
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 a 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 proxy form to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of 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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF SGM

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

BALLAS

C A P I T A L

Capitalized terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this Circular.

A letter from the Board is set out on pages 6 to 26 of this Circular. A letter from the Independent Board Committee is set out on pages 27 and 28 of this Circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 29 to 66 of this Circular.

A notice convening the SGM to be held at Meeting Room N201 (Expo Drive Entrance), Level 2, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Thursday, 18 June 2020 at 11:30 a.m. is set out on pages 76 to 78 of this Circular. A proxy form for use by the Shareholders in the SGM is enclosed.

Whether or not you are able to attend the SGM (or any adjourned meeting) in person, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM (or any adjournment thereof). Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM (or any adjournment thereof) should you so wish.

PRECAUTIONARY MEASURES FOR SGM

Please refer to page 79 of this Circular for the measures being taken to prevent and control the spread of the COVID-19 at the SGM, including but not limited to:

- (a) compulsory body temperature check;
- (b) compulsory wearing of surgical face mask;
- (c) maintaining a safe distance between seats;
- (d) no provision of refreshments and beverages; and
- (e) no distribution of coupons for subsequent consumption.

Any person who does not comply with the precautionary measures will be denied entry into or be required to leave the SGM venue.

In light of the continuing risks posed by the COVID-19 and as part of our control measures to safeguard the health and safety of the Shareholders, the Company strongly encourages the Shareholders to consider appointing the chairman of the SGM as their proxy to vote as instructed by the Shareholders on the relevant resolutions at the SGM, instead of attending the SGM in person.

1 June 2020

* For identification purposes only

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	6
Letter from the Independent Board Committee	27
Letter from the Independent Financial Adviser	29
Appendix — General information	67
Notice of SGM	76
Precautionary measures for SGM	79

DEFINITIONS

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

“30%-controlled company”	has the meaning ascribed to it in the Listing Rules
“Announcement”	the announcement of the Company dated 24 April 2020 regarding, among other things, the New Master Services Agreements, the Transactions contemplated thereunder and the related Annual Caps
“Annual Cap(s)”	the maximum aggregate annual transaction value in respect of each category of the Operational Services under each of the New Master Services Agreements
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company
“Circular”	this circular, including the appendix hereto
“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) and held as to approximately 60.9% by NWD and its subsidiaries as at the Latest Practicable Date
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“DOO Effective Date”	1 July 2020, which is conditional upon the New DOO Master Services Agreement becoming unconditional as set out in the sub-paragraph headed “Condition” under the paragraph headed “2. New DOO Master Services Agreement” in the section headed “Letter from the Board” in this Circular
“Existing DOO Master Services Agreement”	the master services agreement in relation to the provision of Operational Services entered into between the Company and Mr. Doo on 10 April 2017 as disclosed in the announcement of the Company dated 10 April 2017 and the circular of the Company dated 9 May 2017
“Existing Master Services Agreement(s)”	the Existing NWD Master Services Agreement and/or the Existing DOO Master Services Agreement (as the case may be)

DEFINITIONS

“Existing NWD Master Services Agreement”	the master services agreement in relation to the provision of Operational Services entered into between the Company and NWD on 10 April 2017 as disclosed in the announcement of the Company dated 10 April 2017 and the circular of the Company dated 9 May 2017
“Group” or “NWS Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“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 Dr. Cheng Wai Chee, Christopher, The Honourable Shek Lai Him, Abraham, Mr. Lee Yiu Kwong, Alan, Mrs. Oei Fung Wai Chi, Grace and Mr. Wong Kwai Huen, Albert, all of them are independent non-executive Directors) established to advise the Independent Shareholders with regard to the Transactions contemplated under each of the New NWD Master Services Agreement and the New DOO Master Services Agreement and the related Annual Caps
“Independent Financial Adviser” or “Ballas Capital”	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 SFO, being the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Transactions contemplated under each of the New NWD Master Services Agreement and the New DOO Master Services Agreement and the related Annual Caps
“Independent Shareholders”	the Shareholders, other than NWD and its associates (in relation to matters regarding the New NWD Master Services Agreement) or Mr. Doo and his associates (in relation to matters regarding the New DOO Master Services Agreement), who do not have any material interest in the SGM CCT Matters to be considered at the SGM
“Latest Practicable Date”	22 May 2020, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained in this Circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“majority-controlled companies”	have the meaning ascribed to it in the Listing Rules
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules
“Mr. Doo”	Mr. Doo Wai Hoi, William, being the father of Mr. William Junior Guilherme Doo, brother-in-law of Dr. Cheng Kar Shun, Henry and uncle of Dr. Cheng Chi Kong, Adrian and Mr. Cheng Chi Ming, Brian, all of whom are Directors
“New DOO Master Services Agreement”	the master services agreement in relation to the provision of Operational Services entered into between the Company and Mr. Doo on 24 April 2020
“New Master Services Agreement(s)”	the New NWD Master Services Agreement and/or the New DOO Master Services Agreement (as the case may be)
“New NWD Master Services Agreement”	the master services agreement in relation to the provision of Operational Services entered into between the Company and NWD on 24 April 2020
“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 as at the Latest Practicable Date
“NWD Effective Date”	1 July 2020, which is conditional upon the New NWD Master Services Agreement becoming unconditional as set out in the sub-paragraph headed “Condition” under the paragraph headed “1. New NWD Master Services Agreement” in the section headed “Letter from the Board” in this Circular
“NWD Group”	NWD, its subsidiaries, any other company which is a direct or indirect 30%-controlled company of NWD and/or any of its subsidiaries, and the subsidiaries of such other companies, and for the purpose of this Circular, such term shall exclude members of the Group
“Operational Agreement(s)”	the individual agreement(s) in respect of the provision of any of the Operational Services which may from time to time be entered into between member(s) of the Group and member(s) of the NWD Group or the Services Group (as the case may be) pursuant to the relevant New Master Services Agreement(s)

DEFINITIONS

“Operational Services”	the services which are to arise or arise from the principal categories of services under each of the New Master Services Agreements (as more particularly set out under the paragraph headed “New Master Services Agreements” in the section headed “Letter from the Board” in this Circular) or, where the context requires, under each of the Existing Master Services Agreements
“Percentage Ratios”	the applicable percentage ratios (other than the profits and the equity capital ratios) under Rule 14.07 of the Listing Rules
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Services Group”	Mr. Doo and any company which is a direct or indirect 30%-controlled company of Mr. Doo, and the subsidiaries of such companies
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at Meeting Room N201 (Expo Drive Entrance), Level 2, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Thursday, 18 June 2020 at 11:30 a.m. for the purpose of considering and, if thought fit, approving the SGM CCT Matters, or where the context so admits, any adjournment of such special general meeting
“SGM CCT Matters”	the New NWD Master Services Agreement and the New DOO Master Services Agreement, the Transactions contemplated thereunder and the related Annual Caps
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“sq. ft.”	square feet
“sq. m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	any entity which falls within the definition of “subsidiary” ascribed to it under the Listing Rules or the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

DEFINITIONS

“Takeovers Code”	the Code on Takeovers and Mergers as amended from time to time and administered by the Securities and Futures Commission of Hong Kong
“Transactions”	the transactions contemplated under the Existing Master Services Agreements and/or the New Master Services Agreements
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.



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. Ma Siu Cheung (*Chief Executive Officer*)
Dr. Cheng Chi Kong, Adrian
Mr. Cheung Chin Cheung
Mr. Cheng Chi Ming, Brian
Mr. Ho Gilbert Chi Hang
Mr. Chow Tak Wing

Non-executive Directors:

Mr. To Hin Tsun, Gerald
Mr. Dominic Lai
Mr. Tsang Yam Pui
Mr. Lam Wai Hon, Patrick
Mr. William Junior Guilherme Doo

Independent Non-executive Directors:

Mr. Kwong Che Keung, Gordon
Dr. Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham
Mr. Lee Yiu Kwong, Alan
Mrs. Oei Fung Wai Chi, Grace
Mr. Wong Kwai Huen, Albert

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

1 June 2020

To the Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

As disclosed in the Announcement, members of the Group frequently enter into continuing connected transactions with members of each of the NWD Group and the Services Group in the ordinary course of business. In order to streamline the reporting,

* For identification purposes only

LETTER FROM THE BOARD

announcement, and if necessary, shareholders' approval process of such continuing connected transactions, the Company had entered into the Existing NWD Master Services Agreement and the Existing DOO Master Services Agreement (as disclosed in the announcement of the Company dated 10 April 2017 and the circular of the Company dated 9 May 2017).

The Existing Master Services Agreements (namely, the Existing NWD Master Services Agreement and the Existing DOO Master Services Agreement) will expire on 30 June 2020. The relevant parties to each of the Existing Master Services Agreements have agreed to continue with the arrangement under the relevant Existing Master Services Agreement after expiry of its term upon similar terms and/or conditions and covering similar scope of services as in the relevant Existing Master Services Agreement by entering into the relevant New Master Services Agreement.

The purpose of this circular is to provide the Shareholders with, among other things, (i) further details relating to the SGM CCT Matters; (ii) the recommendations of the Independent Board Committee; (iii) the letter from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM.

NEW MASTER SERVICES AGREEMENTS

1. New NWD Master Services Agreement

Under the New 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 (as the case may be) during the term of the New NWD Master Services Agreement.

Major terms of the New NWD Master Services Agreement are set out below:

Date	:	24 April 2020
Parties	:	(1) NWD (2) the Company
Duration	:	An initial term of three years commencing from the NWD Effective Date to 30 June 2023 (both days inclusive unless terminated earlier in accordance with the New NWD Master Services Agreement).

LETTER FROM THE BOARD

Subject to re-compliance with the applicable Listing Rules at the relevant time, the New NWD Master Services Agreement may be renewed at the end of the initial term for a further term of three years (or such other period permitted under the Listing Rules) unless either party gives written notice to the other party not later than two months before the end of the initial term to terminate the New NWD Master Services Agreement.

Condition : The New NWD Master Services Agreement shall be conditional on the passing of an ordinary resolution at the SGM by the Independent Shareholders to approve the New NWD Master Services Agreement, the Transactions contemplated thereunder and the related Annual Caps.

Nature of Transactions/
Operational Services
covered : 1. Contracting services — provision of services as main contractors, management contractors, project managers, subcontractors or agents, building and general construction, civil engineering, building exterior and interior design, building maintenance and repair, renovation, refurbishment, cleaning of properties, development and redevelopment of buildings, properties and real estate, maintenance consultancy and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction management, hiring, procurement and supply of construction and building machinery, equipment and materials, computer aided drafting services and related services;

2. Facility management services — provision of convention and exhibition facilities and related functions and services, provision of ticketing services, ticketing information system and agency services, food and beverage catering services, dockyard facilities management and related technical support and maintenance services, provision of information technology services, computer programming and related consultancy and advisory services, technical projects studies, computer program management and planning information systems, design and updating of software and software packages, analysis and design of information system and data processing;

LETTER FROM THE BOARD

3. Property management services — property management, property sales and letting agency services, provision of car parking management and related services;
4. Rental services — rental of properties, spare spaces, car parking spaces, vehicles and vessels and related services;
5. Insurance and healthcare services — provision of insurance and related services, insurance underwriting services, policy underwriting services, medical and healthcare services, rehabilitation and wellness enhancement and related services;
6. Procurement services — buying and procurement services for sourcing goods, provision of supply chain management and consultancy services, sample production and import and export trading services, wholesaling, provision of freight forwarding and packaging and other logistics services, storage and warehousing services, design, marketing and sourcing services, merchandising agent services and general trading of merchandise;
7. Advertising services — advertising and promotion-related services; and
8. Consultancy and advisory services relating to all the aforesaid services, and such other types of services as the parties may agree upon from time to time in writing.

Pricing : On normal commercial terms, negotiated on an arm's length basis and at prices and on terms no less favourable to the NWD Group or the Group (as the case may be) than terms available to and/or from independent third parties.

2. New DOO Master Services Agreement

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

LETTER FROM THE BOARD

Major terms of the New DOO Master Services Agreement are set out below:

Date : 24 April 2020

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

Duration : An initial term of three years commencing from the DOO Effective Date to 30 June 2023 (both days inclusive unless terminated earlier in accordance with the New DOO Master Services Agreement).

Subject to re-compliance with the applicable Listing Rules at the relevant time, the New DOO Master Services Agreement may be renewed at the end of the initial term for a further term of three years (or such other period permitted under the Listing Rules) unless either party gives written notice to the other party not later than two months before the end of the initial term to terminate the New DOO Master Services Agreement.

Condition : The New DOO Master Services Agreement shall be conditional on the passing of an ordinary resolution at the SGM by the Independent Shareholders to approve the New DOO Master Services Agreement, the Transactions contemplated thereunder and the related Annual Caps.

Nature of Transactions/
Operational Services
covered : 1. Contracting services — provision of services as main contractors, management contractors, project managers, subcontractors or agents, building and general construction, civil engineering, building exterior and interior design, building maintenance and repair, renovation, maintenance consultancy and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction management, hiring, procurement and supply of construction and building machinery, equipment and materials, electrical and mechanical engineering works, supply and installation of air conditioning, heating and ventilation systems, fire services systems, plumbing and drainage systems, lift repair and maintenance services, electrical systems and system design and consultancy, computer aided drafting services and related services;

LETTER FROM THE BOARD

2. Cleaning and landscaping services — general cleaning and housekeeping, waste management and disposal, external wall and window cleaning, clinical waste management, vessel and vehicle cleaning, depot, terminus, office and facility cleaning, pest control, recycling and environmental services, landscaping and plant maintenance, supply of plants, laundry services and related services;
3. Facility management services — provision of convention and exhibition facilities and related functions and services, food and beverage catering services, trading and supply, merchandise sourcing and related services;
4. Property management services — property management, property sales and letting agency services, pre-marketing consultancy services, technical services, provision of car parking management and related services;
5. Security and guarding services — provision of security guards, security systems installation and maintenance services, armoured transport services, supply of security products and related services;
6. Rental services — rental of properties, spare spaces, car parking spaces, vehicles and vessels and related services;
7. Insurance services — provision of insurance and related services, insurance underwriting services and policy underwriting services; and
8. Consultancy and advisory services relating to all the aforesaid services, and such other types of services as the parties may agree upon from time to time in writing.

Pricing

: On normal commercial terms, negotiated on an arm's length basis and at prices and on terms no less favourable to the Services Group or the Group (as the case may be) than terms available to and/or from independent third parties.

LETTER FROM THE BOARD

Qualifications of engagement

The engagement pursuant to each New Master Services Agreement is subject to the following qualifications:

- (a) the engagement only applies to services required for businesses, projects and/or premises for which the relevant member(s) of the Group or the NWD Group or the Services Group (as the case may be) has/have the right to select providers of the relevant Operational Services;
- (b) the engagement is not contrary to the terms of contracts governing the relevant businesses, projects and/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 member(s) of the Group or the NWD Group or the Services Group (as the case may be) may relate; and
- (c) in the event that the provider of a particular Operational Service is required to be selected through auction or tender or other similar process, the engagement shall only become effective as and when the relevant member(s) of the NWD Group or the Services Group or the Group (as the case may be) has/have been selected as the service provider as a result of the relevant auction or tender or other similar process.

Operational Agreement(s) and pricing policies

Pursuant to each New Master Services Agreement, member(s) of the Group and member(s) of the NWD Group or the Services Group (as the case may be) shall, from time to time, during the term of the relevant New Master Services Agreement, enter into separate Operational Agreement(s) in respect of the provision of the Operational Services provided that such separate agreement(s) shall always be subject to the relevant New Master Services Agreement.

The prices and terms of the Operational Agreement(s) with respect to the Operational Services shall be determined in the ordinary and usual course of business, on normal commercial terms, negotiated on an arm's length basis and at prices and on terms no less favourable to the Group or the NWD Group or the Services Group (as the case may be) than terms available to and/or from independent third parties.

