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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)

MAJOR AND CONNECTED TRANSACTION

DISPOSAL OF THE HIP SENG GROUP

On 8 June 2018 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the SP Agreement with the Purchaser (a direct wholly-owned subsidiary of NWD) in respect of the sale of the Hip Seng Group by the Vendor to the Purchaser through the sale of the Sale Share at the Consideration on and subject to the terms and conditions contained in the SP Agreement, the major terms of which are disclosed in the paragraphs headed “Major terms of the SP Agreement” below.

Completion is conditional upon the obtaining of the approval of the Independent Shareholders to the SP Agreement and all transactions contemplated thereunder in compliance with the Listing Rules and compliance with the other requirements of the Listing Rules applicable to the SP Agreement and all transactions contemplated thereunder.

The Purchaser is a direct wholly-owned subsidiary of NWD. As at the date of this announcement, NWD together with its subsidiaries hold approximately 61.09% of the total issued share capital of the Company. Accordingly, the Purchaser is a connected person of the Company and the transaction contemplated under the SP Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios (other than the profits ratio) in respect of the Disposal exceeds 25%, the SP Agreement and the transaction contemplated thereunder are subject to reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in respect of the Disposal exceeds 25% but is below 75%, the Disposal also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the notification, publication and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the SP Agreement and the transaction contemplated thereunder. NWD and its associates will abstain from voting on the resolution approving the SP Agreement and the transaction contemplated thereunder at the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the SP Agreement and the transaction contemplated thereunder.

BCL has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the SP Agreement and the transaction contemplated thereunder.

A circular containing, among others, information on the SP Agreement, the letter from the Independent Board Committee to the Independent Shareholders, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and other information as is required to be contained in it under the Listing Rules, together with a notice of the SGM and a form of proxy, is expected to be despatched to the Shareholders on or before 20 July 2018 as additional time is required to prepare the information for inclusion in the circular.

INTRODUCTION

The Board would like to announce that on 8 June 2018 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the SP Agreement with the Purchaser (a direct wholly-owned subsidiary of NWD) in respect of the sale of the Hip Seng Group by the Vendor to the Purchaser through the sale of the Sale Share at the Consideration on and subject to the terms and conditions contained in the SP Agreement, the major terms of which are disclosed below.

MAJOR TERMS OF THE SP AGREEMENT

Date

8 June 2018

Parties

- (1) Vendor: NWS CON Limited, an indirect wholly-owned subsidiary of the Company
- (2) Purchaser: Sherman Drive Limited, a direct wholly-owned subsidiary of NWD

Assets to be disposed of

Pursuant to the SP Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Sale Share, representing the entire issued share capital of the Target Company on and subject to the terms and conditions contained in the SP Agreement. By disposing of the Sale Share, the Vendor is disposing of the Hip Seng Group of which the Target Company is the holding company.

Consideration

The Consideration for the Disposal is HK\$168 million.

The Consideration shall be paid by the Purchaser in full upon Completion.

The Consideration was agreed after arm's length negotiations between the Vendor and the Purchaser having taken into consideration various factors, including but not limited to the unaudited consolidated net asset value of the Hip Seng Group as at 31 March 2018 and remaining contracts on hand.

Condition Precedent to Completion

Completion is conditional upon the obtaining of the approval of the Independent Shareholders to the SP Agreement and all transactions contemplated thereunder in compliance with the Listing Rules and compliance with the other requirements of the Listing Rules applicable to the SP Agreement and all transactions contemplated thereunder.

The Vendor shall procure the fulfilment of the Condition Precedent. The Condition Precedent may not be waived by the Vendor or the Purchaser.

If the Condition Precedent shall not be fulfilled on or before the Long Stop Date, all rights and obligations of the Vendor and the Purchaser under the SP Agreement shall cease and terminate.

Completion of the SP Agreement

Completion shall take place at or before 5:00 p.m. on the Completion Date, i.e. the 7th Business Day following fulfilment of the Condition Precedent or such other date as the Vendor and the Purchaser may agree in writing.

