
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in NWS Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee, the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CONTINUING CONNECTED TRANSACTIONS

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders



A letter from the Board is set out on pages 5 to 14 of this circular. A letter from the Independent Board Committee is set out on pages 15 and 16 of this circular. A letter from ICAL containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 33 of this circular.

A notice convening the SGM to be held at Meeting Rooms S226-S227 (Harbour Road Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Monday, 8 August 2011 at 11:30 a.m. is set out on pages 42 and 43 of this circular.

Whether or not you are able to attend the SGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar of NWS Holdings Limited in Hong Kong, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM or any adjourned meeting should you so wish.

18 July 2011

* For identification purposes only

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DEFINITIONS

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

“Annual Cap”	the maximum aggregate annual value in respect of each category of the Operational Services
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company” or “NWS”	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 (stock code: 659)
“Continuing Connected Transactions”	the transactions contemplated under the NWD Master Services Agreement
“CTF Enterprises”	Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong with limited liability which, as at the Latest Practicable Date, holds approximately 40.51% of the total issued share capital of NWD and approximately 2.65% of the total issued share capital of the Company
“CTF Enterprises Group”	CTF Enterprises, its subsidiaries, any other company in the equity capital of which CTF Enterprises and/or any of its subsidiaries taken together are 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 from time to time or to control the composition of a majority of the board of directors, and/or the subsidiaries of such other companies, but excluding members of the NWD Group
“CTF Master Services Agreement”	the master services agreement in relation to the Operational Services entered into between the Company and CTF Enterprises on 30 June 2011
“Directors”	the directors of the Company
“Disposal”	the disposal of the Disposal Group

DEFINITIONS

“Disposal Group”	(i) NWS Facility Services Limited, (ii) Building Material Supplies Limited, (iii) Clever Basis Limited, (iv) New World Risk Management (L) Limited and (v) NWS International Insurance Limited disposed of by the Company on 27 July 2010; and (vi) NWS Engineering Group Limited, (vii) Elite Master Holdings Limited and (viii) Waihong Cleaning Limited disposed of by the Company on 30 June 2011
“Engagement Undertaking”	the deed of non-competition and engagement undertaking dated 29 January 2003 entered into between NWD and the Company
“Existing Master Services Agreement”	the master services agreement entered into between the Company and CTF Enterprises on 7 May 2010
“Group” or “NWS Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“ICAL”	Investec Capital Asia 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 SFO, 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”	the independent board committee comprising all the independent non-executive Directors for the purpose of advising the Independent Shareholders in connection with the Continuing Connected Transactions (including the Annual Caps)
“Independent Shareholders”	Shareholders other than NWD and its associates
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of any member of the Group, the directors, the chief executives, the substantial shareholders of the Company or any of its subsidiaries, and their respective associates
“Latest Practicable Date”	13 July 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules
“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 (stock code: 17). As at the Latest Practicable Date, it holds approximately 59.79% of the total issued share capital of the Company
“NWD Group”	NWD, its subsidiaries, any other company in the equity capital of which NWD and/or any of its subsidiaries taken together are 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 from time to time or to control the composition of a majority of the board of directors, and/or the subsidiaries of such other companies, but excluding members of the Group
“NWD Master Services Agreement”	the master services agreement in relation to the Operational Services entered into between the Company and NWD on 30 June 2011
“NWD 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 NWD Group and a member of the Group pursuant to the NWD Master Services Agreement, and “NWD Operational Agreement” means any of them
“Operational Services”	construction services, and other general and rental related services to be provided by member(s) of the Group to members of the CTF Enterprises Group or the NWD Group (as the case may be) or vice versa, during the term of the CTF Master Services Agreement or the NWD Master Services Agreement (as the case may be), and such other types of services as the parties may agree upon from time to time in writing

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 contemplated under the NWD Master Services Agreement (including the Annual Caps)
“Shareholders”	holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	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)
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Dr. Cheng Kar Shun, Henry (*Chairman*)
Mr. Tsang Yam Pui
Mr. Lam Wai Hon, Patrick
Mr. Cheung Chin Cheung
Mr. William Junior Guilherme Doo
Mr. Cheng Chi Ming, Brian

Non-executive Directors:

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
Mr. Dominic Lai

Independent non-executive Directors:

Mr. Kwong Che Keung, Gordon
Dr. Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

**Principal place of business
in Hong Kong:**

28/F., New World Tower
18 Queen's Road Central
Hong Kong

18 July 2011

*To the Shareholders and, for information purposes only,
the holders of the outstanding share options of the Company*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

1. INTRODUCTION

Reference is made to the announcement of the Company dated 30 June 2011 relating to, among other things, the NWD Master Services Agreement and the Continuing Connected Transactions contemplated thereunder.

* For identification purposes only

LETTER FROM THE BOARD

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 7 May 2010, the Company and CTF Enterprises entered into the Existing Master Services Agreement whereby each of the Company and CTF Enterprises agreed to procure the subsidiaries of the Company to engage the subsidiaries and/or associates of the CTF Enterprises to provide the relevant services (as described in the Existing Master Services Agreement) and vice versa during the term of the Existing Master Services Agreement. The continuing connected transactions contemplated under the Existing Master Services Agreement were approved by the Independent Shareholders at the special general meeting held on 8 June 2010.

Reference is also made to the announcement of the Company dated 11 June 2010 in relation to the disposal of the members of the Disposal Group. As disclosed in the announcements of the Company dated 27 July 2010 and 30 June 2011, the disposal of all the members of the Disposal Group was completed on 30 June 2011. As a result, the scope of services to be provided by members of the Group to the CTF Enterprises Group and/or the NWD Group and vice versa has been narrowed, and the annual caps in relation to such continuing connected transactions would be correspondingly reduced.

On 30 June 2011, (i) the Company and CTF Enterprises entered into the CTF Master Services Agreement whereby each of the Company and CTF Enterprises agrees to procure that members of the Group or the CTF Enterprises Group (to the extent practicable) engage relevant members of the CTF Enterprises Group or the Group to provide the Operational Services to relevant members of the Group or the CTF Enterprises Group; (ii) the Company and NWD entered into the NWD Master Services Agreement whereby each of the Company and NWD agrees to procure that members of the Group or the NWD Group (to the extent practicable) engage relevant members of the NWD Group or the Group to provide the Operational Services to relevant members of the Group or the NWD Group; and (iii) the Existing Master Services Agreement shall be terminated upon the commencement of the CTF Master Services Agreement and the NWD Master Services Agreement.

As at the Latest Practicable Date, as NWD holds approximately 59.79% 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. As at the Latest Practicable Date, as CTF Enterprises holds approximately 40.51% of the total issued share capital of NWD, it is a controlling shareholder of NWD and is considered a connected person of the Company. Accordingly, the CTF Master Services Agreement, the NWD Master Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions of the Company under Rule 14A.14 of the Listing Rules.

As each of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the maximum aggregate annual value in respect of the continuing connected transactions contemplated under the CTF Master Services Agreement is more than 0.1% but less than 5%, the entering into of the CTF Master Services Agreement is subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules but is exempt from the Independent Shareholders' approval requirement.

