



新創建集團有限公司*
NWS Holdings Limited
(incorporated in Bermuda with limited liability)
(stock code: 0659)

CONTINUING CONNECTED TRANSACTIONS BETWEEN THE NWSH GROUP AND THE NWST GROUP

The directors of NWD and NWSH jointly announce that, on 18 May 2007, NWSH and NWST entered into the New Master Services Agreement whereby NWST agrees to, and agrees to procure that members of the NWST Group (to the extent practicable) engage relevant members of the NWSH Group to provide the Operational Services to NWST and/or the relevant members of the NWST Group and to rent or license spare spaces to members of NWSH Group during the term of the New Master Services Agreement.

On 20 May 2004, NWSH and NWST entered into the Master Services Agreement regarding the provision of certain operational services and rental or licensing of spare spaces during the term of the Master Services Agreement. The Master Services Agreement has an initial term of three years and will expire on 20 May 2007.

Given that NWST is a connected person of each of NWD and NWSH, the New Master Services Agreement and all the transactions contemplated under the New Master Services Agreement constitute continuing connected transactions for each of NWD and NWSH under Rule 14A.14 of the Listing Rules. Such transactions will be subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules but will not require approval by the independent shareholders of NWD or NWSH as the threshold stipulated under Rule 14A.34 of the Listing Rules will not be exceeded at any relevant time.

1. BACKGROUND

NWSH, through its wholly-owned subsidiary, currently holds 50% indirect equity interests in NWST while the remaining 50% equity interests are indirectly held by CTF. NWST operates transport and related businesses in Hong Kong, Macau and the PRC. Its major subsidiaries include New World First Bus Services Limited, Citybus Limited, New World First Ferry Services Limited and New World First Ferry Services (Macau) Limited.

On 20 May 2004, NWSH and NWST entered into the Master Services Agreement regarding the provision of certain operational services and rental or licensing of spare spaces during the term of the Master Services Agreement. The Master Services Agreement has an initial term of three years and will expire on 20 May 2007.

2. CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW MASTER SERVICES AGREEMENT

On 18 May 2007, NWSH and NWST entered into the New Master Services Agreement. It has an initial term of three years and shall be automatically renewed for a further term of three years unless either party gives written notice to the other party not later than two months before the expiry of the initial term.

Provision of the Operational Services

Under the New Master Services Agreement, NWST agrees to, and agrees to procure that members of the NWST Group (to the extent practicable) engage relevant members of the NWSH Group to provide the Operational Services to NWST and/or relevant members of the NWST Group during the term of the New Master Services Agreement.

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

Operational Service category	Description of services
Contracting Services	Building and general construction, civil engineering, building exterior and interior design, building repair, renovation maintenance and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction management and the supply of construction and building equipment and materials, electrical and mechanical engineering works, supply and installation of air-conditioning, heating and ventilation systems, fire services systems, plumbing and drainage systems, lift repair and maintenance services and electrical systems and system design and consultancy and computer aided drafting services.
Facility Management Services	Provision of information technology services, provision of convention and exhibition facilities, related functions and services, food and beverage catering services at the Hong Kong Convention and Exhibition Centre and other locations, food processing, trading and supply, merchandise sourcing, procurement and supply.
Security and Guarding Services	Provision of security guards, security systems installation and maintenance services, coinbox collection and coin counting services, armoured transport services and supply of security products.
Cleaning and Landscaping Services	General cleaning, vessel and vehicle cleaning, bus depot cleaning, bus terminus cleaning, office cleaning and bus shelter, stop and related facility cleaning, landscaping and plant maintenance, the supply of plants and laundry services.
Financial Services	Risk management, insurance management, global and regional management, alternate risk financing and reinsurance brokerage services.
Property Management Services	Property management, property sales, letting agency services, vessel and vehicle sales and letting agency services, technical services and the sale of car parking, management and related services.

The above-mentioned engagement is subject to the following qualifications:

- the engagement only applies to services required for business and projects for which NWST and/or the relevant members of the NWST Group have the right to select providers of the relevant services;
- the engagement is not contrary to the terms of contracts governing the relevant business or projects or any applicable laws, regulations or administrative directives promulgated by competent authorities to which the business and projects of NWST and/or the relevant members of the NWST Group relate; and
- in the event that NWST and/or the relevant members of the NWST Group are required to select the providers of particular services through auction tenders, the engagement shall only become effective as and when the relevant members of the NWSH Group have been selected by NWST and/or the relevant members of the NWST Group to provide the relevant services as a result of the relevant auction tenders.