Non-competition undertakings

Pursuant to the SP Agreement, for so long as (1) NWD and other member(s) of the NWD Group, either individually or together, (a) remain a controlling shareholder of the Company; or (b) is the single largest shareholder of the Company; and (2) the Shares remain listed on the Stock Exchange or any other stock exchange, the Purchaser irrevocably covenants with the Vendor (for itself and

as trustee for other members of the Group) that during a period of 18 months from the Completion Date, the Purchaser shall, and shall procure members of the NWD Group shall (subject to the exceptions set out below):

- (1) not directly or indirectly, invest or participate in, hold any right or interest in or be involved in (in each case, whether as shareholder, partner, agent or otherwise, and whether for profit, reward or otherwise) the Construction Business in Hong Kong; and
- (2) not solicit or entice away or endeavour to solicit or entice away any employee of the Group in an executive, supervisory, technical, or administrative capacity for employment by it or any member of the NWD Group for or in connection with the Construction Business.

The above non-competition undertakings do not apply to the following exceptions:

- (1) Hip Seng Group's existing contracts: anything carried out or contracts or agreements entered into or orders accepted or undertaken at or prior to Completion by the Hip Seng Group (including any renewal or extension of such contracts or agreements), as the case may be, in respect of the Construction Business;
- (2) NWD's own projects: the provision by any one or more members of the NWD Group of any of the services comprised in the Construction Business for (or the investment or participation in, or the holding of any right or interest in or the involvement in, whether directly or indirectly, the Construction Business in whatever form and nature by any member of the NWD Group where one of the purposes of all or any of the aforesaid is for) servicing the requirements of existing and future development or redevelopment projects, properties, business, or investments in which one or more members of the NWD Group (other than through the Group) presently have or will in the future have a direct or indirect interest in whatever form and nature;
- (3) NWD's investment in the Group or the Hip Seng Group: the holding by any member of the NWD Group of shares or other securities in the Company or other member of the Group or members of the Hip Seng Group;
- (4) NWD's investment in certain listed companies: the direct or indirect holding by any one or more members of the NWD Group of any class of securities of any company whose shares are listed on the Stock Exchange or any other stock exchange (and whose business or that of the members of its group is the carrying on of the Construction Business) where the total voting rights exercisable at general meetings of that company as represented by such holding do not exceed 10% of the total voting rights attaching to the securities of the same class;
- (5) NWD's investment in certain companies with no management role: the direct or indirect shareholding, right or interest of any one or more members of the NWD Group in any company whose shares are not listed on the Stock Exchange or any other stock exchange where (1) the amount of net profit before tax of such investee company derived from the Construction

Business is less than one-third of the net profit before tax or, as the case may be, the consolidated net profit before tax of such investee company; and (2) no member of the NWD Group participates, directly or indirectly, in the management of such investee company;

- (6) Services to the Group: the provision by any one or more members of the NWD Group of any of the services comprised in the Construction Business to the Group on normal commercial terms and at arm's length basis and if required, in compliance with the applicable requirements of the Listing Rules in respect of such provisions of such services; or
- (7) Others as the parties may agree: (1) the provision by any one or more members of the NWD Group of any of the services comprised in the Construction Business to or for any person, properties, business, project, investment or otherwise; or (2) the investment or participation in, or the holding of any right or interest in or the involvement in, whether directly or indirectly, the Construction Business by any one or more members of the NWD Group, as the Vendor and the Purchaser may agree.

INFORMATION OF THE HIP SENG GROUP

Principal business activities of the Hip Seng Group

The Target Company is an investment holding vehicle holding, directly or indirectly, the other members of the Hip Seng Group.

The Hip Seng Group is principally engaged in the provision of building construction services, specializing in providing general contracting and construction management services, in Hong Kong.

Financial information of the Hip Seng Group

According to the unaudited consolidated financial statements of the Hip Seng Group prepared in accordance with HKFRS, the unaudited consolidated net asset value of the Hip Seng Group as at 31 December 2017 was approximately HK\$104.9 million.

According to the unaudited consolidated financial statements of the Hip Seng Group prepared in accordance with HKFRS, the unaudited consolidated profit before and after taxation of the Hip Seng Group for the two financial years stated below were as follows:

	For the financial year ended 30 June	
	2017	2016
	HK\$'million	HK\$'million
	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit before taxation	20.5	51.3
Profit after taxation	17.6	43.0

Two members of the Hip Seng Group, being New World Facade Engineering Company Limited and ConTech pOint Company Limited, were incorporated on 20 July 2017 and 29 March 2018, respectively, and are held by the Group for less than 12 months prior to the date of the SP Agreement. The original cost of investment in each of these two companies to the Group was HK\$1.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

Pursuant to the deed of non-competition and engagement undertakings dated 29 January 2003 between NWD and the Company, NWD undertakes to the Company to, among others, in relation to all requirements in Hong Kong of the NWD Group for the provision of, inter alia, construction, foundation and civil engineering works, and project management services (collectively, the “**Services**”), engage the Group for the provision of all such services for a period of 15 years expiring on 29 January 2018 so long as it remains to be the controlling shareholder of the Company (the “**Engagement Undertaking**”). This only applies to services required for business and projects which are wholly-owned by NWD, and business and projects for which NWD has the right to select providers of the service which is similar to the types provided by the Group in Hong Kong at the time (collectively, the “**Projects**”).