LETTER FROM THE BOARD

As one or more of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the maximum aggregate annual value in respect of the Continuing Connected Transactions contemplated under the NWD Master Services Agreement is more than 5%, the entering into of the NWD Master Services Agreement is 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 as to whether the terms of the NWD Master Services Agreement, the Continuing Connected Transactions and the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole, taking into account the recommendations of ICAL.

ICAL has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the NWD Master Services Agreement, the Continuing Connected Transactions and the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The purposes of this circular are:

- (i) to provide the Shareholders with details of the NWD Master Services Agreement and the Continuing Connected Transactions contemplated thereunder;
- (ii) to set out the advice of ICAL in respect of the Continuing Connected Transactions (including the Annual Caps);
- (iii) to set out the recommendation of the Independent Board Committee in respect of the Continuing Connected Transactions (including the Annual Caps); and
- (iv) to give notice to convene the SGM to consider and, if thought fit, to approve, among other things, the Continuing Connected Transactions (including the Annual Caps).

LETTER FROM THE BOARD

2. CONTINUING CONNECTED TRANSACTIONS UNDER THE NWD MASTER SERVICES AGREEMENT

Date:	30 June 2011
Parties:	(1) NWD (2) the Company
Duration:	An initial term of three years commencing from 1 July 2011 to 30 June 2014 (both days inclusive). 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 NWD 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 NWD Group and vice versa.
Pricing:	On normal commercial terms and at rates no less favourable than the rates charged and provided to Independent Third Parties which are customers of the Group or the NWD Group (as the case may be).

Provision of the Operational Services

Under the NWD Master Services Agreement, each of the Company and NWD agrees to, and agrees to procure that members of the Group or the NWD Group (to the extent practicable), engage relevant members of the NWD Group or the Group to provide the Operational Services to relevant members of the Group or the NWD Group during the term of the NWD Master Services Agreement.

The Operational Services include 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, computer aided drafting services and related services, provision of information technology and telecommunications 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, property management, property sales and letting agency services, provision of car parking management and related services and rental of properties, spare spaces, vehicles and vessels.

LETTER FROM THE BOARD

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 NWD Group (as the case may be) have the right to select providers of the relevant 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 NWD Group (as the case may be) relate; and
- (c) in the event that the relevant members of the Group or the NWD Group (as the case may be) are required to select the providers of particular services through auction tenders, the engagement shall only become effective as and when the relevant members of the NWD Group or the Group (as the case may be) have been selected by the relevant members of the Group or the NWD Group (as the case may be) to provide the relevant services as a result of the relevant auction tenders.

Terms and pricing policies

Pursuant to the NWD Master Services Agreement, members of the NWD Group and members of the Group shall, from time to time during the term of the NWD Master Services Agreement, enter into separate NWD Operational Agreements in respect of the provision of the Operational Services provided that such separate agreements shall always be subject to the NWD Master Services Agreement. In this connection, the Company and NWD have agreed that:

- (a) the prices and terms of the NWD Operational Agreements with respect to the Operational Services 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 than those charged and provided to Independent Third Party customers of the Group or the NWD Group (as the case may be); and
- (b) the term of each NWD Operational Agreement shall be fixed and in any event shall not exceed three years. If the term of a NWD Operational Agreement extends beyond 30 June 2014 (that is, the date on which the initial term of the NWD Master Services Agreement ends), the Company will re-comply with the applicable requirements under the Listing Rules at the relevant time.

In pricing its services to Independent Third Party customers, the Group will take into consideration factors which are common and reasonable for providers of similar services such as market conditions, competition, profit margin, direct and indirect costing, opportunity cost, project duration and all relevant risk factors including client risk.

LETTER FROM THE BOARD

3. HISTORIC AGGREGATE TRANSACTION VALUES

For the purposes of providing the comparable historical aggregate transaction values in respect of the Operational Services provided by members of the Group (excluding members of the Disposal Group) to members of the NWD Group and vice versa, for the financial years ended 30 June 2009 and 2010 and the six months ended 31 December 2010, the aggregate transaction values set out below were computed without taking into account the services provided by members of the Disposal Group to the NWD Group and vice versa during the relevant period:

Categories	Aggregate transaction values		
	Financial year ended 30 June 2009 <i>(HK\$ million)</i>	Financial year ended 30 June 2010 <i>(HK\$ million)</i>	Six months ended 31 December 2010 <i>(HK\$ million)</i>
Operational Services by members of the Group (excluding members of the Disposal Group) to members of the NWD Group	2,042.1	1,521.8	1,036.1
Operational Services by members of the NWD Group to members of the Group (excluding members of the Disposal Group)	<u>26.6</u>	<u>33.6</u>	<u>15.4</u>
Total	<u><u>2,068.7</u></u>	<u><u>1,555.4</u></u>	<u><u>1,051.5</u></u>

LETTER FROM THE BOARD

4. MAXIMUM AGGREGATE ANNUAL VALUES

The Company expects that the Annual Cap in respect of each category of the Operational Services contemplated under the NWD Master Services Agreement will be as follows:

Categories	Annual Cap for each of the financial years ending 30 June		
	2012 <i>(HK\$ million)</i>	2013 <i>(HK\$ million)</i>	2014 <i>(HK\$ million)</i>
Operational Services by members of the Group to members of the NWD Group	4,895.1	6,767.1	6,027.0
Operational Services by members of the NWD Group to members of the Group	<u>39.4</u>	<u>41.4</u>	<u>44.3</u>
Total	<u><u>4,934.5</u></u>	<u><u>6,808.5</u></u>	<u><u>6,071.3</u></u>

Each of the Annual Caps of the Operational Services contemplated under the NWD Master Services Agreement has been determined by reference to: (i) the historical annual or annualized amounts in respect of the Operational Services provided by the relevant members of the Group (excluding members of the Disposal Group) to the relevant members of the NWD Group and vice versa during the past three financial years; and (ii) the projected annual or annualized amounts in respect of the Operational Services to be provided by relevant members of the Group to the relevant members of the NWD Group and vice versa, in the next three financial years.

The abovementioned projected figures are determined based on the relevant historical figures, taking into account the business growth of the Group and the NWD 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: (i) 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 Group; and (ii) the service industries in which the Group operates will have steady growth.

The proposal of the new set of the projected Annual Caps for the Operational Services by members of the Group to members of the NWD Group and vice versa is due to the restructuring of the Group which resulted in the completion of the Disposal. As announced by the Company on 27 July 2010 and 30 June 2011, the Group has completed the Disposal. It is noted that certain services (including property management, laundry, landscaping, cleaning, security and guarding, trading of building materials and electrical and mechanical engineering) were used to be provided by members of the Disposal Group to the relevant members of the NWD Group and/or vice versa. Since members of the Disposal Group

LETTER FROM THE BOARD

ceased to be members of the Group, the scope of the services to be provided pursuant to the NWD Master Services Agreement, and the corresponding Annual Caps, would be considerably reduced.