LETTER FROM THE BOARD

Subject to the general principle disclosed above, the pricing policy for the provision of each of the Operational Services pursuant to the New NWD Master Services Agreement is briefly described as follows:

- (a) as regards the provision of contracting services:
- (i) member(s) of the Group is typically engaged as main contractor, management contractor, project manager, subcontractor or agent of a development project after being selected from participating 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:
- where the member(s) of the Group participates in a tender or quotation with all bidders (including independent third parties in the market), the winning bid of which will be the one with the lowest tender amount or the recommended one with better technical knowhow and capability to complete the project in time and with quality, in accordance with the employer's tender procedure(s) on the condition that the bidder conformed to all the essential requirements (including but not limited to relevant experience, capability and historical relationship) as set out in the bid invitation. In preparing for the submission of a tender or quotation, review meeting(s) of the relevant member of the Group will be held to perform a thorough analysis of the project specifications, and the cost and other data collected. In pricing a tender or quotation, the relevant member of the Group will also make references to its recent job quotations. Related market information will also be retrieved for reference. These measures/procedures are designed to ensure that the tender or quotation price (as well as the terms of the tender or quotation) to be offered by the Group is fair and reasonable and comparable to those offered by the Group to independent third parties, and are adhered to by the Group for all projects obtained by the Group through tender or quotation;
 - where the engagement is through direct appointment by member(s) of the NWD Group, the consideration will be on a cost-plus basis (which is currently expected to be not exceeding a single digit percentage, but could be varied according to the scale or, if applicable, the unique nature of the project agreed to be undertaken by the Group) agreed with member(s) of the NWD Group, which is in line with the basis for engagements by independent third parties for projects of similar nature and size. Likewise, the relevant member of the Group will perform a thorough analysis of the project specifications, the cost and other data collected, and other useful data retrieved from the Group's

LETTER FROM THE BOARD

database for reference and assessment purpose. These procedures are adhered to by the Group for engagement through direct appointment; and

- (ii) where member(s) of the NWD Group provide(s) procurement services to member(s) of the Group, the member of the Group will perform a thorough analysis on the specific project and the related construction material requirements, including the types of materials required such as ironmongery, tiles, rebar, etc., the collection of cost and other data which includes at least three quotations from suppliers (including independent third parties in the market, subject to practical availability and feasibility) for materials and the estimated usage of different types of materials, and make references to its recent job quotations and the historical purchase price. Related market information, such as material price trend, will also be retrieved from public source and database for reference. These measures/procedures are designed with a view to ensuring the price and terms of procurement services offered to the Group by the NWD Group are fair and reasonable and comparable to those offered to the Group by independent third parties, and will be adhered to by the Group for its procurement activities;
- (b) as regards the provision of property management services: on the basis of cost plus a prevailing market rate which is currently expected to be less than or equal to a high single digit percentage but could be varied according to the size or, if applicable, the unique nature of the property management project and/or the extent of services required and will be determined by conducting researches as on the market comparables by the parties from time to time. The cost element will include all direct costs incurred such as equipment costs, staff costs, public liability insurance and other indirect or common costs allocated on revenue or other equitable basis;
- (c) as regards the provision of rental services: by reference to a quote which is based on at least three other comparative quote(s) (subject to availability) obtained from independent third party(ies) in the market for similar property(ies) (with comparable conditions including but not limited to location, usable space, building conditions, available facilities, quality and rental period). The lessee may either accept the quote and proceed with the lease or reject the quote and decline to proceed further; and
- (d) as regards the provision of insurance services: on the basis of meeting the target and minimum profitability requirement measured on the traditional embedded value basis. In deriving the cost basis for the group life insurance policy to be offered, the relevant member of the Group will consider, among other things, (i) the sum assured/risk exposure; (ii) the demographic of the insured profile (including but not limited to age, occupation and geographical location); (iii) the reinsurance terms; (iv) the relevant underwriting information; and (v) the relevant insurance claims history of the insured entity.

LETTER FROM THE BOARD

Subject to the general principle disclosed above, the pricing policy for the provision of each of the Operational Services pursuant to the New DOO Master Services Agreement is briefly described as follows:

- (a) as regards the provision of contracting services:
- (i) the relevant member(s) of the Group may be engaged as main contractor, management contractor, project manager, subcontractor or agent for a particular project. There are two types of business arrangements for contracting services provided by members of the Services Group:
- where a member of the Services Group is designated as a nominated subcontractor by the ultimate employer, consideration to such member of the Services Group will be ascertained by an independent professional quantity surveyor appointed by the ultimate employer;
 - where a member of the Group has the right to select subcontractor(s), consideration to such subcontractor(s) will be ascertained under the subcontracting procedures. Such member of the Group will obtain tenders or quotations from at least three subcontractors (including members of the Services Group and independent third parties subject to practical availability and feasibility) from a list of pre-approved subcontractors (which is subject to periodic review and update by its management to ensure the subcontractors' quality standards) for services or products in similar times or quantities. If the price and terms offered by a member of the Services Group are equal to or better than those offered by the independent service providers, such member of the Group may probably award the contract to such member of the Services Group;
 - for projects which involve consideration of a substantial amount, the member(s) of the Services Group will participate in a tender with all bidders (including independent third parties in the market, subject to practical availability and feasibility), the winning bid of which will be the one with the lowest tender amount or the recommended one with better technical knowhow and capability to complete the project in time and with quality, in accordance with the Group's internal tender procedure(s) on the condition that the bidder conformed to all the essential requirements (including but not limited to relevant experience, capability and historical relationship) as set out in the bid invitation; and

LETTER FROM THE BOARD

- (ii) where member(s) of the Group is engaged to provide project management services to member(s) of the Services Group through invitation to submit tender(s) or quotation(s) or direct appointment by member(s) of the Services Group, the measures or procedures undertaken will be in line with the basis for engagements with independent third parties for projects of similar nature and size;
- (b) as regards the provision of property management, security and guarding services:
 - (i) on the basis of cost plus a prevailing market rate which is currently expected to be less than or equal to a low teens percentage, but could be varied according to the size or, if applicable, the unique nature of the property management project and/or the extent of services required and will be determined by conducting researches on the market comparables by the parties from time to time. The cost element will include all direct costs incurred such as equipment costs, staff costs, public liability insurance and other indirect or common costs allocated on revenue or other equitable basis; or
 - (ii) by reference to at least two comparable quotations obtained from independent third party(ies) in the market (subject to practical availability and feasibility), or researches on the market comparables by the parties from time to time;
- (c) as regards the provision of cleaning and landscaping services: by reference to at least two comparable tenders or quotations obtained from independent third party(ies) in the market (subject to practical availability and feasibility), or researches on the market comparables by the parties from time to time; and
- (d) as regards the provision of rental services: by reference to a quote which is based on at least three other comparative quote(s) (subject to availability) obtained from independent third party(ies) in the market for similar property(ies) (with comparable conditions including but not limited to location, usable space, building conditions, available facilities, quality and rental period). The lessee may either accept the quote and proceed with the lease or reject the quote and decline to proceed further.

The term of each Operational Agreement shall be fixed and in any event shall not exceed three years. If the term of an Operational Agreement extends beyond 30 June 2023 (that is, the date on which the initial term of each of the New Master Services Agreements ends), the Company will re-comply with the applicable requirements under the Listing Rules at the relevant time.

LETTER FROM THE BOARD

In pricing its services to independent third party customers, the Group will take into consideration factors which are common or 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.

HISTORICAL AGGREGATE TRANSACTION VALUES

Historical aggregate transaction values in respect of the Transactions for the financial years ended 30 June 2018 and 30 June 2019 and the six months ended 31 December 2019 are set out below:

Existing NWD Master Services Agreement

Categories	Aggregate transaction values		
	Financial year ended	Financial year ended	Six months ended
	30 June 2018 <i>HK\$'million</i>	30 June 2019 <i>HK\$'million</i>	31 December 2019 <i>HK\$'million</i>
Operational Services by members of the Group to members of the NWD Group	9,167.5	1,759.7	928.7
Operational Services by members of the NWD Group to members of the Group	<u>52.2</u>	<u>32.3</u>	<u>16.4</u>
Total	<u><u>9,219.7</u></u>	<u><u>1,792.0</u></u>	<u><u>945.1</u></u>

LETTER FROM THE BOARD

Existing DOO Master Services Agreement

Categories	Aggregate transaction values		
	Financial year ended 30 June 2018	Financial year ended 30 June 2019	Six months ended 31 December 2019
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
Operational Services by members of the Group to members of the Services Group	1.5	1.7	0.9
Operational Services by members of the Services Group to members of the Group	<u>1,365.4</u>	<u>1,034.8</u>	<u>277.3</u>
Total	<u><u>1,366.9</u></u>	<u><u>1,036.5</u></u>	<u><u>278.2</u></u>

ANNUAL CAPS

The Company expects that the Annual Caps in respect of the Transactions contemplated under each of the New Master Services Agreements for the financial years ending 30 June 2021, 30 June 2022 and 30 June 2023 will be as below:

New NWD Master Services Agreement

Categories	Aggregate transaction values		
	Financial year ending 30 June 2021	Financial year ending 30 June 2022	Financial year ending 30 June 2023
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
Operational Services by members of the Group to members of the NWD Group	2,073.0	2,224.0	2,498.0
Operational Services by members of the NWD Group to members of the Group	<u>178.0</u>	<u>193.0</u>	<u>211.0</u>
Total	<u><u>2,251.0</u></u>	<u><u>2,417.0</u></u>	<u><u>2,709.0</u></u>

The Annual Cap for the financial year ending 30 June 2021 as compared with the annualized amount of six months ended 31 December 2019 represents a growth of 11.6%. The Annual Caps for the financial years ending 30 June 2022 and 30 June 2023

LETTER FROM THE BOARD

represent a growth of 7.3% and 12.3% year-on-year respectively. A significant portion of the Annual Caps for the Operational Services provided by members of the Group to members of the NWD Group is expected to be related to the provision of contracting services arising from certain potential sizeable upcoming and/or ongoing projects which include, but not limited to, a government development project as well as various residential and commercial development projects. The estimated contract values are determined on a project-by-project basis.

The Annual Caps for the Operational Services provided by members of the NWD Group to members of the Group are mainly related to provision of contracting services and rental services. The historical annual caps for the Operational Services provided by members of the NWD Group to members of the Group for the financial years ended/ending 30 June 2018, 30 June 2019 and 30 June 2020 are predominantly related to rental services. The surge in the Annual Caps for the financial year ending 30 June 2021 as compared with historical transaction values is mainly due to the expected increase in the potential transaction values arising from the provision of procurement services by the NWD Group, under which the Group may procure various construction materials from the NWD Group. The Annual Caps for the financial years ending 30 June 2022 and 30 June 2023 represent a growth of 8.4% and 9.3% year-on-year respectively.

New DOO Master Services Agreement

Categories	Aggregate transaction values		
	Financial year ending	Financial year ending	Financial year ending
	30 June 2021 <i>HK\$'million</i>	30 June 2022 <i>HK\$'million</i>	30 June 2023 <i>HK\$'million</i>
Operational Services by members of the Group to members of the Services Group	40.0	40.0	40.0
Operational Services by members of the Services Group to members of the Group	<u>2,245.0</u>	<u>2,700.0</u>	<u>4,099.0</u>
Total	<u><u>2,285.0</u></u>	<u><u>2,740.0</u></u>	<u><u>4,139.0</u></u>

The Annual Caps for the Operational Services provided by members of the Group to members of the Services Group are predominantly related to the provision of contracting services. The increase in the Annual Caps as compared with their relevant historical transaction values is mainly due to potential project management services to be provided by members of the Group to members of the Services Group and are considered by the Board to be immaterial to the Group's overall operation.

LETTER FROM THE BOARD

A significant portion of the Annual Caps for the Operational Services provided by members of the Services Group to members of the Group mainly relates to the provision of contracting services. The surge in the Annual Caps as compared with their relevant historical transaction values is mainly due to (i) the transaction values brought by some existing projects (for example, the Inland Revenue Tower at Kai Tak) which is expected that subcontracting services will be provided by the Services Group for the financial year ending 30 June 2021 in accordance with the respective project timelines; and (ii) the potential business growth of the Group's construction business which would give rise to the increase in the transaction values of contracting services, together with certain potential sizeable upcoming and/or ongoing projects which include, but not limited to, certain public or private sector development projects as well as various residential and commercial development projects, given that the Group may need to engage subcontractors/package contractors for its construction business and the Services Group is one of the Group's pre-approved subcontractors/package contractors. The Annual Caps for the financial years ending 30 June 2022 and 30 June 2023 represent a growth of 20.3% and 51.8% year-on-year respectively. The significant increase in Annual Cap for the financial year ending 30 June 2023 is mainly due to the increase in transaction values of electrical, mechanical, fire services and plumbing works of certain secured and potential sizeable projects relating to the Immigration Headquarter at Tseung Kwan O and certain government or institutional projects relating to healthcare and education sectors which may be subcontracted to the Services Group and the estimated contract values of such projects which are determined on a project-by-project basis in accordance with the respective project timelines.

Each of the Annual Caps of the Operational Services contemplated under each of the New Master Services Agreements has been determined by reference to:

- (a) the historical annual or annualized amounts in respect of the Operational Services provided by the relevant members of the Group to the relevant members of the NWD Group or the Services Group (as the case may be) and vice versa, during the past two and a half financial years; and
- (b) the projected annual or annualized amounts in respect of the Operational Services to be provided by the relevant members of the Group to the relevant members of the NWD Group or the Services Group (as the case may be) and vice versa, in the next three financial years, having taken into account:
 - the business growth of the Group, the NWD Group or the Services Group (as the case may be) having regard to the ongoing and/or upcoming projects undertaken and/or expected to be undertaken;
 - the existing projects in progress which affect the demand of related Operational Services by the Group, the NWD Group or the Services Group;
 - the estimated future demand for the Operational Services;

LETTER FROM THE BOARD

- the inflation factor (which may vary in nature and can be economic, labour and logistics related or otherwise and will result in change in costs), if applicable. The inflation rate will be assessed by the Group by reference to or after taking into account such rate(s) available in public sources, such as the rate reported by the Hong Kong Census and Statistics Department;
- the adjustments for non-recurring or extraordinary items to cater for exceptional circumstances or other contingencies; 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, the NWD Group or the Services Group; and (ii) the service industries in which the Group operates will have steady growth.

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

REASONS FOR, AND BENEFITS OF, ENTERING INTO THE NEW MASTER SERVICES AGREEMENTS

The Transactions contemplated under each of the New Master Services Agreements are expected to be recurring in nature and in the ordinary and usual course of business of the Group, as well as the NWD Group or the Services Group (as the case may be). The Operational Agreements to be entered into pursuant to each of the New Master Services Agreements will be agreed on an arm's length basis and on normal commercial terms or better.

The NWD Group and the Services Group, with profound experience in their respective areas of services and solid financial standing, have demonstrated themselves as reliable services providers or customers of the Group over the years. The Directors believe that the maintenance of the strategic business relationships with the NWD Group and the Services Group will not only allow the realization of synergies and economies of scale but will also continue to bring sustainable contribution to the Group's profitability in the long run.

The Directors (including the independent non-executive Directors) are of the views that the terms of each of the New Master Services Agreements are on normal commercial terms or better and together with the proposed Annual Caps are fair and reasonable, and the Transactions contemplated under each of the New Master Services Agreements are in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

CONNECTION BETWEEN THE PARTIES INVOLVED AND LISTING RULES IMPLICATIONS

As at the Latest Practicable Date:

- NWD together with its subsidiaries held approximately 60.9% of the total issued share capital of the Company. NWD is therefore a connected person of the Company under the Listing Rules.
- Mr. Doo is the father of Mr. William Junior Guilherme Doo, brother-in-law of Dr. Cheng Kar Shun, Henry and uncle of Dr. Cheng Chi Kong, Adrian and Mr. Cheng Chi Ming, Brian, all of whom are Directors. Accordingly, Mr. Doo is therefore a connected person of the Company under the Listing Rules. Certain members of the Services Group are majority-controlled companies of Mr. Doo and hence connected persons of the Company.

Accordingly, each of the New Master Services Agreements constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As certain applicable Percentage Ratios of the maximum aggregate annual transaction value in respect of the Transactions contemplated under each of the New NWD Master Services Agreement and the New DOO Master Services Agreement are more than 5%, the entering into of each of the New NWD Master Services Agreement and the New DOO Master Services Agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In the event that the relevant Annual Cap in respect of the relevant New Master Services Agreement is exceeded or the relevant New Master Services Agreement is renewed or materially varied in respect of the terms thereof, the Company will re-comply with the reporting, announcement and/or independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules, where applicable.

