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新創建 NWS

新創建集團有限公司*

NWS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 659)

CONTINUING CONNECTED TRANSACTIONS

Background

References are made to (i) the Joint Announcement and the 2010 Circular in relation to, among others, the Disposal; and (ii) the 2010 Announcement in relation to, among others, the Existing Master Services Agreement.

Continuing Connected Transactions

In anticipation of the completion of the Group B Disposal, which is expected to take place by the end of June 2011, the Directors envisage that there would be a surge in the volume of continuing connected transactions between members of the Group and members of the Services Group as the Services Group will be enlarged to include the Group B members (which will also become associates of Mr. Doo) and the scope of services that could be provided to or by the Services Group will be widened.

In light of the above and subject to compliance with the applicable Listing Rules and upon completion of the Group B Disposal, the Company entered into the New Master Services Agreement with Mr. Doo on 19 May 2011 in relation to the provision of Operational Services between members of the Group and members of the Services Group which is to take effect on the Effective Date. Moreover, new estimated maximum aggregate annual values in respect of the Continuing Connected Transactions contemplated under the New Master Services Agreement for each of the three financial years ending 30 June 2014 will be set.

Mr. Doo is a non-executive Director and hence a connected person of the Company under the Listing Rules. Each of the members of the Services Group (including the Group B Members following completion of the Group B Disposal) is an associate of Mr. Doo and hence a connected person of the Company. Accordingly, the New Master Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions of the Company under Rule 14A.14 of the Listing Rules.

Given that the highest of the applicable Percentage Ratios in respect of the estimated maximum aggregate annual values of the Continuing Connected Transactions under the New Master Services Agreement will, on an annual basis, be more than 5%, the New Master Services Agreement and the Continuing Connected Transactions contemplated thereunder will be subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

General

A SGM will be convened and held by the Company to consider and, if thought fit, approve the New Master Services Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps).

An Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise and provide recommendation to the Independent Shareholders in respect of the Continuing Connected Transactions (including the Annual Caps).

ICAL has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Continuing Connected Transactions (including the Annual Caps).

A circular containing the particulars of the New Master Services Agreement and the Continuing Connected Transactions contemplated thereunder together with a letter from the Independent Board Committee, a letter from the Independent Financial Adviser and a notice of the SGM is expected to be despatched to the Shareholders on or about 10 June 2011.

1. BACKGROUND

References are made to (i) the Joint Announcement and the 2010 Circular in relation to, among others, the Disposal; and (ii) the 2010 Announcement in relation to, among others, the Existing Master Services Agreement.

Under the Existing Master Services Agreement, it is agreed between the Company and Mr. Doo that members of the Group or the Services Group (to the extent practicable) shall engage relevant members of the Services Group or the Group (as the case may be) to provide certain operational services to members of the Group or the Services Group (as the case may be) during the term of the Existing Master Services Agreement.

As disclosed in the 2010 Announcement, Mr. Doo is a non-executive Director and hence a connected person of the Company under the Listing Rules. Following completion of the Group A Disposal, Group A Members have become associates of Mr. Doo. The entering into of the Existing Master Services Agreement and the provision of certain operational services contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

In anticipation of the completion of the Group B Disposal, which is expected to take place by the end of June 2011, the Directors envisage that there would be a surge in the volume of continuing connected transactions between members of the Group and members of the Services Group as the Services Group will be enlarged to include the Group B members (which will also become associates of Mr. Doo) and the scope of services that could be provided to or by the Services Group will be widened.

In light of the above and subject to compliance with the applicable Listing Rules and upon completion of the Group B Disposal, the Company entered into the New Master Services Agreement with Mr. Doo on 19 May 2011 in relation to the provision of Operational Services between members of the Group and members of the Services Group which is to take effect on the Effective Date. Moreover, new estimated maximum aggregate annual values (the “**Annual Caps**”) in respect of the Continuing Connected Transactions contemplated under the New Master Services Agreement for each of the three financial years ending 30 June 2014 will be set.

2. CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW MASTER SERVICES AGREEMENT

Parties: (1) the Company
(2) Mr. Doo

Duration: The New Master Services Agreement shall be for an initial term of three years commencing from the Effective Date.