The Board is of the opinion that the proposed Annual Caps as stated above are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Company will make a further announcement in the event that any of the Annual Caps set out above is exceeded.

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

The transactions contemplated under the NWD 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 NWD Group. The abovementioned NWD Operational Agreements will be agreed on arm's length basis and on normal commercial terms.

The Board (including the independent non-executive Directors) is of the view that the terms of the NWD Master Services Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole, and that it is beneficial to the Company to enter into the NWD Master Services Agreement because the Continuing Connected Transactions contemplated thereunder will continue to facilitate the business of the Group in general.

6. REQUIREMENTS OF THE LISTING RULES

As at the Latest Practicable Date, NWD holds approximately 59.79% of the total issued share capital of the Company and is a substantial shareholder of the Company.

The NWD Master Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions of the Company under Rule 14A.14 of the Listing Rules.

As one or more of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the maximum aggregate annual value in respect of the Continuing Connected Transactions contemplated under the NWD Master Services Agreement is more than 5%, the entering into of the NWD Master Services Agreement is 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 regarding the Continuing Connected Transactions and the Annual Caps. The vote taken at the SGM to seek approval of the Continuing Connected Transactions and the Annual Caps will be taken by poll.

LETTER FROM THE BOARD

In the event that any of the relevant Annual Caps is exceeded or the NWD 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.

7. INFORMATION REGARDING THE NWD GROUP AND THE GROUP

The NWD Group

The NWD Group is principally engaged in investments in the areas of property, infrastructure, hotel operation, department store operation, services as well as telecommunications and technology. NWD is the ultimate holding company of the Company and is, together with certain of its subsidiaries, interested in approximately 59.79% of the total issued share capital of the Company as at the Latest Practicable Date.

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.

8. SGM

Set out on pages 42 and 43 of this circular is a notice convening the SGM to be held at Meeting Rooms S226-S227 (Harbour Road Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong, on Monday, 8 August 2011 at 11:30 a.m. Ordinary resolution will be proposed at the SGM to approve the Continuing Connected Transactions contemplated under the NWD Master Services Agreement and the relevant Annual Caps.

A form of proxy for use in connection with the SGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the meeting or any adjourned meeting should you desire.

In accordance with Rule 13.39(4) of the Listing Rules, the chairman of the meeting will direct that the proposed resolution set out in the notice convening the meeting be voted by poll.

After the conclusion of the SGM, the results of the poll will be published on the HKExnews website at www.hkexnews.hk and the Company's website at www.nws.com.hk.

LETTER FROM THE BOARD

9. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 15 and 16 of this circular which contains its recommendation to the Independent Shareholders in relation to the Continuing Connected Transactions contemplated under the NWD Master Services Agreement and the relevant Annual Caps. Your attention is also drawn to the letter of advice from ICAL set out on pages 17 to 33 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions contemplated under the NWD Master Services Agreement and the relevant Annual Caps and the principal factors and reasons taken into account in arriving at its recommendation.

10. ADDITIONAL INFORMATION

Your attention is also drawn to the general information set out in the Appendix to this circular.

Yours faithfully,
Dr. Cheng Kar Shun, Henry
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this circular.



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)

18 July 2011

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by the Company to its shareholders and dated 18 July 2011 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether the Continuing Connected Transactions contemplated under the NWD Master Services Agreement and the Annual Caps thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, taking into account the recommendations of ICAL.

ICAL 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 contemplated under the NWD Master Services Agreement.

Having taken into account the principal factors and reasons considered by, and the opinion of ICAL, the Independent Board Committee considers that the Continuing Connected Transactions contemplated under the NWD Master Services Agreement and the Annual Caps thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee therefore recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM relating to the Continuing Connected Transactions contemplated under the NWD Master Services Agreement and the Annual Caps.

Yours faithfully,
Independent Board Committee
Mr. Kwong Che Keung, Gordon
Dr. Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham

LETTER FROM ICAL

The following is the text of the letter of advice from ICAL to the Independent Board Committee and the Independent Shareholders prepared for inclusion in this circular.



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18 July 2011

*To the Independent Board Committee and
the Independent Shareholders of NWS Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Continuing Connected Transactions contemplated under the NWD Master Services Agreement and the respective new estimated maximum aggregate annual values in respect of the Operational Services contemplated thereunder for each of the three financial years ending 30 June 2014, details of which are set out in the “Letter from the Board” contained in the circular dated 18 July 2011 (the “**Circular**”) of which this letter forms part. Capitalized terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise specifies.

Pursuant to the Engagement Undertaking, NWD has, subject to certain qualifications, undertaken to engage NWS Group for the provision of the Operational Services for a period of 15 years from 29 January 2003.

On 7 May 2010, NWS and CTF Enterprises entered into the Existing Master Services Agreement whereby the relevant services (as provided in the Existing Master Services Agreement) are provided by subsidiaries of the NWS Group and subsidiaries and/or associates of the CTF Enterprises and vice versa during the term of the Existing Master Services Agreement.

On 30 June 2011, (i) NWS and CTF Enterprises entered into the CTF Master Services Agreement whereby each of NWS and CTF Enterprise agrees to procure that members of the NWS Group or the CTF Enterprises Group (to the extent practicable) engage relevant members of the CTF Enterprises Group or the NWS Group to provide the Operational Services to relevant members of the NWS Group or the CTF Enterprises Group; (ii) NWS and NWD entered into the NWD Master Services Agreement whereby each of NWS and NWD agrees to procure that members of the NWS Group or the NWD Group (to the extent practicable) engage relevant members of the NWD Group or the NWS Group to provide

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Operational Services to relevant members of the NWS Group or the NWD Group; and (iii) the Existing Master Services Agreement shall be terminated upon the commencement of the CTF Master Services Agreement and the NWD Master Services Agreement.

As one or more of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the maximum aggregate annual value in respect of the Continuing Connected Transactions contemplated under the NWD Master Services Agreement is more than 5%, the entering into of the NWD Master Services Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of (i) six executive Directors, namely 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; (ii) four non-executive Directors, namely 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 (iii) three independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Dr. Cheng Wai Chee, Christopher and The Honourable Shek Lai Him, Abraham.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Dr. Cheng Wai Chee, Christopher and The Honourable Shek Lai Him, Abraham, has been established to advise the Independent Shareholders as to whether the transactions contemplated under the NWD Master Services Agreement (including the Annual Caps) were entered into on normal commercial terms and in the interests of NWS and the Shareholders as a whole and whether the transactions contemplated under the NWD Master Services Agreement (including the Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned.

We have been appointed to advise the Independent Board Committee and the Independent Shareholders in these respects and to give our opinion in relation to the NWD Master Services Agreement and the transactions contemplated thereunder (including the Annual Caps) for the Independent Board Committee's consideration when making its recommendation to the Independent Shareholders.

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III. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations provided to us by NWS and/or its management staff (the “**Management**”) and/or the executive Directors. We have assumed that all such statements, information, opinions and representations provided or made or given by NWS and/or the Management and/or the executive Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of this letter. We have assumed that all the opinions and representations made or provided by the executive Directors and/or the Management to us have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from NWS and/or the Management and/or the executive Directors that no material facts have been omitted from the information provided.