ADDITIONAL INFORMATION REGARDING NWD, MR. DOO, THE SERVICES GROUP AND THE GROUP

NWD

NWD and its subsidiaries are principally engaged in property development, property investment and investment in and/or operation of roads, commercial aircraft leasing, construction, insurance, hotels and other strategic businesses.

Mr. Doo

Mr. Doo is the father of Mr. William Junior Guilherme Doo (a non-executive Director), brother-in-law of Dr. Cheng Kar Shun, Henry (the Chairman of the Company and an executive Director) and uncle of Dr. Cheng Chi Kong, Adrian (an executive Director) and Mr. Cheng Chi Ming, Brian (an executive Director). He is the controlling

LETTER FROM THE BOARD

shareholder of the Services Group. As at the Latest Practicable Date, Mr. Doo together with his associates held approximately 0.71% of the total issued share capital of the Company.

The Services Group

The Services Group is principally engaged in the provision of services including: (i) property investment and development, property leasing, property and facility management; (ii) security and guarding services; (iii) cleaning and laundry; (iv) landscaping; (v) provision of environmental management services, mechanical and electrical engineering services; (vi) trading of building materials; and (vii) insurance consultancy and brokerage.

The Group

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

APPROVAL OF THE BOARD

Each of Dr. Cheng Kar Shun, Henry and Dr. Cheng Chi Kong, Adrian, both being Directors, is a director of NWD. Accordingly, Dr. Cheng Kar Shun, Henry, Dr. Cheng Chi Kong, Adrian, Mr. Cheng Chi Ming, Brian (a Director, and the son of Dr. Cheng Kar Shun, Henry and the brother of Dr. Cheng Chi Kong, Adrian) and Mr. William Junior Guilherme Doo (a Director, and the nephew of Dr. Cheng Kar Shun, Henry and the cousin of Dr. Cheng Chi Kong, Adrian and Mr. Cheng Chi Ming, Brian) abstained from voting on the resolutions approving the New NWD Master Services Agreement, the Transactions contemplated thereunder and the related Annual Caps at the relevant Board meeting.

Furthermore, Mr. Doo is the father of Mr. William Junior Guilherme Doo, brother-in-law of Dr. Cheng Kar Shun, Henry and uncle of Dr. Cheng Chi Kong, Adrian and Mr. Cheng Chi Ming, Brian. Mr. Lam Wai Hon, Patrick, being a Director, is also the Chief Executive Officer and an executive director of FSE Holdings Limited and the Vice-Chairman and an executive director of FSE Services Group Limited, both companies are members of the Services Group. Accordingly, Dr. Cheng Kar Shun, Henry, Dr. Cheng Chi Kong, Adrian, Mr. Cheng Chi Ming, Brian, Mr. William Junior Guilherme Doo and Mr. Lam Wai Hon, Patrick abstained from voting on the resolutions approving the New DOO Master Services Agreement, the Transactions contemplated thereunder and the related Annual Caps at the relevant Board meeting.

Save as disclosed, no other Director is regarded as having a material interest in the New Master Services Agreements and the Transactions contemplated thereunder and hence no other Director is required under the Listing Rules to abstain from voting on the resolutions approving the New Master Services Agreements, the Transactions contemplated thereunder and the related Annual Caps at the relevant Board meeting.

LETTER FROM THE BOARD

SGM

The Company will convene and hold the SGM at Meeting Room N201 (Expo Drive Entrance), Level 2, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Thursday, 18 June 2020 at 11:30 a.m. to consider, and if thought fit, approve the SGM CCT Matters. A notice of the SGM is set out on pages 76 to 78 of this Circular.

In order to determine the entitlement of the Shareholders to attend and vote at the SGM, the register of members of the Company will be closed from Monday, 15 June 2020 to Thursday, 18 June 2020 (both days inclusive) during which period no transfer of Shares will be registered. All properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the branch share registrar of the Company in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 12 June 2020.

The voting at the SGM will be taken by poll. In accordance with the Listing Rules, any Shareholder and its associates with material interests in the SGM CCT Matters (namely the New NWD Master Services Agreement and the New DOO Master Services Agreement, the Transactions contemplated thereunder and the related Annual Caps) must abstain from voting on the resolutions to approve the SGM CCT Matters at the SGM.

At the SGM:

- NWD and its associates shall abstain from voting on the resolution approving the New NWD Master Services Agreement, the Transactions contemplated thereunder and the related Annual Caps; and
- Mr. Doo and his associates shall abstain from voting on the resolution approving the New DOO Master Services Agreement, the Transactions contemplated thereunder and the related Annual Caps.

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

A proxy form for use in connection with the SGM is also enclosed. Whether or not you are able to attend the SGM (or any adjourned meeting) in person, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM (or any adjournment thereof). Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM (or any adjournment thereof) should you so wish. In such event, the proxy form will be deemed to be revoked.

LETTER FROM THE BOARD

In light of the continuing risks posted by the COVID-19 and as part of our control measures to safeguard the health and safety of the Shareholders, the Company strongly encourages the Shareholders to consider appointing the chairman of the SGM as their proxy to vote as instructed by the Shareholders on the relevant resolutions at the SGM, instead of attending the SGM in person.

RECOMMENDATIONS

The Independent Board Committee (comprising Dr. Cheng Wai Chee, Christopher, The Honourable Shek Lai Him, Abraham, Mr. Lee Yiu Kwong, Alan, Mrs. Oei Fung Wai Chi, Grace and Mr. Wong Kwai Huen, Albert, all of them are independent non-executive Directors) has been formed to advise and provide recommendations to the Independent Shareholders in respect of the SGM CCT Matters after taking into account the advice of the Independent Financial Adviser. The remaining independent non-executive Director, Mr. Kwong Che Keung, Gordon, is also an independent non-executive director of FSE Services Group Limited, a member of the Services Group. In order to avoid any perceived conflict of interests, Mr. Kwong Che Keung, Gordon does not form part of the Independent Board Committee.

Ballas Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the SGM CCT Matters, and whether the entering into of the New NWD Master Services Agreement and the New DOO Master Services Agreement are in the ordinary and usual course of business of the Group and the terms thereof are normal commercial terms or better, and whether the SGM CCT Matters are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 27 and 28 of this Circular which contains its recommendations to the Independent Shareholders on the SGM CCT Matters; and (ii) the letter from the Independent Financial Adviser set out on pages 29 to 66 of this Circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the SGM CCT Matters and the principal factors and reasons considered by the Independent Financial Adviser in arriving at its advice.

The Independent Board Committee, having taken into account the reasons for and benefits of entering into the New Master Services Agreements and the transactions contemplated thereunder, the basis for determining the Annual Caps and the advice of the Independent Financial Adviser, considers that the New NWD Master Services Agreement and the New DOO Master Services Agreement were entered into in the ordinary and usual course of business of the Group, and the terms of the New NWD Master Services Agreement and the New DOO Master Services Agreement are on normal commercial terms or better, and together with the related Annual Caps are fair and reasonable in so far as the Company and the Independent Shareholders are concerned, and the Transactions contemplated thereunder are in the ordinary and usual course of business of the Group,

LETTER FROM THE BOARD

and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions which will be proposed at the SGM relating to the SGM CCT Matters.

ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the appendix to this Circular.

Yours faithfully,
For and on behalf of the board of
NWS HOLDINGS LIMITED
Ma Siu Cheung
Chief Executive Officer and Executive Director

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)

1 June 2020

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 1 June 2020 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider the SGM CCT Matters (namely the New NWD Master Services Agreement and the New DOO Master Services Agreement, the Transactions contemplated thereunder and the related Annual Caps) and to advise the Independent Shareholders as to whether, in our opinion, the entering into of the New NWD Master Services Agreement and the New DOO Master Services Agreement are in the ordinary and usual course of business of the Group and the terms thereof are on normal commercial terms or better, and the SGM CCT Matters are fair and reasonable in so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Ballas Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the SGM CCT Matters, and whether the entering into of the New NWD Master Services Agreement and the New DOO Master Services Agreement are in the ordinary and usual course of business of the Group and the terms thereof are normal commercial terms or better, and whether the SGM CCT Matters are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board as set out on pages 6 to 26 of the Circular which contains, among others, information on the SGM CCT Matters as well as the letter from the Independent Financial Adviser as set out on pages 29 to 66 of the Circular which contains its advice in respect of the SGM CCT Matters.

Having taken into account the reasons for and benefits of entering into the New Master Services Agreements and the transactions contemplated thereunder, the basis for determining the Annual Caps and the advice of the Independent Financial Adviser, we consider that the New NWD Master Services Agreement and the New DOO Master Services Agreement were entered into in the ordinary and usual course of business of the Group on normal commercial terms or better, and the SGM CCT Matters are fair and reasonable, and in the ordinary and usual course of business of the Group in so far as the Company and the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed in the SGM in relation to the SGM CCT Matters.

Yours faithfully
Independent Board Committee
Dr. Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham
Mr. Lee Yiu Kwong, Alan
Mrs. Oei Fung Wai Chi, Grace
Mr. Wong Kwai Huen, Albert

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders prepared for the purpose of incorporation in this Circular.

BALLAS
C A P I T A L

Unit 1802, 18/F
1 Duddell Street
Central
Hong Kong

1 June 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the New NWD Master Services Agreement and the New DOO Master Services Agreement and the Annual Caps. Details of the terms of the New NWD Master Services Agreement and the New DOO Master Services Agreement and the Annual Caps are contained in the circular of NWS dated 1 June 2020 (the “**Circular**”). Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As certain applicable Percentage Ratios of the maximum aggregate annual transaction value in respect of the Transactions contemplated under each of the New NWD Master Services Agreement and the New DOO Master Services Agreement are more than 5%, the entering into of each of the New NWD Master Services Agreement and the New DOO Master Services Agreement is subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The independent board committee comprising Dr. Cheng Wai Chee, Christopher, The Honourable Shek Lai Him, Abraham, Mr. Lee Yiu Kwong, Alan, Mrs. Oei Fung Wai Chi, Grace and Mr. Wong Kwai Huen, Albert, all being independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the entering into of the New NWD Master Services Agreement and the New DOO Master Services Agreement are in the ordinary and usual course of business of the NWS Group and the terms thereof are on normal commercial terms or better, and the Transactions and the Annual Caps are fair and reasonable in so far as NWS and the Independent Shareholders are concerned and in the interests of NWS and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the entering into of the New NWD Master Services Agreement and the New DOO Master Services Agreement and the Transactions contemplated thereunder are in the ordinary and usual course of business of the NWS Group and the terms thereof are normal commercial terms or better and fair and reasonable; (ii) whether the entering into of the New NWD Master Services Agreement and the New DOO Master Services Agreement and the Transactions contemplated thereunder are in the interests of NWS and the Shareholders as a whole; (iii) whether the Annual Caps are fair and reasonable and in the interests of NWS and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the resolutions to be proposed at the SGM to approve the New NWD Master Services Agreement and the New DOO Master Services Agreement, the Transactions contemplated thereunder and the related Annual Caps.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the executive Directors and the senior management of NWS.

The executive Directors have confirmed in the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the executive Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the executive Directors and the senior management of NWS. We have also been advised by the executive Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendations. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the NWS Group or any of its respective subsidiaries or associates.

INDEPENDENCE DECLARATION

As at the Latest Practicable Date, we are not aware of any relationships or interests between Ballas Capital Limited and NWS or any other parties that could be reasonably regarded as a hindrance to Ballas Capital Limited's independence as defined under the Listing Rules to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the New NWD Master Services Agreement and the New DOO Master Services Agreement and the Annual Caps.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

1. Information on the NWS Group, the NWD Group and the Services Group

1.1. Information on the NWS Group

The NWS Group is principally engaged in (i) the development of, investment in and/or operation of roads, commercial aircraft leasing, construction and insurance; and (ii) the investment in and/or operation of environmental and logistics projects, facilities and transport.

1.1.1. Historical financial performance of the NWS Group

Set out below is a summary of the audited consolidated financial results of the NWS Group for the financial years ended 30 June 2018 (“**FY2018**”) and 2019 (“**FY2019**”) and the unaudited consolidated financial results of the NWS Group for the six months ended 31 December 2019 (“**HY2020**”) as extracted from the annual report of NWS for the financial year ended 30 June 2019 (the “**2019 Annual Report**”) and the interim report of NWS for the six months ended 31 December 2019 (the “**2020 Interim Report**”).

	FY2018 (Audited) <i>HK\$'million</i>	FY2019 (Audited) <i>HK\$'million</i>	HY2020 (Unaudited) <i>HK\$'million</i>
Revenue	35,114.8	26,833.5	13,215.5
Gross profit	3,783.2	3,043.0	1,919.5
Attributable operating profit	5,231.9	4,707.4	2,289.9
Profit attributable to Shareholders	6,068.8	4,043.2	1,513.8

The NWS Group recorded revenue of approximately HK\$26,833.5 million for FY2019, representing a decrease of approximately 23.6% as compared to that of FY2018, which was mainly due to the decrease in revenue in the construction segment. During FY2019, the NWS Group had completed the disposal of the Hip Seng Group, which was one of the NWS Group’s construction units which mainly acted as the main contractor or project manager for NWD and its associates, to a wholly-owned subsidiary of NWD (the “**Hip Seng Disposal**”). Details of the Hip Seng Disposal were disclosed in the circular of NWS dated 20 July 2018 (the “**Disposal Circular**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the 2019 Annual Report and the 2020 Interim Report, the management of NWS assesses the performance of the operating segments based on a measure of attributable operating profit. This measurement basis excludes the effects of corporate office and non-operating items. Corporate interest income, finance costs and expenses are not allocated to segments.

Set out below is the segment breakdown of the attributable operating profit for FY2018, FY2019 and HY2020 as extracted from the 2019 Annual Report and 2020 Interim Report.

	FY2018		FY2019		HY2020	
	(Audited)		(Audited)		(Unaudited)	
	<i>HK\$'million</i>	%	<i>HK\$'million</i>	%	<i>HK\$'million</i>	%
Core Business						
Roads	1,947.1	37.2	1,805.5	38.4	949.6	41.5
Aviation	695.2	13.3	500.3	10.6	267.9	11.7
Construction	1,055.3	20.2	1,203.8	25.6	670.2	29.3
Insurance	—	—	—	—	160.4	7.0
Strategic Portfolio						
Environment	494.1	9.4	629.0	13.4	233.1	10.2
Logistics	654.6	12.5	650.6	13.8	339.1	14.8
Facilities Management	(73.1)	(1.4)	(393.4)	(8.4)	(364.4)	(15.9)
Transport	157.6	3.0	(10.1)	(0.2)	(29.1)	(1.3)
Strategic Investments	301.1	5.8	321.7	6.8	63.1	2.7
Total	<u>5,231.9</u>	<u>100.0</u>	<u>4,707.4</u>	<u>100.0</u>	<u>2,289.9</u>	<u>100.0</u>

The attributable operating profit contribution from the Roads segment remained relatively stable at around 40% of the total attributable operating profit during FY2018, FY2019 and HY2020. The attributable operating profit from the Construction segment has gradually increased from approximately 20.2% to approximately 29.3% from FY2018 to HY2020. In HY2020, approximately 7% of the attributable operating profit was contributed by the Insurance segment, being a new segment of the NWS Group in HY2020 following the NWS Group's acquisition of the entire issued share capital of FTLife Insurance Company Limited which was completed in November 2019. Details of the acquisition were disclosed in the circular of NWS dated 11 April 2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.1.2. Financial position of the NWS Group

Set out below is the summary of the financial position of the NWS Group as extracted from the 2020 Interim Report.