Rental and licensing of spare spaces

Under the New Master Services Agreement, NWST also agrees and undertakes that it shall procure relevant members of the NWST Group to rent or otherwise license spare office, commercial, storage, car-parking spaces, advertising spaces of the relevant members of the NWST Group to members of the NWSH Group as and when such rental or licensing (as the case may be) is required by NWSH and/or the relevant members of the NWSH Group.

The above-mentioned undertaking is subject to the following qualifications:

- the undertaking only applies to those spare office, commercial, storage and car-parking spaces in the depots and advertising spaces of the relevant members of the NWST Group in respect of which the relevant members of the NWST Group have the right to select the relevant tenants or licensees; and
- the undertaking is not contrary to the terms of contracts governing the relevant spare spaces or any applicable laws, regulations or administrative directives promulgated by competent authorities to which such spare spaces relate.

Terms and pricing policies

Pursuant to the New Master Services Agreement, members of the NWST Group and members of the NWSH Group shall, from time to time during the term of the New Master Services Agreement, enter into separate Operational Agreements in respect of the provision of the Operational Services. In this connection, NWSH and NWST have agreed that:

- the prices and terms of the Operational Agreements with respect to the Contracting Services, the Facility Management Services, the Property Management Services, the Cleaning and Landscaping Services and the Financial Services shall be determined in the ordinary course of business at prices and terms no less favourable than those charged and provided to independent third party customers; and
- the prices and terms at which the Security and Guarding Services are to be provided shall be determined in the ordinary course of business on a cost-plus basis at prices and terms no less favourable than those charged to and contracted with other independent third party customers.

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

In respect of the rental or licensing (as the case may be) of spare spaces, the relevant members of the NWST Group and the relevant members of the NWSH Group shall, from time to time during the term of the New Master Services Agreement, enter into separate tenancy agreements or licence agreements (as the case may be). In this connection, NWSH and NWST have agreed that, subject to any applicable laws, regulations or administrative directives promulgated by competent authorities to which the relevant spare spaces relate:

- the terms of the tenancy agreements or licence agreements (as the case may be) shall be negotiated on a case-by-case basis and an arm's length basis as well as on normal commercial terms; and
- the rent or licence fee (as the case may be) payable by the relevant members of the NWSH Group to the relevant members of the NWST Group in respect of the rental or licensing (as the case may be) of the above-mentioned spare spaces shall be determined with reference to market rates.

The aggregate transaction values in respect of the Operational Services for the financial years ended 30 June 2005 and 2006 and for the six months ended 31 December 2006 were approximately HK\$25.2 million, HK\$26.5 million and HK\$13.2 million respectively.

The aggregate transaction values in respect of the rental or licensing of spare spaces for the financial years ended 30 June 2005 and 2006 and for the six months ended 31 December 2006 were approximately HK\$0.2 million, HK\$1.3 million and HK\$1.7 million respectively.

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

The transactions contemplated under the New Master Services Agreements are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the NWSH Group. The above-mentioned Operational Agreements and tenancy or licence agreements will be agreed on an arm's length basis on normal commercial terms. Both the NWD Board and the NWSH Board (including their respective independent non-executive directors) are of the view that the terms of the New Master Services Agreement are fair, reasonable and in the interests of NWD and NWSH and their respective shareholders as a whole, and that it is beneficial to both NWD and NWSH for the NWSH Group to provide the Operational Services to the NWST Group under the New Master Services Agreement because the relevant transactions will continue to facilitate the operations of the NWSH Group's businesses. Moreover, certain members of the NWSH Group currently entered into tenancies with NWST for renting of offices, parking spaces and other spare spaces. Such tenancies are expected to continue in the coming years. The New Master Services Agreement will ensure the continuance of these tenancies and will facilitate the possible additional tenancies for the coming years.

4. REQUIREMENTS OF THE LISTING RULES

As at the date of this announcement, CTF holds approximately 36.53% of the total issued share capital of NWD which, in turn, holds approximately 55.84% of the total issued share capital of NWSH: (a) CTF is a substantial shareholder of each of NWD and NWSH; and (b) NWST, being an associate of CTF, is a connected person of each of NWD and NWSH.