We consider that we have reviewed sufficient currently available information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by NWS and/or the Management and/or the executive Directors or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of NWS, the NWD Group or any of their respective members.

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IV PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

1. Background of the NWS Group

1.1 Principal business and financial performance of the NWS Group

The NWS 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. The financial results of the NWS Group for the six months ended 31 December 2010 (the “**Interim Period**”), as extracted from the interim report of NWS for the six months ended 31 December 2010 (the “**Interim Report**”), and each of the two years ended 30 June 2010, as extracted from the annual report of NWS for the financial year ended 30 June 2010 (the “**2010 Annual Report**”) are summarized in Table A below:

Table A: Summary financial information of the NWS Group

	For the six months ended 31 December 2010 (HK\$ million) (unaudited)	For the year ended 30 June 2010 (HK\$ million) (audited)	For the year ended 30 June 2009 (HK\$ million) (audited)
Revenue	4,734.0	12,089.0	17,250.9
Cost of sales	(3,902.3)	(10,111.7)	(15,407.3)
Gross profit	831.7	1,977.3	1,843.6
Share of results of			
Associated companies	198.1	485.0	(63.5)
Jointly controlled entities	1,175.1	2,122.0	1,780.6
Profit for the period/year	2,407.2	4,082.0	2,580.7
Attributable to			
Shareholders of NWS	2,391.2	4,011.7	2,528.8
Non-controlling interests	16.0	70.3	51.9

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	As at 31 December 2010 <i>(HK\$ million)</i> <i>(unaudited)</i>		As at 30 June 2009 <i>(HK\$ million)</i> <i>(audited)</i>
Non-current assets	29,533.8	26,934.6	24,106.9
Current assets	10,694.3	10,746.3	20,171.7
Net current assets	1,942.7	3,329.2	5,938.7
Net assets	29,236.1	26,452.1	24,259.4

Six months ended 31 December 2010

As set out in the Interim Report, profit attributable to the Shareholders was approximately HK\$2,391.2 million for the Interim Period, representing an increase of approximately HK\$85.8 million, being approximately 3.7% over that of the corresponding period in the prior year. Despite a decrease in gross profit, a reduction in general and administrative expenses of approximately HK\$367.3 million was recorded, which were the main factors behind the movement in the profit attributable to Shareholders.

Year ended 30 June 2010

As set out in the 2010 Annual Report, profit attributable to Shareholders was approximately HK\$4,011.7 million for the year ended 30 June 2010, representing an increase of approximately HK\$1,482.9 million or approximately 58.6% increase over that of the corresponding period in the prior year.

The aforesaid increase was largely attributable to, (i) an one-off net gain arising from the disposal of controlling interest in subsidiaries of approximately HK\$731.2 million, compared to approximately HK\$39.4 million for the year ended 30 June 2009; and (ii) the increase in contribution from its associated companies and jointly controlled entities compared to the corresponding prior year, the aforesaid increase totalled to approximately HK\$889.9 million.

Analysis on the Services division of the NWS Group (the “Services Division”)

As set out in the Interim Report, the NWS Group’s business is classified into two major divisions, namely the Infrastructure division and the Services Division. The Services Division is sub-divided into three segments, namely, (i) Facilities Management; (ii) Construction & Transport; and (iii) Strategic Investments. The Continuing Connected Transactions contemplated under the NWD Master Services Agreement are primarily related to the businesses carried out by the Services Division, in particular, the Facilities Management and Construction & Transport segments.

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Facilities Management and Construction & Transport segments contributed approximately 58.2% and 39.0% of the NWS Group's total revenue respectively for the Interim Period as set out in the Interim Report.

Table B: Financial information on the Services Division

	For the six months ended 31 December		For the year ended 30 June	
	2010	2009	2010	2009
	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>
Revenue:				
– Facilities Management	2,753.3	2,984.1	6,163.9	5,404.1
– Construction & Transport*	1,848.3	2,665.6	5,196.0	10,904.0
	4,601.6	5,649.7	11,359.9	16,308.1
Attributable operation profit (“AOP”):				
– Facilities Management	404.3	400.4	825.1	612.1
– Construction & Transport*	149.8	258.4	410.1	285.7
	554.1	658.8	1,235.2	897.8
Total Group AOP	2,213.9	1,727.1	2,843.0	2,537.1
<i>Percentage of Group AOP</i>	25.0%	38.1%	43.4%	35.4%

* as set out in the Interim Report, following the divestment of mechanical and engineering business, the Contracting & Transport segment has been renamed as “Construction & Transport”

As set out in Table B above, the Facilities Management and the Construction & Transport segments within the Services Division has remained profitable throughout the interim periods/financial years under review. The AOP to revenue ratio was approximately 12.0% for the Interim Period (compared to approximately 11.7% for the six months ended 31 December 2009), and approximately 10.9% for the year ended 30 June 2010 (compared to approximately 5.5% for the year ended 30 June 2009), respectively.

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1.2 Industry overview – Construction industry

The Annual Caps for the provision of the Operational Services by members of the NWS Group to members of the NWD Group primarily relate to construction services in connection with the construction industry.

According to information as set out in the website of the Census and Statistics Department of Hong Kong, the provisional overall gross value of construction work performed by main contractors in 2010 totalled to approximately HK\$110,940 million in nominal terms, such represents a year-on-year increase of approximately 9.9%.

As set out in the April 2011 monthly digest by the Buildings Department of the Hong Kong, the notification of commencement of general building and superstructure work in relation to new buildings is as follows:

Table C: Notification of commencement of general building & superstructure work

Year	Gross floor area <i>(square metre “sq.m.”)</i>	Year-on-year change <i>(%)</i>	Usable floor area <i>(sq.m.)</i>	Year-on-year change <i>(%)</i>
2008	1,331,352.8	–	730,144.5	–
2009	1,327,821.5	(0.3%)	771,755.8	5.7%
2010	1,524,774.7	14.8%	883,887.4	14.5%

Table C illustrates that the gross floor area and usable floor area of notification of commencement of general building and superstructure work for year 2010 amounted to approximately 1.5 million sq.m. and 0.9 million sq.m., respectively. Such represents a year-on-year increase of approximately 14.8% and 14.5% respectively.

2. Information regarding the NWD Group

The NWD Group is principally engaged in investments in the area of property, infrastructure, hotel operation, department store operation, services as well as telecommunications and technology.

NWD is a substantial shareholder of NWS holding approximately 59.79% of its total issued share capital as at the Latest Practicable Date and hence a connected person of NWS.

The NWD Master Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions of NWS under Rule 14A.14 of the Listing Rules.

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As set out in the interim report of NWD for the six months period ended 31 December 2010, the financial results of the NWD Group for the six months ended 31 December 2010, and each of the two years ended 30 June 2010, as extracted from the annual report of NWD for the financial year ended 30 June 2010, NWD recorded (i) revenue of approximately HK\$30,218.6 million for the year ended 30 June 2010, represented a year-on-year increase of approximately 23.8%; and (ii) revenue of approximately HK\$15,076.1 million for the six months period ended 31 December 2010, represented a period-on-period increase of approximately 24.4%.