	As at 31 December 2019 (Unaudited) <i>HK\$'million</i>
Non-current assets	109,702.7
Cash and bank balances	12,504.6
Other current assets	<u>27,429.6</u>
Total assets	<u><u>149,636.9</u></u>
Borrowings and other interest-bearing liabilities (non-current portion)	26,643.1
Other non-current liabilities	17,914.2
Borrowings and other interest-bearing liabilities (current portion)	3,365.5
Other current liabilities	<u>42,491.2</u>
Total liabilities	<u><u>90,414.0</u></u>
Equity attributable to Shareholders	<u><u>48,004.8</u></u>

As at 31 December 2019, the total assets of the NWS Group amounted to HK\$149,636.9 million, mainly comprising (i) financial assets at fair value through other comprehensive income which mainly represented listed debt securities, with an amount of HK\$37,591.4 million (including current and non-current portions) (representing 25.1% of total assets); (ii) interests in joint ventures and associated companies which mainly represented the NWS Group's investments in various infrastructure, ports, commercial aircraft leasing, healthcare, strategic investments, logistics and other projects, with an aggregate amount of HK\$27,617.7 million (representing 18.5% of total assets); (iii) trade, premium and other receivables of HK\$15,113.8 million (representing 10.1% of total assets); (iv) intangible concession rights in relation to the NWS Group's investment in the Roads segment of HK\$14,422.7 million (representing 9.6% of total assets); and (v) cash and bank balances of HK\$12,504.6 million (representing 8.4% of total assets).

As at 31 December 2019, the total liabilities of the NWS Group amounted to HK\$90,414.0 million, mainly comprising (i) insurance and investment contract liabilities of HK\$32,715.7 million (including current and non-current portions) (representing 36.2% of total liabilities); (ii) borrowings

and other interest-bearing liabilities of HK\$30,008.6 million (including current and non-current portions) (representing 33.2% of total liabilities); and (iii) trade, other payables and payables to policyholders of HK\$12,850.8 million (representing 14.2% of total liabilities).

The NWS Group recorded equity attributable to Shareholders of HK\$48,004.8 million as at 31 December 2019.

1.2. Information on the NWD Group

NWD is a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 17). As at the Latest Practicable Date, NWD together with its subsidiaries held approximately 60.9% of the total issued share capital of NWS.

The NWD Group is principally engaged in property development, property investment and investment in and/or operation of roads, commercial aircraft leasing, construction, insurance, hotels and other strategic businesses.

1.3. Information on Mr. Doo and the Services Group

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

The Services Group refers to Mr. Doo and any company that is controlled by Mr. Doo and subsidiaries of such company(ies). The Services Group is principally engaged in the provision of services including: (i) property investment and development, property leasing, property and facility management; (ii) security and guarding services; (iii) cleaning and laundry; (iv) landscaping; (v) provision of environmental management services, mechanical and electrical engineering services; (vi) trading of building materials; and (vii) insurance consultancy and brokerage.

2. Background of the Transactions contemplated under the New NWD Master Services Agreement and the New DOO Master Services Agreement

Reference is made to the Announcement in relation to, among others, the renewal of the Transactions. On 24 April 2020, NWS announced that given that the Existing NWD Master Services Agreement and the Existing DOO Master Services Agreement will expire on 30 June 2020, the relevant parties to each of the Existing NWD Master Services Agreement and the Existing DOO Master Services Agreement have agreed to continue with the arrangement under the relevant agreement after expiry of its term upon similar terms and/or conditions and covering similar scope of services as in the

Existing NWD Master Services Agreement and the Existing DOO Master Services Agreement by entering into the New NWD Master Services Agreement and the New DOO Master Services Agreement respectively.

3. Hong Kong Construction Industry and Outlook

The Transactions contemplated under the New NWD Master Services Agreement and the New DOO Master Services Agreement are mainly attributable to construction and/or contracting related services.

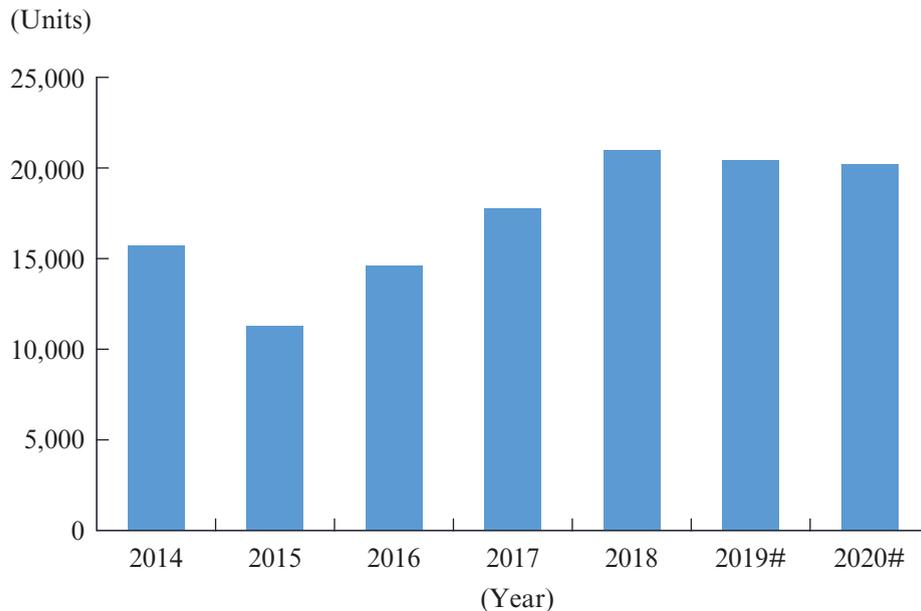
We have discussed with the management of NWS and understand that the construction projects, which the NWS Group may compete for and/or work on, include but not limited to residential, office and commercial development projects in the private or public sectors based in Hong Kong.

In light of the above, we set out below an overview on (i) the private sector residential properties; (ii) the public sector residential properties; (iii) office and commercial properties; and (iv) the construction expenditure for the public and private sectors, in Hong Kong.

3.1. Residential properties — private sector

The demand of residential property sector in Hong Kong in recent years has been driven by the low interest rate and strong demand from end-users who possess strong consuming power. Set out in Chart A below is the actual number of private residential property units completed in Hong Kong from 2014 to 2018 and the forecasted completion in 2019 and 2020, according to the Rating and Valuation Department of Hong Kong.

Chart A: Private residential property units completed (actual/estimated) in Hong Kong¹



#: the number of private residential property units to be completed in 2019 and 2020 estimated by the Rating and Valuation Department, Hong Kong

Based on information published by the Rating and Valuation Department of Hong Kong, the lowest number of private residential property units completed since 2014 were 11,296 units in 2015. The number of private residential property units completed were 14,595 units, 17,791 units and 20,968 units in 2016, 2017 and 2018, respectively, and the number of private residential property units completed in 2019 and 2020 are projected to be approximately 20,415 units and 20,181 units, respectively.

In addition, we note that the Hong Kong Government (the “**HK Government**”) will continue to ensure that adequate resources are provided to increase land and housing supply from the 2020–2021 Budget Speech (the “**2020–2021 Budget Speech**”) ². There will be 15 residential property sites to be put up by the HK Government for sale in the financial year ending 31 March 2021 totaling approximately 7,500 private residential property units. Together with railway property development projects and private development and redevelopment projects, the potential land supply for the whole financial year is expected to be able to provide approximately 15,700 private residential property units.

¹ Source: Rating and Valuation Department, Hong Kong (https://www.rvd.gov.hk/doc/en/hkpr19/PR2019_full.pdf)

² Source: https://www.budget.gov.hk/2020/eng/pdf/e_budget_speech_2020-21.pdf

We have also reviewed the latest long term housing strategy annual progress report 2019³, which the HK Government's housing supply target for the next decade from 2020–2021 is to provide a total of 400,000 to 450,000 units, with public housing accounting for 70% and private housing accounting for the remaining 30%.

We also understand from the management of NWS that the NWS Group will, subject to award of tender, continue to provide, among others, construction services to different property developers (including but not limited to the NWD Group) in relation to their property development projects, the relevant works of which may potentially be subcontracted to the Services Group or lead to the purchase of building materials from the NWD Group.

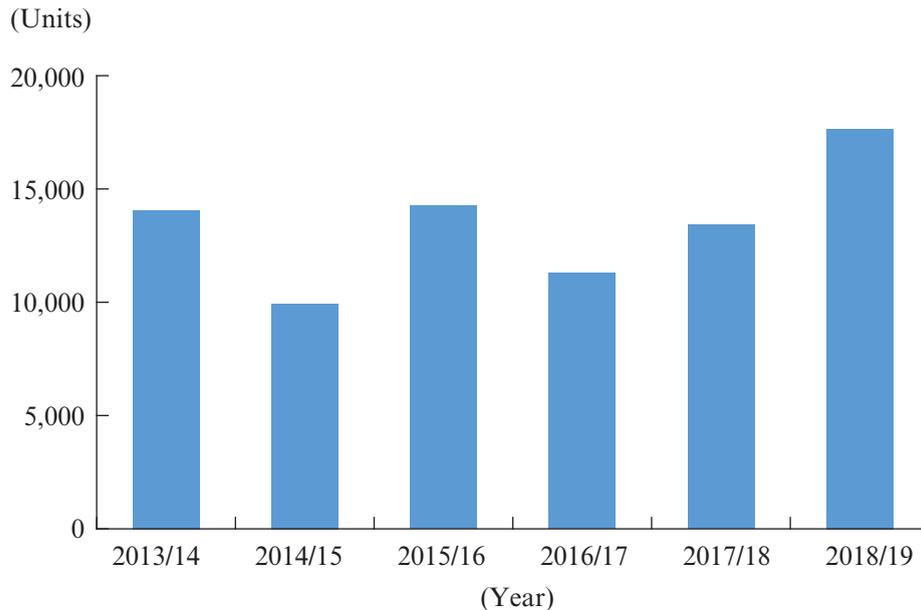
We have reviewed the annual report of NWD for the financial year ended 30 June 2019 (the “**2019 NWD Annual Report**”) and we noted that as at 30 June 2019, NWD and its subsidiaries possessed a land bank with attributable gross floor area (“**GFA**”) of around 9.1 million sq. ft. for immediate development, of which approximately 4.2 million sq. ft. were for property development. Therefore, it is reasonable to project that there will possibly be a number of Hong Kong based residential property projects to be launched by the NWD Group in the future.

3.2. Residential properties — public sector

Chart B below sets out the number of public residential property units completed in Hong Kong for the fiscal years ended 31 March 2014 to 2019 (based on information published by the Hong Kong Housing Authority).

³ Source: https://www.thb.gov.hk/eng/policy/housing/policy/lths/LTHS_Annual_Progress_Report_2019.pdf

Chart B: Public housing units (rental housing flats) completed in Hong Kong⁴



Based on information published by the Hong Kong Housing Authority, between the fiscal years 2013–14 to 2018–19, only in fiscal year 2014–15 when the number of public housing units completed in Hong Kong were below 10,000 units. For all other years, the number of public housing units completed were above 11,000 units as illustrated in Chart B above.

Furthermore, according to the Long Term Housing Strategy Annual Progress Report 2019⁵, the public housing supply target for the ten-year period will be 301,000 units and the private housing supply target will be 129,000 units. These numbers are consistent with the targets set during the review of Long Term Housing Strategy in 2018⁶.

⁴ Source: Hong Kong Housing Authority (<https://www.housingauthority.gov.hk/en/about-us/publications-and-statistics/actual-public-rental-housing-production/index.html>)

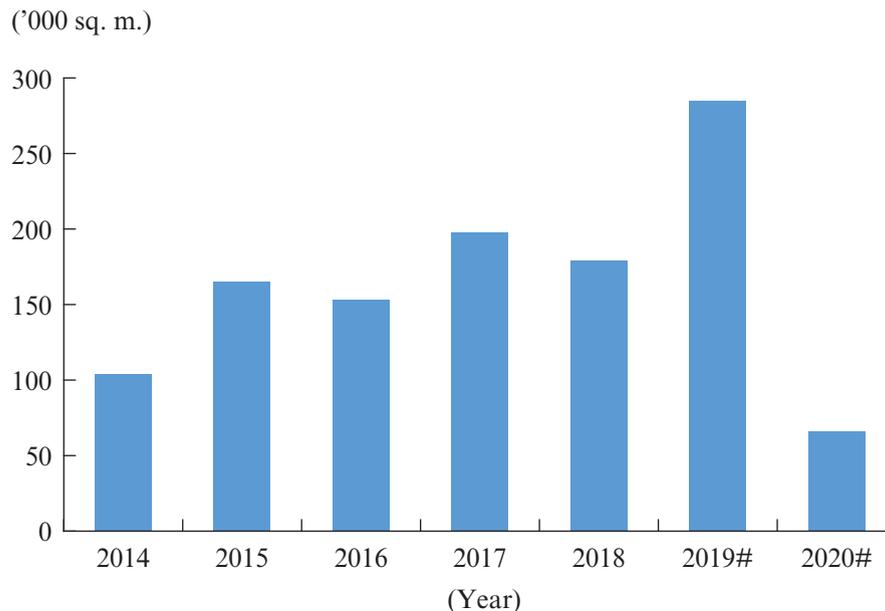
⁵ Source: https://www.thb.gov.hk/eng/policy/housing/policy/lths/LTHS_Annual_Progress_Report_2019.pdf

⁶ Source: https://www.thb.gov.hk/eng/policy/housing/policy/lths/LTHS_Annual_Progress_Report_2018.pdf

3.3. Office and Commercial Properties

Set out in Chart C below is the private office floor area completed in Hong Kong during the period from 2014 to 2018 and the estimated private office floor area to be completed in Hong Kong in 2019 and 2020.

Chart C: Private office floor area completed (actual/estimated) in Hong Kong⁷



#: the private office floor area to be completed in 2019 and 2020 estimated by the Rating and Valuation Department, Hong Kong

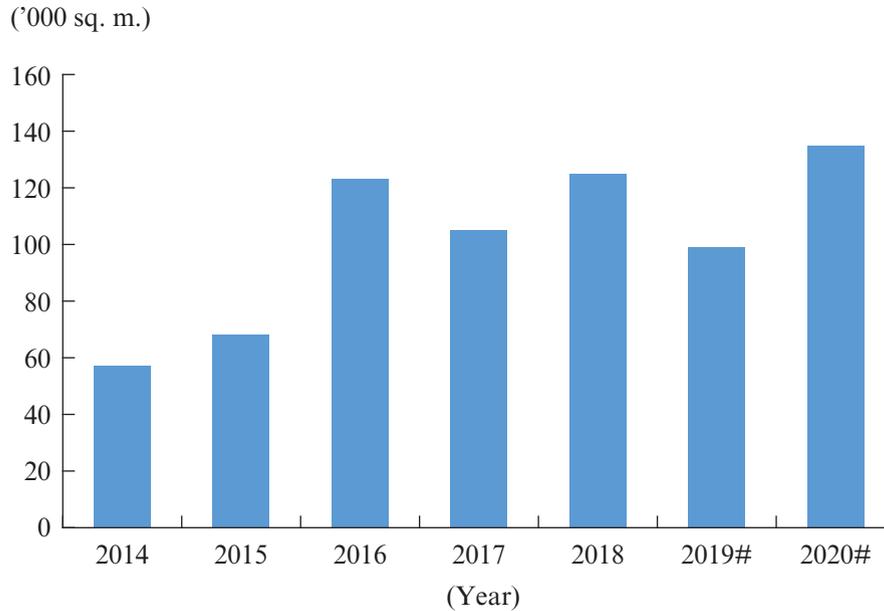
During the period between 2014 and 2018, the private office floor area completed in each year ranged from approximately 104,000 sq. m. to approximately 198,000 sq. m., with an average of approximately 160,600 sq. m. According to the Rating and Valuation Department of Hong Kong, the projected completion of private office floor area for 2019 and 2020 are 285,000 sq. m. and 66,000 sq. m. respectively, which signals a sharp drop in private office space supply in 2020. The projected supply in 2020 is mainly focused in the areas of Tsuen Wan and Sai Kung, contributing approximately 59% of the projected new private office space supply in 2020.

In terms of Grade A offices, during the period between 2014 and 2018, the floor area completed ranged from approximately 86,000 sq. m. to approximately 186,000 sq. m., with an average of approximately 143,000 sq. m. The projected completion of Grade A office floor area for 2019 and 2020 are 257,000 sq. m. and 48,000 sq. m. respectively, which also suggests a sharp drop in Grade A private office space supply in 2020. Similarly, the projected supply in 2020 is mainly focused in the areas of Tsuen Wan and Sai Kung, contributing approximately 82% of the projected new Grade A private office space supply in 2020.