Subject to re-compliance with the reporting, announcement and independent shareholders’ approval requirements (to the extent applicable) under Rules 14A.45 to 14A.48 of the Listing Rules and/or any other applicable requirements under the Listing Rules and/or any other relevant laws and regulations at the relevant time, the New Master Services Agreement may be renewed for a further term of three years.

Nature of transactions: Provision of the Operational Services by members of the Group to members of the Services Group and vice versa.

Pricing basis: As a general principle, the prices and terms with respect to the Operational Services to be provided by member(s) of the Services Group to member(s) of the Group (or vice versa) shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis and at prices and terms no less favourable to the Group than prices and terms available to or from independent third parties to the Group.

Conditions: The New Master Services Agreement is subject to (i) the approval of the New Master Services Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) by the Independent Shareholders at the SGM; and (ii) the approval of the NWD Master Services Agreement and the continuing connected transactions contemplated thereunder (including the annual caps set for such transactions) by the NWD Independent Shareholders at an extraordinary general meeting to be held by NWD having been obtained.

Provision of the Operational Services

Under the New Master Services Agreement, it is agreed between the Company and Mr. Doo that members of the Group or the Services Group may, and to the extent practicable in each case, engage relevant members of the Services Group or the Group (as the case may be) to provide the Operational Services to relevant members of the Group or the Services Group (as the case may be) during the term of the New Master Services Agreement.

The Operational Services to be provided under the New Master Services Agreement shall include the following services, and such other types of services as the Company and Mr. Doo may agree upon from time to time in writing:

- (a) Contracting Services – provision of services as main contractors, management contractors and project managers, building and general construction, civil engineering, building exterior and interior design, building repair, renovation, maintenance consultancy and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction management and the supply of construction and building equipment and materials, 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, electrical systems and system design and consultancy, computer aided drafting services and related services.
- (b) Cleaning and Landscaping Services – general cleaning, vessel and vehicle cleaning, office and facility cleaning, recycling and environmental services, landscaping and plant maintenance, the supply of plants, laundry services and related services.

- (c) Facility Management Services – provision of information technology services, provision of convention and exhibition facilities, related functions and services, food and beverage catering services, food processing, trading and supply, merchandise sourcing, procurement and supply and related services.
- (d) Property Management Services – property management, property sales, vessel and vehicle sales and letting agency services, pre-marketing consultancy services, technical services, provision of car parking management and related services.
- (e) Security and Guarding Services – provision of security guards, security systems installation and maintenance services, armoured transport services, supply of security products and related services.

The abovementioned engagement is subject to the following qualifications:

- (a) the engagement only applies to services required for businesses, projects and premises for which the relevant members of the Group or the Services Group (as the case may be) have the right to select providers of the relevant Operational Services;
- (b) the engagement is not contrary to the terms of contracts governing the relevant businesses, projects or premises or any applicable laws, regulations or administrative directives promulgated by competent authorities to which the businesses, projects and/or premises of the relevant members of the Group or the Services Group (as the case may be) may relate; and
- (c) in the event that the provider(s) of certain particular Operational Services is/are to be selected through auction or tender, the engagement shall only become effective as and when the relevant member(s) of the Services Group or the Group (as the case may be) has/have successfully bid for such auction or tender.

OPERATIONAL AGREEMENTS

Pursuant to the New Master Services Agreement, member(s) of the Services Group and member(s) of the Group shall, from time to time during the term of the New Master Services Agreement, enter into separate Operational Agreement(s) in respect of the provision of the Operational Services provided that such separate agreement(s) shall always be subject to the terms of the New Master Services Agreement. In this connection, the Company and Mr. Doo have agreed that:

- (a) as a general principle, the prices and terms of the Operational Agreements with respect to the Operational Services to be provided by member(s) of the Services Group to member(s) of the Group (or vice versa) shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis and at prices and terms no less favourable to the Group than prices and terms available to or from independent third parties to the Group;

- (b) subject to the general principle in (a) above, the prices and terms at which the security and guarding services to be provided shall be determined in the ordinary course of business on a cost-plus basis on terms (including prices) no less favourable than those charged to and contracted with other independent third party customers of the Services Group. The cost element includes all direct costs incurred, such as equipment costs, staff costs, public liability insurance and other indirect or common costs allocated on revenue or other equitable basis; and
- (c) the duration of each Operational Agreement shall be in compliance with the applicable laws and regulations in force from time to time and shall be negotiated on arm's length basis.