3. NWD Master Services Agreement

3.1 Basis and reasons for the NWD Master Services Agreement

Pursuant to the Engagement Undertaking, NWD has, subject to certain qualifications, undertaken to engage the NWS Group for the provision of the Operational Services for a period of 15 years from 29 January 2003.

As set out in the “Letter from the Board”, the transactions contemplated under the NWD 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 NWS Group and the NWD Operational Agreements will be agreed on arm’s length basis and on normal commercial terms.

Provision of the Operational Services by members of the NWS Group to members of the NWD Group

Based on the historical figures as set out in Table B above, Facilities Management and Construction & Transport continued to be the core segments of the NWS Group, contributed an aggregate of approximately 43.4% towards the NWS Group’s AOP for the year ended 30 June 2010.

In view of (i) the significance of the AOP contributions from the Facilities Management and Construction & Transport segments to the NWS Group; (ii) the Management is of the view that the provision of the Operational Services is a furtherance of the Services Division’s businesses, and continuance of normal businesses relationship with members of the NWD Group; (iii) NWD, being one of the major property developers and property owners in Hong Kong, has been an established client and service provider of the NWS Group; and (iv) the NWD Master Services Agreement allows members of the NWS Group the flexibility but not the obligation to provide the Operational Services, we concur with the view of the Directors that the provision of the Operational Services by members of the NWS Group to members of the NWD Group is in the interests of NWS and the Independent Shareholders as a whole.

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Qualifications and experience in the provision of the Operational Services by members of the NWD Group

The Management is of the view that members of the NWD Group are capable and suitable to be considered for the continuation of provision of Operational Services to members of the NWS Group. We concur with the Management's view that they possess the requisite infrastructure and equipped to continue its provision of Operational Services, in particular the facilities management services and rental services, to members of the NWS Group under the NWD Master Services Agreement, the terms of which will subject to (i) the qualifications as set out under paragraph headed "Provision of the Operational Services" in the "Letter from the Board"; and (ii) the terms and pricing policies as set out under paragraph headed the "Operational Agreements" in the "Letter from the Board".

Given the above mentioned reasons, we concur with the view of the Directors that the provision of the Operational Services by members of the NWD Group to members of the NWS Group is in the interests of NWS and the Independent Shareholders as a whole.

3.2 *Principal terms of the NWD Master Services Agreement*

Pursuant to the NWD Master Services Agreement, each of NWS and NWD agrees to, and agrees to procure that members of the NWS Group or the NWD Group (to the extent practicable), engage relevant members of the NWD Group or the NWS Group to provide the Operational Services to relevant members of the NWS Group or the NWD Group during the term of the NWD Master Services Agreement.

As set out in the "Letter from the Board", the prices and terms of the NWD Operational Agreements with respect to the Operational Services 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 than those charged and provided to Independent Third Party customers of the NWS Group or the NWD Group (as the case may be).

Engagement in relation to the Operational Services under the NWD Master Services Agreement is also subject to the following qualifications:

- (a) the engagement only applies to services required for business, projects and premises for which the relevant members of the NWS Group or the NWD Group (as the case may be) have the right to select providers of the relevant services;
- (b) the engagement is not contrary to the terms of contracts governing the relevant business, projects or premises or any applicable laws, regulations or administrative directives promulgated by competent

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authorities to which the business, projects and/or premises of the relevant members of the NWS Group or the NWD Group (as the case may be) relate; and

- (c) in the event that the relevant members of the NWS Group or the NWD Group (as the case may be) are required to select the providers of particular services through auction tenders, the engagement shall only become effective as and when the relevant members of the NWD Group or the NWS Group (as the case may be) have been selected by the relevant members of the NWS Group or the NWD Group (as the case may be) to provide the relevant services as a result of the relevant auction tenders.

3.3 Provision of the Operational Services by members of the NWS Group to members of the NWD Group (the “Outgoing Services”)

We understand from the Management that the Outgoing Services to be provided under the NWD Master Services Agreement shall include (i) construction services; (ii) facilities management services; (iii) property management services; and (iv) rental services.

Outgoing Services

sub-categories

Description of services

Construction 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, computer aided drafting services and related services
Facilities Management Services	provision of information technology services, 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
Property Management Services	property management, property sales and letting agency services, provision of car parking management and related services
Rental Services	rental of properties, spare spaces, vehicles and vessels and related services

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Based on information provided by the Management, the Annual Caps for the Outgoing Services are substantially related to construction services. In connection with the construction services, we understand from the Management that member(s) of the NWS Group is primarily engaged as the main contractor and/or management contractor of a project after being selected from participated tenderers in a tender process set up by member(s) of the NWD Group or through direct appointment by member(s) of the NWD Group.

In connection with the tenders, we have obtained from the Management its internal work procedures for tendering which govern tender procedures involved by the relevant member of the NWS Group (the “**Tender Procedures**”), setting out guidelines for the overall flow of the tendering process, pre-tendering stage, tendering stage and post tendering stage.

We understand from the Management that a cost estimation of each of the tendered project to members of NWD Group and Independent Third Parties to the NWS Group is carried out by the tender/business development department of the relevant member of the NWS Group and the tender price is based on the aforesaid cost estimation.

We reviewed a sample of tenders submitted to members of the NWD Group and noted that the cost estimation for the sampled tenders are derived from prevailing market rates and quotes from authorised suppliers. In addition, we noted that each of the sampled tender, including the cost estimations, was reviewed and authorised by the director(s) of the relevant member of the NWS Group.

In connection with the engagements through direct appointment by member(s) of the NWD Group, the Management advised that the construction services will be charged on a cost-plus basis agreed with member(s) of the NWD Group.

We have compared the gross profit margins derived from projects in connection with construction services provided to members of the NWD Group with those provided to Independent Third Parties and noted that the gross profit margins derived from construction services provided to members of the NWD Group are in line with those derived from Independent Third Parties for projects of similar nature and size.

In connection with facilities management services, property management services and rental services, we reviewed a sample of contracts which the NWS Group had entered into with member(s) of the NWD Group and reviewed terms available from/charged to Independent Third Parties for services of similar types and nature in each of the above sub-categories of Outgoing Services.

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Based on our review of the aforesaid documents, we consider that the samples reviewed were at prices and terms in line with those available from/charged to Independent Third Parties. Having considered the abovementioned factors, we concur with the Management that the aforesaid Outgoing Services are conducted on normal commercial terms.

3.4 Provision of the Operational Services by members of the NWD Group to members of the NWS Group (the “Incoming Services”)

We understand from the Management that, the Incoming Services under the NWD Master Services Agreement mainly involves facilities management services and rental services.

Incoming Services

sub-categories

Description of services

Facilities Management
Services

provision of telecommunication services, 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

Rental Services

rental of properties, spare spaces, vehicles and vessels and related services

In connection with the Incoming Services, the Management advised that facilities management services and rental services are largely related to telecommunication services and rental of office premises to members of the NWS Group respectively.