⁷ Source: Rating and Valuation Department, Hong Kong (https://www.rvd.gov.hk/doc/en/hkpr19/PR2019_full.pdf)

We set out in Chart D below the recent completions (in terms of sq. m.) in the private commercial property sector in Hong Kong based on data published by the Rating and Valuation Department of Hong Kong.

Chart D: Private commercial floor area completed (actual/estimated) in Hong Kong⁸



#: the private commercial floor area to be completed in 2019 and 2020 estimated by the Rating and Valuation Department, Hong Kong

Between 2014 and 2018, the private commercial floor area completed in each year ranged from approximately 57,000 sq. m. to approximately 125,000 sq. m., with an average of approximately 96,000 sq. m. The projected completion of private commercial floor area for 2019 and 2020 are 99,000 sq. m. and 135,000 sq. m. respectively, which is above the average of the private commercial floor area completed in the years between 2014 and 2018.

⁸ Source: Rating and Valuation Department, Hong Kong (https://www.rvd.gov.hk/doc/en/hkpr19/PR2019_full.pdf)

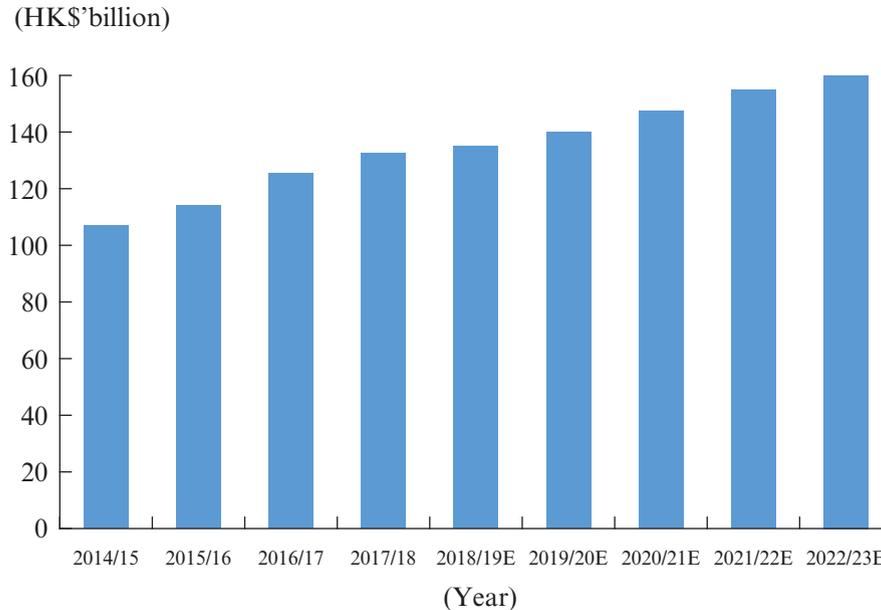
In addition, we have further reviewed the 2019 NWD Annual Report and understand that the NWD Group had various office/commercial property projects to be completed, including the office building project in Cheung Shun Street, West Kowloon with a total GFA of around 520,000 sq. ft., whereas another office building project in Wing Hong Street, West Kowloon with a total GFA of around 360,000 sq. ft. is in the site formation and foundation stage.

We also understand from the management of NWS that a significant proportion of the Annual Caps are related to contracting services and that the NWS Group intends to continue to tender for construction contracts related to, among others, property development projects undertaken by different property developers (including but not limited to the NWD Group), which if awarded to the NWS Group, the relevant works of which may potentially be subcontracted to the Services Group or lead to the purchase of building materials from the NWD Group.

3.4. Construction expenditure for the public and private sectors

Set out in Chart E below is the actual and estimated construction expenditure for the public sector in Hong Kong during the period from 2014/15 to 2017/18 and 2018/19 to 2022/23, respectively.

Chart E: Construction expenditure (actual/estimated) for the public sector in Hong Kong⁹

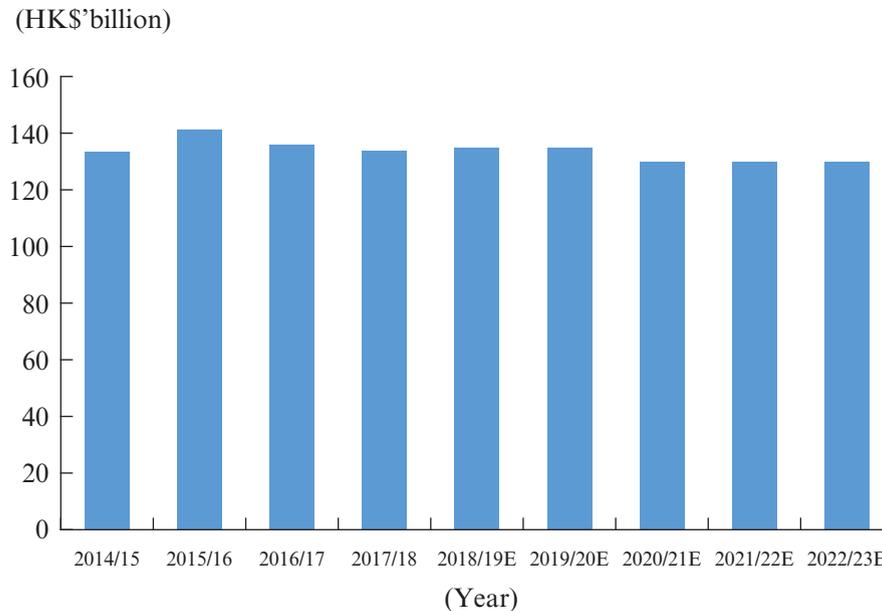


⁹ Source: Construction Industry Council (http://www.cic.hk/common/Fore/Fore.aspx?lang=en-US&year=2018_19v2)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out in Chart F below is the actual and estimated construction expenditure for the private sector in Hong Kong during the period from 2014/15 to 2017/18 and 2018/19 to 2022/23, respectively.

Chart F: Construction expenditure (actual/estimated) for the private sector in Hong Kong¹⁰



The construction expenditure for the public sector in Hong Kong steadily increased from approximately HK\$107.1 billion for 2014/15 to approximately HK\$132.6 billion for 2017/18 and is projected to further increase to approximately HK\$160.0 billion for 2022/23, whereas the construction expenditure for the private sector in Hong Kong experienced a slight decrease from approximately HK\$141.2 billion for 2015/16 to approximately HK\$133.9 billion for 2017/18 and is projected to remain relatively stable at approximately HK\$130.0 billion from 2020/21 onwards.

Our view

Having considered the information stated above and the fact that the NWD Group is a major player in the property sector in Hong Kong, the NWS Group is well positioned to continue capturing business opportunities brought by the NWD Group by entering into the New NWD Master Services Agreement.

¹⁰ Source: Construction Industry Council (http://www.cic.hk/common/Fore/Fore.aspx?lang=en-US&year=2018_19v2)

4. Principal terms of the New NWD Master Services Agreement and the New DOO Master Services Agreement

4.1. New NWD Master Services Agreement

Under the New 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 (as the case may be) during the term of the New NWD Master Services Agreement.

Major terms of the New NWD Master Services Agreement are set out below:

Date : 24 April 2020

Parties : (1) NWD
(2) NWS

Duration : An initial term of three years commencing from the NWD Effective Date to 30 June 2023 (both days inclusive unless terminated earlier in accordance with the New NWD Master Services Agreement).

Subject to re-compliance with the applicable Listing Rules at the relevant time, the New NWD Master Services Agreement may be renewed at the end of the initial term for a further term of three years (or such other period permitted under the Listing Rules) unless either party gives written notice to the other party not later than two months before the end of the initial term to terminate the New NWD Master Services Agreement.

Condition : The New NWD Master Services Agreement shall be conditional on the passing of an ordinary resolution at the SGM by the Independent Shareholders to approve the New NWD Master Services Agreement, the Transactions contemplated thereunder and the related Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Nature of Transactions/
Operational Services covered
- :
1. Contracting services — provision of services as main contractors, management contractors, project managers, subcontractors or agents, building and general construction, civil engineering, building exterior and interior design, building maintenance and repair, renovation, refurbishment, cleaning of properties, development and redevelopment of buildings, properties and real estate, maintenance consultancy and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction management, hiring, procurement and supply of construction and building machinery, equipment and materials, computer aided drafting services and related services;
 2. Facility management services — provision of convention and exhibition facilities and related functions and services, provision of ticketing services, ticketing information system and agency services, food and beverage catering services, dockyard facilities management and related technical support and maintenance services, provision of information technology services, computer programming and related consultancy and advisory services, technical projects studies, computer program management and planning information systems, design and updating of software and software packages, analysis and design of information system and data processing;
 3. Property management services — property management, property sales and letting agency services, provision of car parking management and related services;
 4. Rental services — rental of properties, spare spaces, car parking spaces, vehicles and vessels and related services;

5. Insurance and healthcare services — provision of insurance and related services, insurance underwriting services, policy underwriting services, medical and healthcare services, rehabilitation and wellness enhancement and related services;
6. Procurement services — buying and procurement services for sourcing goods, provision of supply chain management and consultancy services, sample production and import and export trading services, wholesaling, provision of freight forwarding and packaging and other logistics services, storage and warehousing services, design, marketing and sourcing services, merchandising agent services and general trading of merchandise;
7. Advertising services — advertising and promotion-related services; and
8. Consultancy and advisory services relating to all the aforesaid services, and such other types of services as the parties may agree upon from time to time in writing.

Pricing : On normal commercial terms, negotiated on an arm's length basis and at prices and on terms no less favourable to the NWD Group or the NWS Group (as the case may be) than terms available to and/or from independent third parties.

4.2. New DOO Master Services Agreement

Under the New DOO Master Services Agreement, each of NWS and Mr. Doo agrees to, and agrees to procure that members of the NWS Group or the Services Group (to the extent practicable), engage relevant members of the Services Group or the NWS Group to provide the Operational Services to relevant members of the NWS Group or the Services Group (as the case may be) during the term of the New DOO Master Services Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Major terms of the New DOO Master Services Agreement are set out below:

Date : 24 April 2020

Parties : (1) Mr. Doo
(2) NWS

Duration : An initial term of three years commencing from the DOO Effective Date to 30 June 2023 (both days inclusive unless terminated earlier in accordance with the New DOO Master Services Agreement).

Subject to re-compliance with the applicable Listing Rules at the relevant time, the New DOO Master Services Agreement may be renewed at the end of the initial term for a further term of three years (or such other period permitted under the Listing Rules) unless either party gives written notice to the other party not later than two months before the end of the initial term to terminate the New DOO Master Services Agreement.

Condition : The New DOO Master Services Agreement shall be conditional on the passing of an ordinary resolution at the SGM by the Independent Shareholders to approve the New DOO Master Services Agreement, the Transactions contemplated thereunder and the related Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Nature of Transactions/
Operational Services covered :
1. Contracting services — provision of services as main contractors, management contractors, project managers, subcontractors or agents, building and general construction, civil engineering, building exterior and interior design, building maintenance and repair, renovation, maintenance consultancy and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction management, hiring, procurement and supply of construction and building machinery, equipment and materials, electrical and mechanical engineering works, supply and installation of air conditioning, heating and ventilation systems, fire services systems, plumbing and drainage systems, lift repair and maintenance services, electrical systems and system design and consultancy, computer aided drafting services and related services;
 2. Cleaning and landscaping services — general cleaning and housekeeping, waste management and disposal, external wall and window cleaning, clinical waste management, vessel and vehicle cleaning, depot, terminus, office and facility cleaning, pest control, recycling and environmental services, landscaping and plant maintenance, supply of plants, laundry services and related services;
 3. Facility management services — provision of convention and exhibition facilities and related functions and services, food and beverage catering services, trading and supply, merchandise sourcing and related services;

4. Property management services — property management, property sales and letting agency services, pre-marketing consultancy services, technical services, provision of car parking management and related services;
5. Security and guarding services — provision of security guards, security systems installation and maintenance services, armoured transport services, supply of security products and related services;
6. Rental services — rental of properties, spare spaces, car parking spaces, vehicles and vessels and related services;
7. Insurance services — provision of insurance and related services, insurance underwriting services and policy underwriting services; and
8. Consultancy and advisory services relating to all the aforesaid services, and such other types of services as the parties may agree upon from time to time in writing.

Pricing : On normal commercial terms, negotiated on an arm's length basis and at prices and on terms no less favourable to the Services Group or the NWS Group (as the case may be) than terms available to and/or from independent third parties.

5. Reasons for entering into of the New NWD Master Services Agreement and the New DOO Master Services Agreement

5.1. New NWD Master Services Agreement

Pursuant to the New NWD Master Services Agreement, the NWS Group and the NWD Group will provide each other with the Operational Services with a term of three years ending 30 June 2023.

The Existing NWD Master Services Agreement will expire on 30 June 2020 and we have discussed with the management of NWS and understand that the Transactions contemplated under the New NWD Master Services Agreement are recurring in nature and in the ordinary and usual course of business of the NWS Group, as well as the NWD Group.

5.1.1. Operational Services provided by the NWS Group to the NWD Group

We have discussed with the management of NWS and understand that the Operational Services provided by the NWS Group to the NWD Group were substantially related to the provision of contracting services by the NWS Group. It is expected that the demand for contracting services by the NWD Group, being one of the major property developers in Hong Kong, will remain strong in coming years due to its ongoing property development projects as well as the new property development projects during the term of the New NWD Master Services Agreement. Based on the 2020 Interim Report, as at 31 December 2019, the gross value of contracts on hand for Construction segment increased to approximately HK\$53.0 billion (as at 31 December 2018: HK\$39.0 billion) and the remaining works to be completed increased to approximately HK\$38.0 billion (as at 31 December 2018: HK\$22.0 billion), which includes government and institutional related projects and private sector projects including both commercial and residential projects.

As discussed with the management of NWS, member(s) of the NWS Group are engaged as main contractor, management contractor, project manager, subcontractor or agent of property development projects (i) after being selected from participating tenderers in a tender process set up by member(s) of the NWD Group; or (ii) through direct appointment by member(s) of the NWD Group.

In respect of the participation in a tender or quotation, we have discussed with the management of NWS and understand that member(s) of the NWS Group are required to follow its internal tender guidelines. We have reviewed the NWS Group's internal tender guidelines which set out the overall flow of the tendering process, pre-tendering stage, tendering stage and post tendering stage. The assessment criteria for considering whether to proceed with a tender invitation mainly includes, but not limited to, scale and nature of the project, historical relationship with the relevant member(s) of the NWD Group, and resource availability of the NWS Group. In preparing for the submission of a tender or quotation, review meeting(s) of the relevant member of the NWS Group will be held to perform a thorough analysis of the project specifications, and the cost and other data collected which include quotations from subcontractors for works packages, quotations from suppliers for materials, estimates on the allocation of machinery and equipment, management resources, labour costs, technical complexity and related commercial and physical works risk, etc. In pricing a tender or quotation, the relevant member of the NWS Group will also make references to its recent job quotations, such as tender or quotation record, purchase price of materials and equipment, labour costs and subcontractors' quotations of projects completed or in progress in the NWS Group's database. Related market information, such as material price and labour costs' trend will also be retrieved from public source, industry reports, and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

financial database for reference. These measures/procedures are designed to ensure that the tender or quotation price and the terms of the tender or quotation to be offered by the NWS Group are fair and reasonable and comparable to those offered by the NWS Group to independent third parties, and are adhered to by the NWS Group for all projects obtained by the NWS Group through tender or quotation.