Notwithstanding the terms of the New Master Services Agreement, any operational agreement(s) (the “**Subsisting Operational Agreement(s)**”) entered into between member(s) of the Services Group and member(s) of the Group before the completion of the Group B Disposal and which is/are still subsisting on, but not yet completed as at the Effective Date, shall for the purpose of maintaining operational continuity to assure the fulfilment of any existing contractual obligations or any contracted commitments under such Subsisting Operational Agreement(s), continue in full force and effect until its termination in accordance with the terms of the relevant Subsisting Operational Agreement(s).

Upon the New Master Services Agreement becoming effective, it is agreed by the Company and Mr. Doo that the Existing Master Services Agreement will be terminated and have no further effect.

3. HISTORICAL AGGREGATE TRANSACTION VALUES

Assuming completion of the Group B Disposal, the aggregate transaction values in respect of the transactions between members of the Group and members of the Services Group for the financial years ended 30 June 2009 and 2010 and the six months ended 31 December 2010 were as follows:

Categories	Aggregate transaction values		
	Financial year ended 30/06/2009 (HK\$ million)	Financial year ended 30/06/2010 (HK\$ million)	Six months ended 31/12/2010 (HK\$ million)
Provision of Operational Services by members of the Group to members of the Services Group	27.6	16.8	5.3
Provision of Operational Services by members of the Services Group to members of the Group	<u>660.0</u>	<u>314.2</u>	<u>191.4</u>
Total	<u><u>687.6</u></u>	<u><u>331.0</u></u>	<u><u>196.7</u></u>

4. MAXIMUM AGGREGATE ANNUAL VALUES

The Company expects that the Annual Caps in respect of the transactions between members of the Group and members of the Services Group will be as follows:

Categories	Annual Cap for each of the financial years ending 30 June		
	2012 (HK\$ million)	2013 (HK\$ million)	2014 (HK\$ million)
Provision of Operational Services by members of the Group to members of the Services Group	15.7	17.3	18.6
Provision of Operational Services by members of the Services Group to members of the Group	<u>282.4</u>	<u>737.1</u>	<u>876.3</u>
Total	<u><u>298.1</u></u>	<u><u>754.4</u></u>	<u><u>894.9</u></u>

Note: The above Annual Caps do not cover the anticipated transaction values under the Subsisting Operational Agreements entered into by members of the Group and the Group B Members for each of the three financial years ending 30 June 2014. Particulars of the Subsisting Operational Agreements will be disclosed by way of an announcement upon completion of the Group B Disposal pursuant to Rule 14A.41 of the Listing Rules.

Each of the Annual Caps has been determined by reference to:

- (a) the historical annual or annualized amounts in respect of that category of the Operational Services provided by the relevant members of the Group to the relevant members of the Services Group or vice versa during the past three financial years; and
- (b) the projected annual or annualized amounts in respect of that category of the Operational Services to be provided by the relevant members of the Group to the relevant members of the Services Group or vice versa in the next three financial years.

The abovementioned projected figures are determined basing on the relevant historical figures, taking into account the business growth of the Services Group and the Group, the estimated future demand, the inflation factor and adjustments for non-recurring or extraordinary items, and on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Services Group and/or the Group.

Shareholders and potential investors should note that the Annual Caps should not be construed as an assurance or forecast by the Company of the future revenues of the Group under the terms of the New Master Services Agreement.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the views that the Annual Caps as stated above are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

5. REASONS FOR, AND BENEFITS OF, ENTERING INTO THE NEW MASTER SERVICES AGREEMENT

The transactions contemplated under the New Master Services Agreement 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 and the Services Group. The abovementioned Operational Agreements will be agreed on arm's length basis, on normal commercial terms and comparable with terms available to or from independent third parties.

The New Master Services Agreement is intended to streamline the continuing connected transactions between members of the Group and the Services Group. It provides a single basis on which the Company will comply with the reporting, announcement and independent shareholders' approval requirements in compliance with the Listing Rules and thereby reduce the administrative burden and costs on the Company to comply with such requirements in relation to the execution or renewal of the Operational Agreements in respect of the provision of the Operational Services.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the views that the terms of the New Master Services Agreement are fair and 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 New Master Services Agreement.