In connection with facilities management services and rental services, we reviewed a sample of contracts which the NWS Group had entered into with member(s) of the NWD Group and reviewed terms available from Independent Third Parties for services of similar types and nature in each of the above sub-categories of Incoming Services.

Based on our review of the aforesaid documents, we consider that the samples reviewed were at prices and terms in line with those available from Independent Third Parties. Having considered the abovementioned factors, we concur with the Management that the aforesaid Incoming Services are conducted on normal commercial terms.

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3.5 Rationale for determining the Annual Caps

As set out in the “Letter from the Board”, the aggregate transaction values in respect of the transactions between members of the NWS Group and members of the NWD Group for the financial years ended 30 June 2009 and 2010 and the six months ended 31 December 2010 were as follows:

Table D: Historical transaction values

Categories	Aggregate transaction values		
	Financial year ended		Six months ended
	30 June 2009	2010	31 December 2010
	(HK\$' million)	(HK\$' million)	(HK\$' million)
Operational Services by members of the NWS Group (excluding members of the Disposal Group) to members of the NWD Group (i.e. the Outgoing Services)	2,042.1	1,521.8	1,036.1
Operational Services by members of the NWD Group to members of the NWS Group (excluding members of the Disposal Group) (i.e. the Incoming Services)	<u>26.6</u>	<u>33.6</u>	<u>15.4</u>
Total	<u><u>2,068.7</u></u>	<u><u>1,555.4</u></u>	<u><u>1,051.5</u></u>

Historical transaction values for Outgoing Services

As set out in Table D above, the aggregate transaction value for the Outgoing Services reduced by HK\$520.3 million, from HK\$2,042.1 million for the year ended 30 June 2009 to HK\$1,521.8 million for the year ended 30 June 2010, representing a decrease of approximately 25.5%.

We understand from the Management that the aforesaid decrease is mainly attributable to the stages completion of several sizeable projects in Hong Kong and the PRC with respect to the construction services provided to members of the NWD Group.

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We noted that the historical transaction values for construction services may be distorted by a reduction in the number and size of projects undertaken in a given financial year, while the other Outgoing Services, save for the construction services, are considered to be more consistent year-on-year.

Historical transaction values for Incoming Services

As set out in Table D above, the aggregate transaction value for the Incoming Services increased by approximately HK\$7.0 million, from approximately HK\$26.6 million for the year ended 30 June 2009 to approximately HK\$33.6 million for the year ended 30 June 2010, representing an increase of approximately 26.3%. Such increase is largely attributable to the increase in value of telecommunication and rental services provided to members of the NWS Group compared to the corresponding prior year.

Annual Caps for Operational Services between members of the NWD Group and the NWS Group

The following sets out the proposed Annual Caps in respect of transactions between members of the NWS Group and members of the NWD Group for each of the three financial years ending 30 June 2014:

Table E: Annual Caps for each of the three financial years ending 30 June 2014

Categories	Financial year ending 30 June		
	2012	2013	2014
	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>
Operational Services by members of the NWS Group to members of the NWD Group (i.e. the Outgoing Services)	4,895.1	6,767.1	6,027.0
Operational Services by members of the NWD Group to members of the NWS Group (i.e. the Incoming Services)	<u>39.4</u>	<u>41.4</u>	<u>44.3</u>
Total	<u>4,934.5</u>	<u>6,808.5</u>	<u>6,071.3</u>

As stated in the “Letter from the Board”, each of the Annual Caps has been determined by reference to: (i) the historical annual or annualised amounts in respect of the Operational Services provided by the relevant

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members of the NWS Group (excluding members of the Disposal Group) to the relevant members of the NWD Group and vice versa during the past three financial years; and (ii) the projected annual or annualised amounts in respect of the Operational Services to be provided by relevant members of the NWS Group to the relevant members of the NWD Group and vice versa, in the next three financial years.

Annual Caps for Outgoing Services

In assessing the fairness and reasonableness of the Annual Caps, we have reviewed and discussed the information provided by the Management, including a schedule which sets out the historical/forecasted contract values on a project-by-project basis by categories of services for the three years ended 30 June 2011 and the breakdown of the Annual Caps by categories of services for the three years ending 30 June 2014.

As set out in the annual report of NWD for the year ended 30 June 2010, major property development projects of the NWD Group in Hong Kong have total gross floor area (“GFA”) exceeding 12 million square feet.

Based on the aforesaid schedule and information, we noted that members of the NWS Group may participate in certain large-scale construction projects of the NWD Group, which involves substantial construction services, in the three financial years ending 30 June 2014.

We have discussed the basis and assumptions made in relation to the Annual Caps for Outgoing Services for the three years ending 30 June 2014 with the Management and noted that Annual Caps were based on the estimated value of construction services that may be awarded by members of the NWD Group to members of the NWS Group and was arrived at according to (i) estimated GFA of each project and the estimated value per square foot of GFA based on the relevant prevailing market price; and (ii) estimated timetable for each of the relevant projects of the NWD Group.

Based on information provided by the Management, we noted that the annual caps related to facilities management services, property management services and rental services for the three years ending 30 June 2014 were largely in line with the respective historical annual and/or annualised amounts after taken into account certain contracts expected to be entered into and/or completed.

On this basis, we consider that it is reasonable for the Management to make reference to the aforesaid factors as the basis to determine the relevant Annual Caps of approximately HK\$4,895.1 million, HK\$6,767.1 million and HK\$6,027.0 million for Outgoing Services for each of the financial years ending 30 June 2012, 2013 and 2014 respectively.

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Annual Caps for Incoming Services

We have discussed the basis and assumptions made in respect of the relevant Annual Caps for Incoming Services for the year ending 30 June 2012, being approximately HK\$39.4 million, with the Management and noted that the increase compared to the estimated annualised amount for the year ended 30 June 2011 is mainly attributable to the expected increase in rental services provided by the members of the NWD Group to the members of the NWS Group.

The relevant Annual Caps for the Incoming Services for the two years ending 30 June 2014, represents a year-on-year increase of approximately 5.1% and 7.0% respectively. We noted that the Management has taken into consideration the relevant cost increments and expected Incoming Services required for the aforesaid period.

On this basis, we consider that it is reasonable for the Management to make reference to the aforesaid factors as the basis to determine the relevant Annual Caps of approximately HK\$39.4 million, HK\$41.4 million and HK\$44.3 million for Incoming Services for each of the financial years ending 30 June 2012, 2013 and 2014, respectively.

Taking into account (i) the historical transaction value of the Incoming Services provided by the Management; (ii) the recurring nature of the Incoming Services; (iii) the basis in determining the Annual Cap for the year ending 30 June 2012; and (iv) the modest year-on-year increase of the Annual Caps for the two years ending 30 June 2014, we consider that the basis for the Annual Caps to be fair and reasonable.