Having considered the contribution of each category of the Operational Services under the New Master Services Agreements as well as their respective number of transactions (i.e. population size) made during the term of the Existing Master Services Agreements, we have selected three sample transactions on a random basis in relation to tender or quotation made by member of the NWS Group to member of the NWD Group and reviewed the relevant documents, including the tender review record setting out the project details, resource availability of the relevant member of the NWS Group and the decision process of whether to proceed with tender invitation; the tender quality plan with analysis on the project specifications and expected cost of the project with reference to cost data and quotation records; and the tender document record and correspondence record of the tender process, including the pre-tendering stage, tendering stage and post-tendering stage. We note that the NWS Group has complied with the internal tender guidelines and procedures. In terms of the tender price and terms, we have also reviewed the internal documents provided by the Group Audit & Risk Assurance Department (the “GARA”) which show the tender price and terms made by members of the NWS Group to the NWD Group, and compared it with the other two sample transactions, which have similar nature and size with our selected tender samples made to the NWD Group and were selected on a random basis, in relation to the tender made by members of the NWS Group to independent third parties and note that the tender price and terms made by members of the NWS Group to the NWD Group are no less favourable to the NWS Group than those offered to independent third parties. The GARA would conduct review regularly on the tender made by the member(s) of the NWS Group in relation to the implementation of the internal tender guidelines and procedures. As advised by the management of NWS, no material non-compliance in connection with such guidelines and procedures from the commencement of the term of the Existing NWD Master Services Agreement up to the Latest Practicable Date was noted by the GARA.

For the engagements which are directly appointed by member(s) of the NWD Group (the “**Direct Appointed Engagements**”), the contract amount will be on a cost-plus basis agreed with member(s) of the NWD Group, which is currently expected to be not exceeding a single digit percentage, but may vary depending on the scale or nature of the project agreed to be undertaken by the NWS Group. This is in line with the basis of engagements to independent third parties for projects with similar nature and size. We have discussed with the management of NWS and reviewed the NWS Group’s

internal procedures regarding engagement through direct appointment, and understand that the relevant member of the NWS Group will perform a thorough analysis of the project specifications, the cost and other data collected and other useful data retrieved on the NWS Group's database for reference and assessment purpose. The cost-plus percentage, which shall be agreed between the NWS Group and the NWD Group, will be determined based on findings from the analysis and the senior management of the relevant member of the NWS Group will review the proposed cost-plus percentage as well as the basis of its determination for each engagement and approve the engagement subject to the cost-plus percentage and its basis of determination are in line with the basis of engagements to independent third parties for projects with similar nature and size. In determining whether the proposed cost-plus percentage is in line with the basis of engagements to independent third parties, members(s) of the NWS Group will compare the proposed cost-plus percentage against the cost-plus percentage of at least two engagements with independent third parties that are similar in nature and size (subject to practical availability and feasibility). The cost-plus percentage agreed with independent third parties for similar engagements provide a price reference for the NWS Group in determining whether the proposed cost-plus percentage by members of the NWD Group is reasonable as compared to those agreed with independent third parties. In the event the proposed cost-plus percentage is not in line with the basis of engagements to independent third parties based on the project analysis of the NWS Group, the senior management of the relevant member of the NWS Group will not approve the proposed cost-plus percentage and such cost-plus percentage shall be further discussed and agreed with the NWD Group according to the NWS Group's internal procedures.

We have discussed with the management of NWS and understand that the Direct Appointed Engagements that occurred in the past mainly related to the NWD Group directly appointing the Hip Seng Group for the provision of contracting services, in view of the Hip Seng Disposal during FY2019, it is expected that going forward there will be a decrease in the number of Direct Appointed Engagements during the term of the New NWD Master Services Agreement. Having considered the contribution of Direct Appointed Engagements under the New Master Services Agreements as well as the respective number of Direct Appointed Engagements (i.e. population size) made during the term of the Existing Master Services Agreements, we have selected two sample transactions on a random basis determined by cost-plus basis between the NWS Group and the NWD Group and reviewed the relevant documents, which we note that the NWS Group has complied with the aforementioned internal procedures in respect of direct appointed engagements, and its price and terms are no less favourable to the NWS Group than those offered by the NWS Group to independent third parties. Furthermore, the GARA would conduct review regularly on the cost-plus percentages used and compare them to independent third party projects with similar nature and size. As advised by the management of NWS, no material

non-compliance in connection with such procedures from the commencement of the term of the Existing NWD Master Services Agreement up to the Latest Practicable Date was noted by the GARA.

5.1.2. Operational Services provided by the NWD Group to the NWS Group

Based on the information provided by the management of NWS, we note that Operational Services provided by the NWD Group to the NWS Group during the term of the Existing NWD Master Services Agreement were mainly related to the rental of properties owned by the NWD Group. However, the relevant Annual Caps for the term of the New NWD Master Services Agreement are expected to be mainly attributable to (i) the provision of contracting services by the NWD Group; and (ii) the rental of properties owned by the NWD Group.

In respect of the provision of contracting services by the NWD Group, such services were minimal from the commencement of the term of the Existing NWD Master Services Agreement up to the Latest Practicable Date. We have discussed with the management of NWS and understand that the contracting services to be provided by the NWD Group to the NWS Group during the term of the New NWD Master Services Agreement mainly relate to procurement services, where the NWS Group may procure various construction materials from the NWD Group. In respect of the pricing basis, we understand from NWS that the relevant member of the NWS Group will perform a thorough analysis on the specific project and the related construction material requirements, including the types of materials required such as ironmongery, tiles, rebar, etc., the collection of cost and other data which includes obtaining at least three quotations from suppliers (including independent third parties in the market, subject to practical availability and feasibility) for materials and the estimated usage of different types of materials, and make references to its recent job quotations and the historical purchase price. Related market information, such as material price trend, will also be retrieved from public source and database for reference. Based on our discussion with the management of NWS, we understand that obtaining at least three quotations from suppliers enables the NWS Group to better estimate and determine the material cost for the construction project. Such third party quotations provide a price reference for the NWS Group for comparing the quotation offered by the NWD Group and in determining whether the quotation offered by the NWD Group is reasonable as compared to those offered by independent third parties. The above measures/procedures are designed with a view to ensuring the price and terms of procurement services offered to the NWS Group by the NWD Group are fair and reasonable and comparable to those offered to the NWS Group by independent third parties, and will be adhered to by the NWS Group for its procurement activities. As such, we consider that the terms offered by the NWD Group will be no less favourable to the NWS Group than those offered by independent third parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The pricing basis of the rentals is based on the prevailing market rate and the NWS Group would compare the then market rental rate of properties with similar features including but not limited to location, usable space, building conditions, available facilities, quality and rental period, before entering into rental agreement with the NWD Group to ensure the terms are no less favourable to the NWS Group than those offered by independent third parties.

Having considered the contribution of each category of the Operational Services under the New Master Services Agreements as well as their respective number of transactions (i.e. population size) made during the term of the Existing Master Services Agreements, we have selected three sample transactions on a random basis in relation to rental of properties owned by the NWD Group and reviewed the relevant documents, including the rental analysis comparing the market rental rate of at least three properties with similar features before entering into tenancy agreement and the respective tenancy agreements. We note that the NWS Group has complied with the aforementioned internal procedures. We have also conducted our own research on the rental property market by comparing the prevailing market rate of properties with similar location, usable space, available facilities and quality to the rental rate and terms offered by the NWD Group and note that the rental rate and terms offered by the NWD Group are no less favourable than the prevailing market rate. In performing our own research on the rental property market and prevailing market rate, we have reviewed the rental rate of comparable properties located in the same district that are listed on the websites of real estate agencies, and compared the listed market rental rate to the rental rate offered by the NWD Group. In addition, we have reviewed the past rental transaction records for comparable properties and compared these to the rental rate offered by the NWD Group. In view of the aforementioned internal control procedures which include the NWS Group performing rental analysis to compare the prevailing market rate of similar properties before entering into rental agreement with the NWD Group to ensure the terms are no less favourable to the NWS Group than those offered by independent third parties, we consider the terms offered by the NWD Group are no less favourable to the NWS Group than those offered by independent third parties.

Moreover, the GARA would conduct review regularly on the provision of the Operational Services to the NWS Group by the NWD Group and compare them to the market data to ensure the terms of the rental agreement are fair and reasonable. As advised by the management of NWS, no material non-compliance in connection with such procedures from the commencement of the term of Existing NWD Master Services Agreement up to the Latest Practicable Date was noted by the GARA.

In conclusion, based on our work done, we are of the view that the Transactions contemplated under the New NWD Master Services Agreement are in the ordinary and usual course of business of the NWS Group and the NWS Group has implemented appropriate internal control procedures to ensure the transactions contemplated under the New NWD Master Services Agreement will be conducted on normal commercial terms or better that are no less favourable to the NWS Group than those available to and/or from independent third parties.

5.2. New DOO Master Services Agreement

Pursuant to the New DOO Master Services Agreement, the NWS Group and the Services Group will provide each other with the Operational Services with a term of three years ending 30 June 2023.

The Existing DOO Master Services Agreement will expire on 30 June 2020 and we have discussed with the management of NWS and understand that the Transactions contemplated under the New DOO Master Services Agreement are recurring in nature and in the ordinary and usual course of business of the NWS Group, as well as the Services Group.

5.2.1. Operational Services provided by the NWS Group to the Services Group

Based on the information provided by the management of NWS, we note that Operational Services provided by the NWS Group to the Services Group during the term of the Existing DOO Master Services Agreement were minimal and mainly related to the provision of facilities management services by the NWS Group. However, the relevant Annual Caps for the term of the New DOO Master Services Agreement are expected to be mainly attributable to the provision of project management services by the NWS Group.

As discussed with the management of NWS, the NWS Group may be engaged for providing project management services for construction projects to the Services Group. In providing such project management services, the NWS Group may be invited to submit tender(s) or quotation(s) or participated through direct appointment. From the commencement of the term of the Existing DOO Master Services Agreement up to the Latest Practicable Date, there were no engagements where member(s) of the NWS Group were directly appointed by the Services Group and there were no engagements relating to project management services provided by member(s) of the NWS Group to the Services Group. In respect of engagements obtained via tender or through direct appointment, the NWS Group is required to follow its internal tender guidelines and procedures as mentioned under the section headed “5.1.1 New NWD Master Services Agreement” in this letter to ensure the price and terms offered to the Services Group are no less favourable to the NWS Group than those offered by the NWS Group to independent third parties. Furthermore, based on our discussion with the management of NWS, we understand that the GARA will conduct review

regularly on the engagements between the member(s) of the NWS Group and the member(s) of the Services Group to ensure the implementation of the NWS Group's internal tender guidelines and procedures.

As mentioned above, the Operational Services provided by the NWS Group to the Services Group during the term of the Existing Doo Master Services Agreement were minimal and mainly related to the provision of facility management services by the NWS Group, which amounted to less than HK\$5 million in aggregate for the two years and six months ended 31 December 2019. Having considered the respective number of transactions (i.e. population size) made during the term of the Existing Doo Master Services Agreement, we have selected two sample transactions on a random basis in relation to transactions provided by member of the NWS Group to member of the Services Group for the provision of facility management services, which we note that its price and terms are no less favourable to the NWS Group than those offered by the NWS Group to independent third parties.

5.2.2. Operational Services provided by the Services Group to the NWS Group

We have discussed with the management of NWS and understand that the Operational Services provided by member(s) of the Services Group to member(s) of the NWS Group were mainly related to the provision of contracting services for the NWS Group's construction business operations. There are two types of business arrangements for contracting services provided by the Services Group.

For the first type of arrangement, member(s) of the NWS Group is/are appointed as management contractor, main contractor, project manager, subcontractor or agent and a member of the Services Group is designated as a nominated subcontractor by the ultimate employer (which may or may not be a member of the NWD Group). Services provided and/or work performed by a member of the Services Group will be monitored by relevant member of the NWS Group. In addition, consideration to such member of the Services Group will be ascertained by an independent professional quantity surveyor appointed by the ultimate employer.

Having considered the contribution of each category of the Operational Services under the New Master Services Agreements as well as their respective number of transactions (i.e. population size) made during the term of the Existing Master Services Agreements, we have selected three sample transactions on a random basis and reviewed the relevant documents, including the statement of final account issued by an independent professional quantity surveyor and the payment monitoring schedule, and note that the independent professional quantity surveyor would recommend the service fee for the relevant subcontracting works.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the second type of arrangement, member(s) of the NWS Group has the right to select subcontractors(s) and consideration to such subcontractor(s) will be ascertained under the subcontracting procedures. Such member of the NWS Group will obtain tenders or quotations from at least three subcontractors (including members of the Services Group and independent third parties subject to practical availability and feasibility) from a list of pre-approved subcontractors (which is subject to periodic review and update by its management to ensure the subcontractors' quality standards) for services or products in similar times or quantities to determine if the price and terms offered by the Services Group are fair and reasonable as compared to those offered by independent third parties. If the price and terms offered by the Services Group are equal to or better than those offered by the independent service providers, the NWS Group may probably award the contract to the Services Group. We have reviewed the aforesaid list of pre-approved subcontractors who could provide the relevant contracting services as at the Latest Practicable Date, and note that only approximately 13% of which were members of the Services Group, and thus we consider the NWS Group has a well-diversified contractor base and there are adequate number of subcontractors for the NWS Group to select and not merely to rely on the Services Group. As advised by the management of NWS, for projects which involve consideration of a substantial amount, the Services Group will participate in a tender with all bidders (including independent third parties in the market subject to practical availability and feasibility), the winning bid of which will be the one with the lowest tender amount or the recommended one with better technical knowhow and capability to complete the project in time and with quality in accordance with the NWS Group's internal tender procedure(s) on the condition that the bidder conformed to all the essential requirements (including, but not limited to, relevant experience, capability and historical relationship) as set out in the bid invitation.

Having considered the contribution of each category of the Operational Services under the New Master Services Agreements as well as their respective number of transactions (i.e. population size) made during the term of the Existing Master Services Agreements, we have selected three sample transactions on a random basis in relation to the subcontracting engagements made by the NWS Group and reviewed the relevant documents, including the subcontracting schedule for the project setting out the project specifications and expected timing of works; the subcontract tender price analysis comparing the tender offers between all bidders; and the subcontract tender final assessment setting out the decision process and reason of award. We note that the NWS Group has complied with the aforementioned guidelines and procedures, and the price and terms of the sample transactions are no less favourable to the NWS Group than those charged by independent subcontractors of the NWS Group. We have also discussed with the management of NWS and note that no material non-compliance in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

connection with such guidelines and procedures from the commencement of the term of Existing DOO Master Services Agreement up to the Latest Practicable Date was noted by the GARA.

In conclusion, based on our work done, we are of the view that the Transactions contemplated under the New DOO Master Services Agreement are in the ordinary and usual course of business of the NWS Group and the NWS Group has implemented appropriate internal control procedures to ensure the Transactions contemplated under the New DOO Master Services Agreement will be conducted on normal commercial terms or better that are no less favourable to the NWS Group than those available to and/or from independent third parties.

6. Proposed Annual Caps for the Transactions

6.1. Historical transaction amounts

The tables below set out the respective historical transaction amounts of the Transactions under the Existing NWD Master Services Agreement and the Existing DOO Master Services Agreement for FY2018, FY2019 and HY2020:

Existing NWD Master Services Agreement

Type of transactions	FY2018 <i>HK\$'million</i>	FY2019 <i>HK\$'million</i>	HY2020 <i>HK\$'million</i>
Operational Services by members of the NWS Group to members of the NWD Group	9,167.5	1,759.7	928.7
Operational Services by members of the NWD Group to members of the NWS Group	52.2	32.3	16.4

As set out in table above, the aggregate transaction value for the Operational Services provided by members of the NWS Group to members of the NWD Group decreased from approximately HK\$9,167.5 million in FY2018 to approximately HK\$1,759.7 million in FY2019. For FY2018, most of the aggregate transaction value for the Operational Services provided by the NWS Group to the NWD Group was attributable to contracting services provided by the Hip Seng Group, which was one of the NWS Group's construction units which mainly acted as the main contractor or project manager for NWD and its associates. As mentioned in the Disposal Circular, the single dominant customer of the Hip Seng Group is NWD and its associates. As a result, after the completion of the disposal of the Hip Seng Group by the NWS Group to the NWD Group in FY2019, the aggregate

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

transaction value of Operational Services provided by members of the NWS Group to members of the NWD Group for FY2019 under the Existing NWD Master Services Agreement decreased significantly.

The aggregate transaction value for the Operational Services provided by members of the NWD Group to members of the NWS Group decreased from approximately HK\$52.2 million in FY2018 to approximately HK\$32.3 million in FY2019.