6. INFORMATION REGARDING MR. DOO, THE SERVICES GROUP AND THE GROUP

Mr. Doo

Mr. Doo is a non-executive Director and a controlling shareholder of the Services Group. He is the father of Mr. William Junior Guilherme Doo, the brother-in-law of Dr. Cheng Kar Shun, Henry and the uncle of Mr. Cheng Chi Ming, Brian.

The Services Group

The Services Group is principally engaged in the provision of services including (a) laundry and landscaping; (b) security and guarding; (c) trading of building materials; (d) insurance brokerage; and (e) property management as at the date of this announcement. Following completion of the Group B SP Agreement, the businesses of the enlarged Services Group will be further expanded to the provision of such services including cleaning and electrical and mechanical engineering.

The Group

The Group is principally engaged in: (i) the investment in and/or operation of facilities, construction, transport and strategic investments; and (ii) the development, investment, operation and/or management of power plants, water treatment and waste management plants, roads as well as ports and logistics facilities.

7. REQUIREMENTS OF THE LISTING RULES

Mr. Doo is a non-executive Director and hence a connected person of the Company under the Listing Rules. Each of the members of the Services Group (including the Group B Members following completion of the Group B Disposal) is an associate of Mr. Doo and hence a connected person of the Company. Accordingly, the New Master Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions of the Company under Rule 14A.14 of the Listing Rules.

Given that the highest of the relevant Percentage Ratios in respect of the Annual Caps of the Continuing Connected Transactions contemplated under the New Master Services Agreement will on an annual basis, be more than 5%, the New Master Services Agreement and the Continuing Connected Transactions contemplated thereunder will be subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The Company will comply with the continuing obligations under Rules 14A.37 to 14A.41 of the Listing Rules and/or any other applicable requirements under the Listing Rules at the relevant time and will re-comply with the applicable Listing Rules in the event that any of the Annual Caps is exceeded or when the New Master Services Agreement is renewed or when there is a material change to the terms of the New Master Services Agreement pursuant to Rule 14A.36 of the Listing Rules.

8. GENERAL

A SGM will be convened and held by the Company to consider and, if thought fit, approve the New Master Services Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps). The voting at the SGM will be taken by poll. Mr. Doo and his associates will abstain from voting at the SGM to approve the relevant resolutions in respect of the New Master Services Agreement.

An Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise and provide recommendation to the Independent Shareholders in respect of the Continuing Connected Transactions (including the Annual Caps).

ICAL has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Continuing Connected Transactions (including the Annual Caps).

A circular containing the particulars of the New Master Services Agreement and the Continuing Connected Transactions contemplated thereunder together with a letter from the Independent Board Committee, a letter from the Independent Financial Adviser and a notice of the SGM is expected to be despatched to the Shareholders on or about 10 June 2011.

9. DEFINITIONS

Unless the context otherwise requires, the following expressions have the meanings set out in this announcement:

“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	NWS Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Continuing Connected Transactions”	the transactions contemplated under the Existing Master Services Agreement or (as the case may be) the New Master Services Agreement

“Director(s)”	the director(s) of the Company
“Disposal”	collectively, the Group A Disposal and the Group B Disposal
“Effective Date”	1 July 2011, being the date on which the New Master Services Agreement shall become effective
“Existing Master Services Agreement”	the existing master services agreement entered into between the Company and Mr. Doo on 27 July 2010 in relation to the provision of certain operational services to streamline and regulate the Continuing Connected Transactions between members of the Group and members of the Services Group arising after completion of the Group A Disposal
“Group”	the Company and its subsidiaries from time to time
“Group A”	has the meaning ascribed to it under the 2010 Circular
“Group A Disposal”	has the meaning ascribed to it under the 2010 Circular, which was completed on 27 July 2010 as disclosed in the 2010 Announcement
“Group B Disposal”	has the meaning ascribed to it under the 2010 Circular, which is expected to be completed by the end of June 2011
“Group A Members”	has the meaning ascribed to it under the 2010 Circular
“Group B Members”	has the meaning ascribed to it under the 2010 Circular
“Group A SP Agreement”	has the meaning ascribed to it under the 2010 Circular
“Group B SP Agreement”	has the meaning ascribed to it under the 2010 Circular
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China