Shareholders should be aware that the actual utilization and sufficiency of the Annual Caps would depend on a host of factors, including but not limited to, the relevant contracts to be awarded to and by the member(s) of the NWD Group may or may not be granted to the member(s) of the NWD Group or the NWS Group, the progress of the scheduled projects and the scope of work. In this regard, we understand from the Management that NWS will actively monitor the progress and utilization of the Annual Caps to ensure compliance with the Listing Rules from time to time.

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VI. RECOMMENDATION

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the above principal factors and reasons, in particular, the following:

- (i) the basis and reasons for the NWD Master Services Agreement;
- (ii) the provision of the Operational Services to members of the NWD Group is a furtherance and continuance of the Services Division's businesses which have contributed notably at the AOP level as set out under paragraph headed "Analysis on the Services Division of the NWS Group";
- (iii) the Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the NWS Group and on normal commercial terms that are no less favourable than those prices and terms available to or from Independent Third Parties to the NWS Group; and
- (iv) the value of, and the basis for determining, the Annual Caps are reasonable, details of which are set out in the section headed "3.5 Rationale for determining the Annual Caps".

Based on the above consideration, we are of the opinion that the NWD Master Services Agreement is in the ordinary and usual course of business of the NWS Group and on normal commercial terms and in the interests of NWS and the Shareholders as a whole, and the terms of which including the Annual Caps of the underlying transactions are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we would advise the Independent Board Committee and the Independent Shareholders that the Independent Shareholders to vote in favour of the ordinary resolution to approve the NWD Master Services Agreement and the Annual Caps of the underlying transactions contemplated under the NWD Master Services Agreement at the SGM.

Yours faithfully
For and on behalf of
Investec Capital Asia Limited
Alexander Tai
Executive Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS

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

2.1 Interests in shares

	Number of shares			Total
	Personal interests	Family interests	Corporate interests (Note)	
The Company				
(Ordinary shares of HK\$1.00 each)				
Dr. Cheng Kar Shun, Henry	13,768,798	–	12,000,000	25,768,798
Mr. Doo Wai Hoi, William	3,009,849	–	13,695,000	16,704,849
Mr. Tsang Yam Pui	180,000	–	–	180,000
Mr. Lam Wai Hon, Patrick	1,486,786	–	7,608	1,494,394
Mr. Cheung Chin Cheung	1,470,579	–	–	1,470,579
Mr. William Junior Guilherme Doo	–	–	104,780	104,780
Mr. Wilfried Ernst Kaffenberger	723,372	–	–	723,372
Mr. Kwong Che Keung, Gordon	961,100	–	–	961,100
Dr. Cheng Wai Chee, Christopher	1,301,029	–	–	1,301,029

	Number of shares			Total
	Personal interests	Family interests	Corporate interests (Note)	
Associated Corporations				
NWD				
(Ordinary shares of HK\$1.00 each)				
Dr. Cheng Kar Shun, Henry	–	300,000	–	300,000
Mr. Doo Wai Hoi, William	–	–	1,000,000	1,000,000
Mr. Cheung Chin Cheung	62,200	–	–	62,200
Mr. William Junior Guilherme Doo	–	20,000	–	20,000
Mr. Kwong Che Keung, Gordon	30,000	–	–	30,000
New World China Land Limited (“NWCL”)				
(Ordinary shares of HK\$0.10 each)				
Dr. Cheng Kar Shun, Henry	18,750,000	2,925,000	78,406,800	100,081,800
Mr. Doo Wai Hoi, William	13,125,000	–	52,258,400	65,383,400
Mr. Lam Wai Hon, Patrick	270,000	–	–	270,000
Mr. William Junior Guilherme Doo	–	75,000	270,000	345,000
Mr. Cheng Chi Ming, Brian	106,400	–	–	106,400
Dr. Cheng Wai Chee, Christopher	83,600	–	–	83,600
Newton Resources Ltd				
(Ordinary shares of HK\$0.10 each)				
Mr. Cheung Chin Cheung	7,154	–	–	7,154
Mr. Kwong Che Keung, Gordon	11,307	–	–	11,307
Wai Kee Holdings Limited (“Wai Kee”)				
(Ordinary shares of HK\$0.10 each)				
Mr. Lam Wai Hon, Patrick	300,000	–	–	300,000
Mega Choice Holdings Limited				
(In liquidation)				
(Ordinary shares of HK\$1.00 each)				
Dr. Cheng Kar Shun, Henry	–	–	420,585,070	420,585,070

Note: These shares are beneficially owned by a company/companies in which the relevant Director is deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its/their general meeting.

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

Under the share option scheme of the Company and the respective share option schemes of NWD, NWCL and New World Department Store China Limited (“NWDS”), all of them are the associated corporations of the Company within the meaning of Part XV of the SFO, options may be granted to their respective directors and employees and also to certain eligible participants of these companies as defined in their respective share option schemes to subscribe for their shares. As at the Latest Practicable Date, the following Directors had personal interests in the following share options granted to them to subscribe for shares in the Company, NWD, NWCL and NWDS:

	Date of grant	Exercisable period <i>(Notes)</i>	Number of share options outstanding
The Company			
(Exercise price of HK\$10.672 per share)			
Dr. Cheng Kar Shun, Henry	21 August 2007	(1)	4,553,871
Mr. Doo Wai Hoi, William	21 August 2007	(1)	3,035,914
Mr. Tsang Yam Pui	21 August 2007	(1)	2,276,933
Mr. Lam Wai Hon, Patrick	21 August 2007	(1)	2,276,933
Mr. Cheung Chin Cheung	21 August 2007	(1)	2,276,933
Mr. William Junior Guilherme Doo	21 August 2007	(1)	2,276,933
Mr. Wilfried Ernst Kaffenberger	21 August 2007	(1)	455,383
Mr. To Hin Tsun, Gerald	21 August 2007	(1)	455,383
Mr. Dominic Lai	21 August 2007	(1)	455,383
Mr. Kwong Che Keung, Gordon	21 August 2007	(1)	910,771
Dr. Cheng Wai Chee, Christopher	21 August 2007	(1)	910,771
The Honourable Shek Lai Him, Abraham	21 August 2007	(1)	910,771
Associated Corporations			
NWD			
(Exercise price of HK\$17.652 per share)			
Dr. Cheng Kar Shun, Henry	19 March 2007	19 March 2007 to 18 March 2012	36,714,392

	Date of grant	Exercisable period <i>(Notes)</i>	Number of share options outstanding
NWCL			
(Exercise price of HK\$1.340 per share)			
Dr. Cheng Kar Shun, Henry	29 December 2008	(2)	1,791,045
Mr. Doo Wai Hoi, William	29 December 2008	(2)	727,612
Dr. Cheng Wai Chee, Christopher	29 December 2008	(2)	252,221
(Exercise price of HK\$3.154 per share)			
Dr. Cheng Kar Shun, Henry	18 January 2011	(3)	2,000,000
Mr. Doo Wai Hoi, William	18 January 2011	(3)	800,000
Dr. Cheng Wai Chee, Christopher	18 January 2011	(3)	300,000
NWDS			
(Exercise price of HK\$8.660 per share)			
Dr. Cheng Kar Shun, Henry	27 November 2007	(4)	1,000,000

Notes:

- (1) 40% of the share options are exercisable from 21 August 2008 to 20 August 2012 while the remaining 60% of the share options are divided into 3 tranches exercisable from 21 August 2009, 21 August 2010 and 21 August 2011 respectively to 20 August 2012.
- (2) Divided into 4 tranches exercisable from 30 January 2009, 30 January 2010, 30 January 2011 and 30 January 2012 respectively to 29 January 2013.
- (3) Divided into 5 tranches exercisable from 19 February 2011, 19 February 2012, 19 February 2013, 19 February 2014 and 19 February 2015 respectively to 18 February 2016.
- (4) Divided into 5 tranches exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012 respectively to 26 November 2013 provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forwarded from the previous anniversary year.