The Hip Seng Group mainly acts as the main contractor or project manager for the Projects, and NWD and its associates have been the single dominant customer of the Hip Seng Group. Following the expiry of the Engagement Undertaking on 29 January 2018, the NWD Group is no longer obliged to engage the Group to provide the Services for the Projects. The business of the Hip Seng Group will probably be materially and adversely affected if the NWD Group engages other contractors to provide the Services for the Projects.

Against such background and given the uncertainty of the future business operations of the Hip Seng Group, discussions have been held by the Company with NWD and consideration has been given to the possibility of the disposal of the Group’s interest in Hip Seng Group to the NWD Group.

The Company considers that the Disposal provides the Group with an opportunity to realize its interest in the Hip Seng Group. By unlocking the value in the Hip Seng Group through the Disposal, the Group intends to apply the net sale proceeds of the Disposal, which is estimated to be approximately HK\$166 million, to fund its general working capital with a view to enhancing the shareholder value of the Company. The provision of the non-competition undertakings by the Purchaser under the SP Agreement also provides protection to the Group against the possible competition from the NWD Group in the Construction Business in Hong Kong for third party property development projects on and subject to the terms therein.

Following Completion, the Group will continue to carry on its Construction Business mainly through the Hip Hing Group, which contributes a substantial portion of the profit of the Construction Business of the Group. By leveraging on the experience and expertise of its professional team and its well-established market position, it is expected that the Group will continue to benefit from the strong operating performance of the Hip Hing Group.

The Directors (other than the independent non-executive Directors whose opinion will be rendered and stated in the circular of the Company to be despatched after taking into account of the advice of the Independent Financial Adviser) consider that the terms of the SP Agreement are normal commercial terms and fair and reasonable and the entering into of the SP Agreement is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Company will cease to have any equity interest in the Hip Seng Group and the financial results and assets and liabilities of the Hip Seng Group will cease to be consolidated into the accounts of the Group.

For illustration purpose only, the unaudited gain expected to be derived from the Disposal is approximately HK\$61.1 million, representing the difference between the amount of the Consideration and the unaudited consolidated net asset value of the Hip Seng Group of approximately HK\$104.9 million as at 31 December 2017, after the estimated transaction costs directly attributable to the Disposal including professional and other related expenses and relevant taxes. The expected unaudited gain is subject to audit. The actual amount of the gain to be recognized by the Group can only be determined when the consolidated net asset value of the Hip Seng Group as at the Completion Date and the transaction costs attributable to the Disposal are ascertained, and therefore may be different from the aforesaid amount.

INFORMATION ON THE PURCHASER AND NWD

The Purchaser is an investment holding company and a direct wholly-owned subsidiary of NWD.

NWD and its subsidiaries are principally engaged in property development and investments in the areas of property, infrastructure, hotel operation, department store operation, commercial aircraft leasing, services and technology.

INFORMATION ON THE GROUP

The Group is principally engaged in (i) the development, investment, operation and/or management of roads, environmental projects, commercial aircraft leasing as well as ports and logistics facilities; and (ii) the investment in and/or operation of facilities, construction, transport and strategic investments.

LISTING RULES IMPLICATIONS

The Purchaser is a direct wholly-owned subsidiary of NWD. As at the date of this announcement, NWD together with its subsidiaries hold approximately 61.09% of the total issued share capital of the Company. Accordingly, the Purchaser is a connected person of the Company and the transaction contemplated under the SP Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios (other than the profits

ratio) in respect of the Disposal exceeds 25%, the SP Agreement and the transaction contemplated thereunder are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in respect of the Disposal exceeds 25% but is below 75%, the Disposal also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

At the SGM, any Shareholder with a material interest in the SP Agreement and the transaction contemplated thereunder is required to abstain from voting on the resolution to be put forward to the Independent Shareholders for approving the SP Agreement and the transaction contemplated thereunder. NWD and its associates will abstain from voting on such resolution at the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the SP Agreement and the transaction contemplated thereunder.