“ICAL” or “Independent Financial Adviser”	Investec Capital Asia Limited (formerly known as Access Capital Limited), a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and the independent financial adviser to the Independent Board Committee and the Independent Shareholders with regard to the Continuing Connected Transactions (including the Annual Caps)
“Independent Board Committee”	an independent committee of the Board (which comprises Mr. Kwong Che Keung, Gordon, Dr. Cheng Wai Chee, Christopher and The Honourable Shek Lai Him, Abraham, being all the independent non-executive Directors) established to advise the Independent Shareholders with regard to the New Master Services Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps)
“Independent Shareholders”	the Shareholders, other than Mr. Doo and his associates, who do not have any material interest in the Continuing Connected Transactions
“Joint Announcement”	the announcement dated 11 June 2010 jointly issued by the Company and NWD in relation to the Disposal
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Doo”	Mr. Doo Wai Hoi, William, a non-executive Director and a director of a subsidiary of the Company. Mr. Doo is the father of Mr. William Junior Guilherme Doo (an executive Director), the brother-in-law of Dr. Cheng Kar Shun, Henry (an executive Director) and the uncle of Mr. Cheng Chi Ming, Brian (an executive Director)

“New Master Services Agreement”	the new master services agreement entered into between the Company and Mr. Doo on 19 May 2011 in relation to the provision of Operational Services (which will supersede the Existing Master Services Agreement upon its becoming effective) to streamline and regulate the Continuing Connected Transactions between members of the Group and members of the Services Group arising after completion of the Group B Disposal
“NWD”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange. As at the date of this announcement, NWD holds approximately 59.14% of the issued share capital of the Company
“NWD Group”	NWD and its subsidiaries from time to time
“NWD Independent Shareholders”	the shareholders of NWD, other than Mr. Doo and his associates, who do not have any material interest in the transactions contemplated under the NWD Master Services Agreement
“NWD Master Services Agreement”	the new master services agreement entered into between NWD and Mr. Doo on 19 May 2011 in relation to the provision of operational and rental services referred to therein to streamline and regulate the continuing connected transactions between members of the NWD Group and members of the Services Group arising after completion of the Group B Disposal
“Operational Agreements”	the individual agreements in respect of the provision of any of the Operational Services which may from time to time be entered into between a member of the Services Group and a member of the Group pursuant to the New Master Services Agreement, and “Operational Agreement” means any of them

“Operational Services”	contracting services, cleaning and landscaping services, facility management services, property management services, security and guarding services and such other types of services as the parties may agree upon from time to time in writing to be provided by members of the Group or the Services Group to members of the Services Group or the Group, the initial scope of the Operational Services is set out in Section 2 of this announcement
“Percentage Ratios”	the applicable percentage ratios (other than the profits and the equity capital ratios) under Rule 14.07 of the Listing Rules
“Services Group”	Mr. Doo and any company in the equity capital of which Mr. Doo is or will be 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 and any other company which is its subsidiary
“SGM”	the special general meeting of the Company to be held for the purpose of considering and, if thought fit, approving the New Master Services Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps)
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholders”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	any entity which falls within the definition of “subsidiary” ascribed to it under the Listing Rules or the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)

“2010 Announcement”	the announcement of the Company dated 27 July 2010 in respect of, among others, the completion of the Group A Disposal contemplated under the Group A SP Agreement on 27 July 2010 and the entering into of the Existing Master Services Agreement
“2010 Circular”	the circular of the Company dated 2 July 2010 in respect of the discloseable and connected transactions concerning the Disposal
“%”	per cent.

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

Hong Kong, 19 May 2011

As at the date of this announcement: (a) the executive Directors are Dr. Cheng Kar Shun, Henry, Mr. Tsang Yam Pui, Mr. Lam Wai Hon, Patrick, Mr. Cheung Chin Cheung, Mr. William Junior Guilherme Doo and Mr. Cheng Chi Ming, Brian; (b) the non-executive Directors are Mr. Doo Wai Hoi, William, 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 are Mr. Kwong Che Keung, Gordon, Dr. Cheng Wai Chee, Christopher and The Honourable Shek Lai Him, Abraham.

** For identification purposes only*