2.3 Interests in qualifying shares

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

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

3. SUBSTANTIAL SHAREHOLDERS

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

Name	Number of shares			Approximate percentage to the issued share capital of the Company
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited	–	2,115,300,747 ⁽¹⁾	2,115,300,747	62.44%
Centennial Success Limited	–	2,115,300,747 ⁽²⁾	2,115,300,747	62.44%
CTF Enterprises	89,747,839	2,025,552,908 ⁽³⁾	2,115,300,747	62.44%
NWD	1,340,426,579	685,126,329 ⁽⁴⁾	2,025,552,908	59.79%
Mombasa Limited	608,580,373	–	608,580,373	17.96%

Notes:

- (1) Cheng Yu Tung Family (Holdings) Limited holds 51% direct interest in Centennial Success Limited (“CSL”) and is accordingly deemed to have an interest in the shares deemed to be interested by CSL.
- (2) CSL holds 100% direct interest in CTF Enterprises and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF Enterprises.
- (3) CTF Enterprises, together with its subsidiaries, hold more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWD.
- (4) NWD holds 100% indirect interest in Mombasa Limited and is accordingly deemed to have an interest in the shares held by Mombasa Limited in the Company. NWD is also deemed to be interested in 2,979,975 shares held by Financial Concepts Investment Limited, 26,322,510 shares held by Hing Loong Limited, 26,322,510 shares held by Fine Reputation Incorporated, 20,920,961 shares held by New World Hotels Corporation Limited, all of them are subsidiaries of NWD.
- (5) All the interests stated above represent long positions.

Save as disclosed above, as at the Latest Practicable Date and so far as is known to any Director or chief executive of the Company, no other person had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the following Directors are considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

Name	Entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Dr. Cheng Kar Shun, Henry	CTF Enterprises group of companies	Investment in transport services business	Director
	HKR International Limited group of companies	Construction and property management	Director

Name	Entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Mr. Lam Wai Hon, Patrick	Wai Kee	Construction, investment in toll road and infrastructure businesses and sale of general merchandised goods	Director
	Road King Infrastructure Limited	Development, operation and management of toll roads	Director
Mr. Wilfried Ernst Kaffenberger	AEI	Investment in power plants	Director

5. ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (a) save as disclosed in the announcement dated 11 June 2010, Fung Seng Enterprises Limited (“**Fung Seng**”, a company which is beneficially owned as to 90% by Mr. Doo Wai Hoi, William) as purchaser and NWS Service Management Limited (a wholly-owned subsidiary of the Company) as vendor have entered into sale and purchase agreements regarding the acquisition of the Disposal Group from the Group, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the businesses of the Group;
- (b) none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which is not determinable by the relevant member of the Group within one year without payment of compensation, other than statutory compensation; and
- (c) save as disclosed in the announcements dated 27 July 2010 and 30 June 2011, Fung Seng has completed the acquisition of the Disposal Group from the Group, none of the Directors had any direct or indirect interest in any asset which, since 30 June 2010 (the date to which the latest published audited financial statements of the Group were made up), had been acquired or disposed of by, or leased to, any member of the Group, or was proposed to be acquired or disposed of by, or leased to, any member of the Group.

6. MATERIAL ADVERSE CHANGE

The Board is not aware of any material adverse change in the financial or trading position of the Group since 30 June 2010, the date to which the latest published audited financial statements of the Group were made up.

7. QUALIFICATION AND CONSENT OF EXPERT

ICAL is 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 SFO.

ICAL has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name and its letter in the form and context in which they respectively appear.

As at the Latest Practicable Date, ICAL did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, ICAL did not have any interest, directly or indirectly, in any assets which since 30 June 2010, the date to which the latest published audited financial statements of the Company were made up, had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MISCELLANEOUS

The English text of this circular prevails over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the offices of the Company in Hong Kong at 28/F., New World Tower, 18 Queen's Road Central, Hong Kong during normal business hours from the date of this circular up to 8 August 2011 and including and at the SGM:

- (a) the NWD Master Services Agreement;
- (b) the "Letter from the Independent Board Committee" as set out in this circular;
- (c) the "Letter from ICAL" as set out in this circular;
- (d) the consent letter of ICAL referred to in the section headed "Qualification and Consent of Expert" in this appendix; and
- (e) this circular.

NOTICE OF SGM



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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of NWS Holdings Limited (the “Company”) will be held at Meeting Rooms S226-S227 (Harbour Road Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Monday, 8 August 2011 at 11:30 a.m. for the purpose of considering and, if thought fit, with or without amendments, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT**, the NWD Master Services Agreement dated 30 June 2011 entered into between NWD and the Company, a copy of which has been produced to the meeting marked “A” and initialled by the chairman of the meeting for identification purpose, pursuant to which, each of the Company and NWD agrees to procure that members of the Group or the NWD Group (to the extent practicable) engage relevant members of the NWD Group or the Group to provide certain operational services as more particularly set out in the “Letter from the Board” in the circular of the Company dated 18 July 2011 (the “**Circular**”) to relevant members of the Group or the NWD Group, and **THAT**, the proposed annual caps in respect of the continuing connected transactions contemplated under the NWD Master Services Agreement for each of the three financial years ending 30 June 2014 as more particularly set out in the “Letter of the Board” in the Circular be and are hereby approved and confirmed, and **THAT** the directors of the Company be and are hereby authorized to do such acts and things and execute all such documents which in their opinion may be necessary, desirable or expedient to carry out or give effect to any of the foregoing with such modifications (if any) as they may consider appropriate, and to exercise the powers and rights of the Company in connection therewith.”

By Order of the Board
Chow Tak Wing
Company Secretary

Hong Kong, 18 July 2011

* *For identification purposes only*

NOTICE OF SGM

Notes:

1. Unless otherwise defined, terms used in this notice shall have the same meanings as those defined in the Circular.
2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. In order to be valid, the instrument appointing a proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the appointed time for holding of the meeting or at any adjournment thereof.
4. A form of proxy for use at the meeting is enclosed. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof.
5. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint registered holders are present at the meeting personally or by proxy, then one of the registered holders so present whose name stands first on the Company's register of members in respect of such share will alone be entitled to vote in respect thereof.
6. Voting on the above resolution will be taken by poll.