Existing DOO Master Services Agreement

Type of transactions	FY2018	FY2019	HY2020
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
Operational Services by members of the NWS Group to members of the Services Group	1.5	1.7	0.9
Operational Services by members of the Services Group to members of the NWS Group	1,365.4	1,034.8	277.3

As set out in the table above, the aggregate transaction value for the Operational Services provided by the NWS Group to the Services Group remained minimal at approximately HK\$1.5 million in FY2018 and HK\$1.7 million in FY2019. We understand from the management of NWS that the low transaction amounts were due to the fact that certain potential projects which may have required the provision of project management services by members of the NWS Group to members of the Services Group did not materialize from the commencement of the term of the Existing DOO Master Services Agreement up to the Latest Practicable Date.

The aggregate transaction value for the Operational Services provided by members of the Services Group to members of the NWS Group decreased from approximately HK\$1,365.4 million in FY2018 to approximately HK\$1,034.8 million in FY2019. We understand from management of NWS that the decrease in the aggregate transaction value for Operational Services provided by members of the Services Group to members of the NWS Group in FY2019 is mainly due to the disposal of the Hip Seng Group in FY2019 as mentioned above.

We note that the contracting services provided by members of the NWS Group to the NWD Group and by members of the Services Group to the NWS Group contributed significant portion in their respective annual caps. In connection with the historical transactions, we have discussed with the management of NWS and understand that the annual caps of the Existing NWD

Master Services Agreement and the Existing DOO Master Services Agreement were determined based on (i) the then available project schedule of the NWS Group and NWD Group (as the case may be); (ii) the assumption that the Hip Seng Group, being one of the NWS Group's construction units, would undertake the majority of the contracting services provided by the NWS Group to the NWD Group during the term of the Existing NWD Master Services Agreement; and (iii) the assumption that, for flexibility reason, that all projects under the project schedule were included in the calculation of annual caps, while in practice the provision of Operational Services was subject to the actual development plan and/or result of tender. Any unsuccessful bidding by members of the NWS Group and/or the Services Group in the tender would affect the actual transaction amounts. Furthermore, in the provision of the contracting services, members of the NWS Group and the Service Group are engaged as main contractor/management contractor/project manager and subcontractor/package contractor respectively for property development projects of the NWD Group and the amount of contracting services provided by members of the NWS Group and the Services Group are highly related to the development progress of the property development projects and any postponement or delay of projects would affect the actual transaction amounts. In addition, the actual transaction amounts would also be impacted by other factors, including but not limited to, non-upcoming and variation of size of potential projects, etc.

6.2. Proposed Annual Caps and basis of determination for Annual Caps

In respect of the proposed Annual Caps, we understand that it has been determined with reference to:

- a) the historical annual or annualised amounts in respect of the Operational Services provided by the relevant members of the NWS Group (excluding the historical amounts attributable to Operational Services provided by/to the Hip Seng Group, which was part of the NWS Group prior to the completion of the Hip Seng Disposal in FY2019) to the relevant members of the NWD Group or the Services Group (as the case may be) and vice versa during the past two and a half financial years; and
- b) the projected annual or annualised amounts in respect of the Operational Services to be provided by the relevant members of the NWS Group to the relevant members of the NWD Group or the Services Group (as the case may be) and vice versa, in the next three financial years, having taken into account:
 - the business growth of the NWS Group, the NWD Group or the Services Group (as the case may be) having regard to the ongoing and/or upcoming projects undertaken and/or expected to be undertaken;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- the existing projects in progress which affect the demand of related Operational Services by the NWS Group, the NWD Group or the Services Group;
- the estimated future demand for the Operational Services;
- the inflation factor (which may vary in nature and can be economic, labour and logistics related or otherwise and will result in change in costs), if applicable. The inflation rate will be assessed by the NWS Group by reference to or after taking into account of such rate(s) available in public sources, such as the rate reported by the Hong Kong Census and Statistics Department;
- the adjustments for non-recurring or extraordinary items to cater for exceptional circumstances or other contingencies; 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 NWS Group, the NWD Group or the Services Group; and (ii) the service industries in which the NWS Group operates will have steady growth.

6.2.1. Annual Caps in relation to the New NWD Master Services Agreement

The proposed Annual Caps for the transactions contemplated under the New NWD Master Services Agreement during its term (i.e. three years ending 30 June 2023, namely “FY2021”, “FY2022” and “FY2023” respectively) and the basis of determination for such Annual Caps are set out as follows:

Type of transactions	FY2021	FY2022	FY2023
	<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 (“NWD Sales Caps”)	2,073.0	2,224.0	2,498.0
Operational Services by members of the NWD Group to members of the NWS Group (“NWD Purchase Caps”)	178.0	193.0	211.0

NWD Sales Caps

Based on the information provided by and the discussion with the management of NWS, we note that the Operational Services projected to be provided by members of the NWS Group during the term of the New NWD Master Services Agreement mainly relate to contracting services arising from ongoing projects and certain potential sizable upcoming projects. It is expected that demand of contracting services from the NWD Group, being one of the major property developers in Hong Kong, will remain strong in coming years due to its ongoing property development projects as well as the new property development projects during the term of the New NWD Master Services Agreement.

We have discussed with the management of NWS and understand that they have prepared a projection (the “**Project Schedule**”) which sets out, among others, the historical transacted amounts and the estimated contract values on a project-by-project basis by categories of Operational Services entered/potentially entered into (as the case may be) with the NWD Group and the Services Group during the period from 1 July 2017 to 30 June 2023. We have reviewed the Project Schedule and note that the NWD Group has engaged members of the NWS Group as service providers for some of its property development projects and the ongoing development of certain NWD Group’s projects will fall into the term of the New NWD Master Services Agreement. Furthermore, the NWD Group may potentially engage the NWS Group for contracting services in certain new property development projects.

In order to assess the fairness and reasonableness of the proposed NWD Sales Caps, we have reviewed the relevant calculations and discussed with the management of NWS and understand from them that the proposed NWD Sales Caps are arrived at mainly based on (i) the estimated scope of works in respect of the property development projects set out in the Project Schedule; (ii) the estimated relevant construction price; and (iii) the expected progress of the construction works of the projects set out in the Project Schedule during the term of the New NWD Master Services Agreement. We note from the Project Schedule that during the term of the New NWD Master Services Agreement, a substantial portion of the NWD Sales Caps is attributable to construction services in relation to the Kai Tak Sports Park and the development for certain potential sizeable upcoming property development projects from the land bank of the NWD Group. We have compared the historical costs of the NWS Group’s previous engagements by independent third parties in relation to providing contracting services with projects/engagements of similar nature and size and note that it is comparable with the estimated construction costs adopted in the calculation of NWD Sales Caps. We also understand from NWS that in estimating the progress of the construction works for

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

a project, such estimate is made with reference to the project requirements and the progress assessment conducted by the NWS Group's in-house surveyors.

Given the size of the NWD Group's existing and upcoming property projects, we consider the NWD Sales Caps are fair and reasonable.

NWD Purchase Caps

Based on the information provided by and the discussion with the management of NWS, we note that the Operational Services projected to be provided by the NWD Group during the term of the New NWD Master Services Agreement mainly relate to (i) the provision of contracting services by member(s) of the NWD Group (the "**NWD Contracting Purchase Caps**"); and (ii) the rental of properties owned by member(s) of the NWD Group (the "**NWD Rental Caps**").

In order to assess the fairness and reasonableness of the proposed NWD Contracting Purchase Caps, we have discussed with the management of NWS and understand that the provision of procurement services by the NWD Group, where the NWS Group may procure various construction materials from the NWD Group under the proposed NWD Contracting Purchase Caps, are arrived at mainly based on (i) the estimated number of projects that require the procurement of construction materials by the NWS Group; (ii) the estimated cost of the materials based on project size, with reference to historical transactions; and (iii) the proportion of materials expected to be procured from the NWD Group. We have reviewed the relevant calculations and the historical cost of the relevant construction material expected to be purchased based on existing projects and consider that the NWD Contracting Purchase Caps are fair and reasonable.

In order to assess the fairness and reasonableness of the proposed NWD Rental Caps, we have reviewed the relevant calculations and discussed with the management of NWS and understand that the provision of rental services by the NWD Group under the proposed NWD Rental Caps are arrived at mainly based on (i) the historical transaction values of the rental of the NWD Group's properties; (ii) the estimated increment in rental costs by making reference to the changes in market rental rate; and (iii) the additional services such as rental of additional spaces required for the business units of the NWS Group. We have also conducted our own research on the rental property market and note that the unit rental rates adopted in the calculation of the NWD Rental Caps are in line with the market rental rate of comparable properties. As such, we consider the NWD Purchase Caps are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6.2.2. *Annual Caps in relation to the New DOO Master Services Agreement*

The proposed Annual Caps for the transactions contemplated under the New DOO Master Services Agreement during its term (i.e. FY2021, FY2022 and FY2023) and the basis of determination for such Annual Caps are set out as follows:

Type of transactions	FY2021	FY2022	FY2023
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
Operational Services by members of the NWS Group to members of the Services Group (“ Services Group Sales Caps ”)	40.0	40.0	40.0
Operational Services by members of the Services Group to members of the NWS Group (“ Services Group Purchase Caps ”)	2,245.0	2,700.0	4,099.0

Services Group Sales Caps

Based on the information provided by the management of NWS, we note that Operational Services provided by the NWS Group to the Services Group during the term of the Existing DOO Master Services Agreement were insignificant and mainly related to the provision of facilities management services by members of the NWS Group. However, the relevant Annual Caps for the term of the New DOO Master Services Agreement are expected to be mainly attributable to the provision of project management services by members of the NWS Group.

We understand from the management of NWS that the proposed Services Group Sales Caps of HK\$40 million in each of FY2021, FY2022 and FY2023 will provide the flexibility for the NWS Group to capture business opportunities in the event that members of the NWS Group are engaged to provide Operational Services to the Services Group. The Services Group Sales Caps are arrived at based on (i) the estimated scope of works of the contracting services to be provided; (ii) the estimated size of projects to be managed; and (iii) the estimated operating costs in relation to the provision of the contracting services. We have reviewed the relevant calculations in the Project Schedule and have compared the estimated figures adopted in the calculation of the

Service Group Sales Caps to historical contract value in relation to provision of project management services by the NWS Group for projects owned by independent third parties with similar nature and size and note that it is comparable with the estimated figures adopted in the calculation of the Services Group Sales Caps.

Services Group Purchase Caps

Based on the information provided by and the discussion with the management of NWS, we note that the Operational Services provided by members of the Services Group were mainly attributable to the contracting services. The surge in the proposed Services Group Purchase Caps as compared with their historical transaction values is due to the increase in the transaction values of contracting services, together with certain potential sizeable upcoming and/or ongoing projects which include, but not limited to, certain public or private sector development projects as well as various residential and commercial development projects, given that the NWS Group may need to engage subcontractors/package contractors for its construction business and the Services Group is one of the NWS Group's pre-approved subcontractors/package contractors.

In order to assess the fairness and reasonableness of the proposed Services Group Purchase Caps, we have reviewed the relevant calculations and discussed with the management of NWS and understand from them that the proposed Services Group Purchase Caps are arrived at mainly based on (i) the estimated scope of works in respect of the property development projects set out in the Project Schedule; (ii) the estimated relevant contract value; and (iii) the expected progress of the construction works of the projects set out in the Project Schedule during the term of the New DOO Master Services Agreement. We have reviewed the Project Schedule which sets out the estimated contract values for each project during the term of the New DOO Master Services Agreement and note that the contracting services to be provided by the Services Group are mainly related to certain sizeable upcoming and/or ongoing projects which include, but not limited to, certain public or private sector development projects such as the Inland Revenue Tower at Kai Tak and the Immigration Headquarter at Tseung Kwan O, as well as other various residential and commercial development projects given the fact that the NWS Group needs to engage subcontractors/package contractors for its construction business and the Services Group is one of the NWS Group's pre-approved subcontractors/package contractors. We further note that the Services Group Purchase Caps increase by approximately 20.3% from approximately HK\$2,245 million for FY2021 to approximately HK\$2,700 million for FY2022, which further increases by approximately 51.8% to approximately HK\$4,099 million for FY2023.

Based on our discussion with management of NWS and our review of the Project Schedule, we note that the annual caps for FY2022 and FY2023 are mainly attributable to contracting services, including electrical and mechanical, fire services and plumbing works expected to be provided for both secured and potential projects mainly relating to the Immigration Headquarter at Tseung Kwan O and certain government or institutional projects relating to healthcare and education sectors in Hong Kong. Some of these projects are expected to commence from FY2021, with a relatively larger portion of services expected to be provided in FY2022 and a significant portion of the services expected to be provided in FY2023 in accordance with the respective project timelines, which contributed to the significant increase in annual cap for FY2023 as compared to the proportionally smaller increase in annual cap for FY2022. We understand from NWS that in estimating the progress of the construction works for a project, such estimate is made with reference to the project requirements and the progress assessment conducted by the NWS Group's in-house surveyors. We have also compared the historical contract value in relation to engagement of independent subcontractor/package contractor by the NWS Group for projects with similar nature and size to the projects in the Project Schedule that are expected to occur during FY2021 to FY2023 and note that it is comparable with the estimated figures adopted in the calculation of Services Group Purchase Caps.

6.2.3. Our view on the proposed Annual Caps of the New NWD Master Services Agreement and the New DOO Master Services Agreement

Given that (i) the relevant proposed Annual Caps are derived by the Project Schedule which has taken into consideration of, among others, the estimated scope of works to be provided to/by the NWS Group, the estimated costs of works/services for each project in the Project Schedule, the expected development progress for each project in the Project Schedule; and (ii) the service fees and/or prices adopted in the calculation of proposed Annual Caps are based on the prevailing market rate of the related Operational Services to be provided and have made reference to the NWS Group's historical actual figures and, based on our review and research conducted, are comparable to those adopted in the calculation of Annual Caps, we are of the view that the proposed Annual Caps of the New NWD Master Services Agreement and the New DOO Master Services Agreement are fair and reasonable.

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. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests of Directors in the shares, underlying shares and debentures (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 the 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 Long position in shares

	Number of shares				Approximate percentage to the total issued shares of the relevant company as at the Latest Practicable Date
	Personal interest	Family interests	Corporate interests	Total	
The Company					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar Shun, Henry	18,349,571	–	12,000,000 ⁽¹⁾	30,349,571	0.776%
Mr. Tsang Yam Pui	180,000	–	–	180,000	0.005%
Mr. Lam Wai Hon, Patrick	1,446,207	–	7,608 ⁽²⁾	1,453,815	0.037%
Mr. William Junior Guilherme Doo	–	–	128,869 ⁽³⁾	128,869	0.003%
Mr. Kwong Che Keung, Gordon	1,207,077	–	–	1,207,077	0.031%
Dr. Cheng Wai Chee, Christopher	2,875,786	–	–	2,875,786	0.074%
NWD					
(Ordinary shares)					
Dr. Cheng Kar Shun, Henry	10,675,637	–	–	10,675,637	0.105%
Dr. Cheng Chi Kong, Adrian	4,500,000	–	–	4,500,000	0.044%
Mr. Cheung Chin Cheung	124,400	–	–	124,400	0.001%
Mr. William Junior Guilherme Doo	–	40,000 ⁽⁴⁾	–	40,000	0.000%
Mr. Kwong Che Keung, Gordon	40,000	–	–	40,000	0.000%

Notes:

1. The Shares were held by a company wholly owned by Dr. Cheng Kar Shun, Henry.
2. The Shares were held by a company wholly owned by Mr. Lam Wai Hon, Patrick.
3. The Shares were held by a company wholly owned by Mr. William Junior Guilherme Doo.
4. The shares were held by the spouse of Mr. William Junior Guilherme Doo.

2.2 Long position in underlying shares — share options

Under the share option scheme of NWD, an associated corporation of the Company within the meaning of Part XV of the SFO, options may be granted to its directors and employees and also to certain eligible participants of NWD as defined in its share option schemes to subscribe for its 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 NWD:

Name	Date of grant	Exercisable period <i>(Notes)</i>	Number of share options outstanding as at the Latest Practicable Date	Exercise price per share <i>HK\$</i>
Dr. Cheng Kar Shun, Henry	3 July 2017	(1)	2,000,000	10.036
Dr. Cheng Chi Kong, Adrian	10 June 2016	(2)	3,736,471	7.540
	3 July 2017	(1)	2,000,000	10.036

Notes:

1. Divided into 4 tranches exercisable from 3 July 2017, 3 July 2018, 3 July 2019 and 3 July 2020 respectively to 2 July 2021.
2. Divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.
3. The cash consideration paid by each of the Directors for each grant of share options of NWD was HK\$10.