BCL has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the SP Agreement and the transaction contemplated thereunder.

SGM

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the SP Agreement and the transaction contemplated thereunder.

A circular containing, among others, information on the SP Agreement, the letter from the Independent Board Committee to the Independent Shareholders, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and other information as is required to be contained in it under the Listing Rules, together with a notice of the SGM and a form of proxy, is expected to be despatched to the Shareholders on or before 20 July 2018 as additional time is required to prepare the information for inclusion in the circular.

DEFINITIONS

The following terms have the following meanings in this announcement, unless the context otherwise requires:

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“BCL” or “Independent Financial Adviser”	Ballas Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the SP Agreement and the transaction contemplated thereunder
“Board”	the board of Directors
“Business Day”	a day (other than Saturday and other general public holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted or in effect between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business
“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 (stock code: 659)
“Completion”	completion of the Disposal in accordance with the SP Agreement
“Completion Date”	the 7th Business Day following fulfilment of the Condition Precedent or such other date as the Vendor and the Purchaser may agree in writing on which Completion shall take place
“Condition Precedent”	the condition for Completion as disclosed in the paragraphs headed “Major terms of the SP Agreement – Condition Precedent to Completion” in this announcement
“connected person”	has the meaning ascribed to it in the Listing Rules

“Consideration”	the consideration of the Disposal, being the amount payable by the Purchaser to the Vendor for the Sale Share as disclosed in the paragraphs headed “Major terms of the SP Agreement – Consideration” in this announcement
“Construction Business”	the provision of construction services, including without limitation, general contracting, construction management, civil engineering works and foundation works, carried on by the Group at Completion and from time to time
“Director(s)”	director(s) of the Company
“Disposal”	the proposed sale of the Hip Seng Group by the Vendor to the Purchaser through the sale of the Sale Share on terms of the SP Agreement
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hip Hing Group”	NWS Construction Limited (being an indirect wholly-owned subsidiary of the Company) and its subsidiaries, joint ventures and associated companies from time to time
“Hip Seng Group”	the Target Company, its subsidiaries and an unincorporated joint venture
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, which comprises Mr. Kwong Che Keung, Gordon, Dr. Cheng Wai Chee, Christopher, The Honourable Shek Lai Him, Abraham, Mr. Lee Yiu Kwong, Alan and Mrs. Oei Fung Wai Chi, Grace, being all the independent non-executive Directors, established to advise the Independent Shareholders in respect of the SP Agreement and the transaction contemplated thereunder
“Independent Shareholders”	Shareholders, other than NWD and its associates, who do not have a material interest in the SP Agreement and the transaction contemplated thereunder

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the last time for fulfilment of the Condition Precedent, being 5:00 p.m. on 31 October 2018 (or such later time and date as the Vendor and the Purchaser may agree in writing)
“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) and the ultimate holding company of the Company
“NWD Group”	NWD and its subsidiaries (but not including the Group) from time to time
“percentage ratios”	the percentage ratios set out in Rule 14.07 of the Listing Rules
“Purchaser”	Sherman Drive Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of NWD
“Sale Share”	the one (1) share of par value of US\$1.00 in the share capital of the Target Company, representing its entire issued share capital
“SGM”	the special general meeting of the Company to be held for the purpose of considering and, if thought fit, approving the SP Agreement and the transaction contemplated thereunder
“Share(s)”	ordinary share(s) of par value of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“SP Agreement”	the conditional sale and purchase agreement dated 8 June 2018 entered into between the Vendor and the Purchaser in respect of, among others, the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Celestial Path Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Vendor
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	NWS CON Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 8 June 2018

As at the date of this announcement, (a) the executive Directors are Dr. Cheng Kar Shun, Henry, Mr. Tsang Yam Pui, Mr. Cheung Chin Cheung, Mr. Cheng Chi Ming, Brian and Mr. Mak Bing Leung, Rufin; (b) the non-executive Directors are Mr. To Hin Tsun, Gerald, Mr. Dominic Lai, Mr. Lam Wai Hon, Patrick and Mr. William Junior Guilherme Doo; and (c) the independent non-executive Directors are Mr. Kwong Che Keung, Gordon, Dr. Cheng Wai Chee, Christopher, The Honourable Shek Lai Him, Abraham, Mr. Lee Yiu Kwong, Alan and Mrs. Oei Fung Wai Chi, Grace.

* *For identification purposes only*