of the Company are Mr. Wilfried Ernst Kaffenberger (alternate director to Mr. Wilfried Ernst Kaffenberger: Mr. Yeung Kun Wah, David), Mr. To Hin Tsun, Gerald and Mr. Dominic Lai; and (c) the independent non-executive directors of the Company are Mr. Kwong Che Keung, Gordon, Mr. Cheng Wai Chee, Christopher and The Honourable Shek Lai Him, Abraham.

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

Hong Kong, 30 May 2005

* *For identification purposes only*

*Please also refer to the published version of this announcement in the (**The Standard**)*