2.3 Long position in debentures

As at the Latest Practicable Date, the following Directors had interests in the debentures issued by New World China Land Limited, NWD Finance (BVI) Limited and NWD (MTN) Limited, all of them are associated corporations of the Company within the meaning of Part XV of the SFO:

	Amount of debentures			Total	Approximate percentage to the total amount of the debentures in issue as at the Latest Practicable Date
	Personal interest	Family interests	Corporate interests		
New World China Land Limited					
Mr. William Junior Guilherme Doo	–	–	HK\$7,800,000 ⁽¹⁾	HK\$7,800,000	0.095%
NWD Finance (BVI) Limited					
Mr. William Junior Guilherme Doo	–	–	US\$5,845,000 ⁽²⁾	US\$5,845,000	0.234%
NWD (MTN) Limited					
Mr. William Junior Guilherme Doo	–	–	US\$2,000,000 ⁽²⁾	US\$2,000,000	0.042%

Notes:

1. The debentures were held by a company wholly owned by Mr. William Junior Guilherme Doo and were issued in US\$ and had been translated into HK\$ using the rate of US\$1.0 = HK\$7.8.
2. The debentures were held by a company wholly owned by Mr. William Junior Guilherme Doo.

Other than the interests in the shares, underlying shares and debentures as set out above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures (within the meaning of Part XV of the SFO) 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 the chief executive of the Company were taken or deemed to have under such provisions of the SFO); (ii) recorded 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' INTEREST IN SECURITIES

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

Name	Number of Shares			Approximate percentage to the issued share capital of the Company as at the Latest Practicable Date
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited	–	2,477,530,362 ⁽¹⁾	2,477,530,362	63.35%
Cheng Yu Tung Family (Holdings II) Limited	–	2,477,530,362 ⁽²⁾	2,477,530,362	63.35%
Chow Tai Fook Capital Limited (“CTFC”)	–	2,477,530,362 ⁽³⁾	2,477,530,362	63.35%
Chow Tai Fook (Holding) Limited (“CTFH”)	–	2,477,530,362 ⁽⁴⁾	2,477,530,362	63.35%
Chow Tai Fook Enterprises Limited (“CTF Enterprises”)	97,034,424	2,380,495,938 ⁽⁵⁾	2,477,530,362	63.35%
NWD	1,588,468,276	792,027,662 ⁽⁶⁾	2,380,495,938	60.86%
Mombasa Limited	718,384,979	–	718,384,979	18.37%

Notes:

1. Cheng Yu Tung Family (Holdings) Limited held approximately 48.98% direct interest in CTFC and was accordingly deemed to have an interest in the Shares deemed to be interested by CTFC.
2. Cheng Yu Tung Family (Holdings II) Limited held approximately 46.65% direct interest in CTFC and was accordingly deemed to have an interest in the Shares deemed to be interested by CTFC.
3. CTFC held approximately 81.03% direct interest in CTFH and was accordingly deemed to have an interest in the Shares deemed to be interested by CTFH.
4. CTFH held 100% direct interest in CTF Enterprises and was accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTF Enterprises.
5. CTF Enterprises, together with its subsidiaries, held more than one-third of the issued shares of NWD and was accordingly deemed to have an interest in the Shares interested by or deemed to be interested by NWD.
6. NWD held 100% indirect interest in Mombasa Limited and was accordingly deemed to have an interest in the Shares held by Mombasa Limited. NWD was also deemed to be interested in 2,979,975 Shares held by Financial Concepts Investment Limited, 35,331,354 Shares each held by Hing Loong Limited and Fine Reputation Incorporated respectively, all of them being subsidiaries of NWD.
7. All the interests stated above represented long positions.

Save as disclosed above, as at the Latest Practicable Date and so far as is known to any Director or the 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 BUSINESSES

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, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or 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 healthcare, commercial aircraft leasing and aircraft trading businesses	Director
	FSE Holdings Limited group of companies	Carpark management	Shareholder
	NWD group of companies	Investment in healthcare and development and operation of sports park complex	Director
Dr. Cheng Chi Kong, Adrian	CTF Enterprises group of companies	Investment in healthcare, commercial aircraft leasing and aircraft trading businesses	Director
	NWD group of companies	Investment in healthcare and development and operation of sports park complex	Director
	New Century Healthcare Holding Co. Limited group of companies	Investment in healthcare	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. Cheng Chi Ming, Brian	Integrated Waste Solutions Group Holdings Limited	Investment in waste management business	Director
Mr. To Hin Tsun, Gerald	Mongolia Energy Corporation Limited	Investment in coal mining	Director
Mr. Lam Wai Hon, Patrick	FSE Holdings Limited group of companies	Carpark management	Director
Mr. William Junior Guilherme Doo	FSE Holdings Limited group of companies	Carpark management	Director
	The Dynasty Club Limited	Food and beverage operations	Director

5. ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested in any contract or arrangement subsisting at the date of this Circular which was 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 was not determinable by the relevant member of the Group within one year without payment of compensation, other than statutory compensation;
- (c) Dr. Cheng Kar Shun, Henry, Dr. Cheng Chi Kong, Adrian, Mr. Cheng Chi Ming, Brian and Mr. William Junior Guilherme Doo are members of the Cheng's family which hold interests in Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited which in turn indirectly control CTF Enterprises. CTF Enterprises is the substantial shareholder of NWD.

The Group had entered into the following transactions with associates of CTF Enterprises and/or NWD since 30 June 2019:

- (i) tenancy agreements regarding the letting of an office premises and a car parking space by associates of CTF Enterprises to the Group at an aggregated monthly rental of RMB116,096, and the amount of such transactions was covered under the master services agreement dated 10 April 2017 made between the Company and CTF Enterprises;

- (ii) tenancy agreements regarding the letting of various office premises by associates of NWD to the Group at an aggregated monthly rental of HK\$263,578, and the amount of such transactions was covered under the master services agreement dated 10 April 2017 made between the Company and NWD;
- (iii) a subsidiary of the Company subscribed for senior unsubordinated and unsecured notes due in 2049 in the principal amount of HK\$1,500 million issued by a subsidiary of NWD, as part of its investment portfolio. These notes bear a coupon rate of 4.89% per annum and are listed on the Stock Exchange. Details of such subscription was set out in the announcement of the Company dated 24 December 2019;
- (iv) an internal reorganization which involves the disposal of subsidiaries engaged in the provision of ticketing services by the Group, together with its related shareholder's loan, to a subsidiary of NWD for a consideration of HK\$23 million;
- (v) an internal reorganization which involves the disposal of subsidiaries engaged in the provision of information technology services by the Group to a subsidiary of NWD for a consideration of HK\$367,427 (subject to adjustments);
- (vi) the disposal of a vehicle by the Company to NWD at a consideration of HK\$603,931;
- (vii) an internal reorganization which involves the disposal of 30% interest in an associated company engaged in healthcare business by the Group, together with its related shareholder's loan, to a subsidiary of CTF Enterprises for a consideration of HK\$19.5 million; and
- (viii) an internal reorganization which involves the disposal of 50% interest in a company engaged in commercial aircraft leasing management business jointly owned by the Company and CTF Enterprises to another joint venture company owned by the Company and CTF Enterprises as to 50% each for a consideration of US\$50.

Save as disclosed in this Circular, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 30 June 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group; and

- (d) the following Directors were also directors of the companies as listed below which had interests or short positions 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:

Name of common director	Name of company
Dr. Cheng Kar Shun, Henry	Cheng Yu Tung Family (Holdings) Limited
Dr. Cheng Kar Shun, Henry	Cheng Yu Tung Family (Holdings II) Limited
Dr. Cheng Kar Shun, Henry	CTFC
Dr. Cheng Kar Shun, Henry	CTFH
Dr. Cheng Kar Shun, Henry	CTF Enterprises
Dr. Cheng Kar Shun, Henry	NWD
Dr. Cheng Kar Shun, Henry	Mombasa Limited
Dr. Cheng Chi Kong, Adrian	CTFH
Dr. Cheng Chi Kong, Adrian	CTF Enterprises
Dr. Cheng Chi Kong, Adrian	NWD

6. MATERIAL ADVERSE CHANGE

The outbreak of the coronavirus disease 2019 (COVID-19) is expected to have impact on the Group's business operations, and the Board is still assessing its overall impact on the Group's financial performance. The Board will continue to monitor the status and development of the COVID-19 outbreak and its impact on the operations and financial performance of the Group and will make announcement(s) as and when appropriate. Notwithstanding the foregoing, the Group has been maintaining a healthy financial position supported by the cash on hand and committed banking facilities of the Group.

Save as disclosed above, as of the Latest Practicable Date, there was no other material adverse change in the financial or trading position of the Group since 30 June 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. QUALIFICATION AND CONSENT OF EXPERT

Ballas Capital is a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.

Ballas Capital has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter and references to its name and its letter in the form and context in which they respectively appear.

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

As at the Latest Practicable Date, Ballas Capital did not have any direct or indirect interest in any assets which had been since 30 June 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

8. MISCELLANEOUS

The English text of this Circular and the enclosed proxy form shall prevail over the Chinese text in the event of any inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at 28/F., New World Tower, 18 Queen's Road Central, Hong Kong during normal business hours on any business day (Saturdays excluded) from the date of this Circular up to and including 18 June 2020 and at the SGM:

- (a) the Existing Master Services Agreements;
- (b) the New Master Services Agreements;
- (c) the letter of recommendations from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this Circular;
- (d) the letter of advice from Ballas Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this Circular; and
- (e) the written consent of Ballas Capital referred to in the paragraph headed "7. Qualification and Consent of Expert" in this appendix.



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 (the “**Meeting**”) of NWS Holdings Limited (the “**Company**”) will be held at Meeting Room N201 (Expo Drive Entrance), Level 2, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Thursday, 18 June 2020 at 11:30 a.m. for the purpose of considering and, if thought fit, with or without amendments, passing each of the following resolutions as an ordinary resolution:

ORDINARY RESOLUTIONS

1. “**THAT** the New NWD Master Services Agreement dated 24 April 2020 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 the Company and NWD each 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 certain operational services as more particularly set out in the “Letter from the Board” in the circular of the Company dated 1 June 2020 (the “**Circular**”) to relevant members of the Group or the NWD Group, the transactions contemplated under the New NWD Master Services Agreement, and the proposed annual caps in respect of the transactions contemplated under the New NWD Master Services Agreement for each of the three financial years ending 30 June 2023 as more particularly set out in the “Letter from the Board” in the Circular be and are hereby approved, ratified and/or confirmed, and the Directors acting together or by committee, or any Director acting individually, be and is/are hereby authorized to execute all agreements and documents and to take all steps for and on behalf of the Company whatever he or she or they may, in his/her/their absolute discretion, consider necessary, desirable or expedient for the purpose of, or in connection with, implementing and/or giving effect to the above matter (terms defined in the Circular have the same meanings when used in this resolution).”

* For identification purposes only

NOTICE OF SGM

2. “**THAT** the New DOO Master Services Agreement dated 24 April 2020 entered into between Mr. Doo and the Company (a copy of which has been produced to the meeting marked “B” and initialled by the Chairman of the meeting for identification purpose), pursuant to which the Company and Mr. Doo each agrees to, and agrees to procure that members of the Group or the Services Group (to the extent practicable), engage relevant members of the Services Group or the Group to provide certain operational services as more particularly set out in the “Letter from the Board” in the Circular to relevant members of the Group or the Services Group, the transactions contemplated under the New DOO Master Services Agreement, and the proposed annual caps in respect of the transactions contemplated under the New DOO Master Services Agreement for each of the three financial years ending 30 June 2023 as more particularly set out in the “Letter from the Board” in the Circular be and are hereby approved, ratified and/or confirmed, and the Directors acting together or by committee, or any Director acting individually, be and is/are hereby authorized to execute all agreements and documents and to take all steps for and on behalf of the Company whatever he or she or they may, in his/her/their absolute discretion, consider necessary, desirable or expedient for the purpose of, or in connection with, implementing and/or giving effect to the above matter (terms defined in the Circular have the same meanings when used in this resolution).”

By order of the board of
NWS HOLDINGS LIMITED
Chow Tak Wing
Executive Director and Company Secretary

Hong Kong, 1 June 2020

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or (if he is a holder of two or more shares) more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. 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 branch share registrar of the Company in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding of the Meeting (or any adjournment thereof) (as the case may be).
3. A proxy form for use at the Meeting is enclosed. Completion and return of the proxy form will not preclude you from attending and voting at the Meeting (or any adjournment thereof).
4. 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, that one of the registered holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

NOTICE OF SGM

5. In order to determine the entitlement of the members of the Company to attend and vote at the Meeting, the register of members of the Company will be closed from Monday, 15 June 2020 to Thursday, 18 June 2020 (both days inclusive) during which period no transfer of shares of the Company will be registered. All properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the branch share registrar of the Company in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 12 June 2020.
6. Voting on the above resolutions will be taken by poll.
7. If a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 7:30 a.m. to 11:30 a.m. on the date of the Meeting, the Meeting will be automatically postponed to a later date and/or time as determined by the Company. The Company will publish an announcement on its corporate website (www.nws.com.hk) and the HKEXnews' website (www.hkexnews.hk) to notify members of the Company of the date, time and location of the rescheduled meeting.
8. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
9. As at the date of this notice, (a) the executive directors of the Company are Dr. Cheng Kar Shun, Henry, Mr. Ma Siu Cheung, Dr. Cheng Chi Kong, Adrian, Mr. Cheung Chin Cheung, Mr. Cheng Chi Ming, Brian, Mr. Ho Gilbert Chi Hang and Mr. Chow Tak Wing; (b) the non-executive directors of the Company are Mr. To Hin Tsun, Gerald, Mr. Dominic Lai, Mr. Tsang Yam Pui, Mr. Lam Wai Hon, Patrick and Mr. William Junior Guilherme Doo; and (c) the independent non-executive directors of the Company are Mr. Kwong Che Keung, Gordon, Dr. Cheng Wai Chee, Christopher, The Honourable Shek Lai Him, Abraham, Mr. Lee Yiu Kwong, Alan, Mrs. Oei Fung Wai Chi, Grace and Mr. Wong Kwai Huen, Albert.

PRECAUTIONARY MEASURES FOR SGM

The health of the Shareholders, staff and stakeholders of the Company is of paramount importance to us. To prevent and control the spread of the COVID-19, the Company will implement the following at the SGM as part of the control measures to safeguard the health and safety of our attending Shareholders, staff and stakeholders of the Company:

- (a) compulsory body temperature checks will be conducted for every attending Shareholder, proxy or other attendee at the entrance of the SGM venue. Any person who has a body temperature of over 37.5 degree Celsius or is subject to the mandatory quarantine order imposed by the Hong Kong Government will be denied entry into or be required to leave the SGM venue;
- (b) each attendee must wear a surgical face mask throughout the SGM and inside the SGM venue;
- (c) the Company will maintain a safe distance between seats;
- (d) no refreshments and beverages will be served; and
- (e) no distribution of coupons for subsequent consumption.

In addition, the Company would like to remind all attending Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. The Company strongly encourages the Shareholders to consider appointing the chairman of the SGM as their proxy to vote as instructed by the Shareholders on the relevant resolutions at the SGM, instead of attending the SGM in person.

In the event of any regulation imposed by the Hong Kong Government due to COVID-19 requiring the change of the date or place of the SGM, the Company will publish an announcement on the websites of both the Company (www.nws.com.hk) and the HKEXnews (www.hkexnews.hk) to notify the Shareholders that the SGM has been adjourned (however, a failure to publish such a notice shall not affect the adjournment of such meeting).

The Company will publish a further announcement on its corporate website (www.nws.com.hk) and the HKEXnews' website (www.hkexnews.hk) to notify the Shareholders of the date, time and location of the adjourned SGM.