The New Master Services Agreement and all the transactions contemplated under the New Master Services Agreement constitute continuing connected transactions for each of NWD and NWSH under Rule 14A.14 of the Listing Rules. Such transactions will be subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules but will not require approval by the independent shareholders of NWD or NWSH as the threshold stipulated under Rule 14A.34 of the Listing Rules will not be exceeded at any relevant time.

This announcement is made for the purpose of, inter alia, satisfying the announcement requirements stipulated under Rule 14A.47 of the Listing Rules in respect of the New Master Services Agreement and all the transactions contemplated thereunder.

5. MAXIMUM AGGREGATE ANNUAL VALUES

NWD and NWSH expect that the maximum aggregate annual value (the “annual cap”) in respect of each category of the Operational Services and the rental or licensing of spare spaces contemplated under the New Master Services Agreement will be as follows:

Category	Annual cap for each of the financial year ending 30 June 2008, 2009 and 2010 (HK\$'000)	Bases for deriving the annual cap
Contracting Services	13,000	It includes the possible contracts for construction of new depots and parking sites, renovation of old depots and the mechanical and electrical engineering works for depots.
Facility Management Services	7,500	Additional cost for system enhancement, business growth of NWST Group and inflation are taken into account.
Security and Guarding Services	7,000	Additional security service contracts are expected to be secured and the business growth of NWST Group and inflation are taken into account.
Cleaning and Landscaping Services	35,000	Business growth of NWST Group and inflation are taken into account.
Financial Services	1,000	Business growth of NWST Group and inflation are taken into account.
Property Management Services	1,000	Business growth of NWST Group and inflation are taken into account.
Rental or licensing of spare spaces	9,000	Rental for additional office and parking spaces are expected to be arranged while increase in advertising is also taken into account.

The aggregate contract amounts in respect of each category of the Operational Services and the rental or licensing of spare spaces for each of the financial year ended 30 June 2005 and 2006 and for the six months ended 31 December 2006 are follows:

Category	Aggregate contract amounts		
	for the financial year ended 30 June 2005 (HK\$'000)	for the financial year ended 30 June 2006 (HK\$'000)	for the six months ended 31 December 2006 [#] (HK\$'000)
Contracting Services	80.0	52.3	67.2
Facility Management Services	923.6	1,431.5	831.1
Security and Guarding Services	1,041.8	774.5	395.2
Cleaning and Landscaping Services	22,499.2	23,207.5	11,571.9
Financial Services	165.0	503.4	144.7
Property Management Services	509.8	545.3	222.9
Rental or licensing of spare spaces	571.4	1,296.3	1,737.6

[#] The aggregate contract amounts are based on the unaudited interim consolidated results of NWSH for the six months ended 31 December 2006.

The annual cap in respect of each category of the Operational Services has been determined by reference to: (a) the historical annual or annualised amounts in respect of that category of service provided by the relevant members of the NWSH Group to the relevant members of the NWST Group during the past three financial years; and (b) the projected annual or annualised amounts in respect of that category of service to be provided by the relevant members of the NWSH Group to the relevant members of the NWST Group in the next three financial years. Other factors such as the possible construction or renovation works for depots of NWST Group and its proposed system enhancement are also being considered.

The annual cap in respect of the rental or licensing of spare spaces has been determined by reference to the projected annual or annualised rental payments or licence fees to be incurred by the relevant members of the NWSH Group in the next three financial years. It also takes into account the projected increase in the rental of additional spaces and bus body advertisement for the next three financial years.

The above-mentioned projected figures are determined based on the relevant historical figures, taking into account the estimated future demand and adjustments for non-recurring or extraordinary items, and on the principal assumptions that, for the duration of the projected period: (i) the business of the NWSH Group will continue to grow at a rate which is consistent with past patterns; (ii) there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the NWSH Group's businesses; and (iii) the service industries in which the NWSH Group operates will remain stable.

NWD and NWSH will make a further announcement in the event that any of the annual caps set out above is exceeded.

6. INFORMATION REGARDING THE NWD GROUP, THE NWSH GROUP AND THE NWST GROUP

The NWD Group

The NWD Group is principally engaged in investments in the areas of property, infrastructure, services, department store operation, hotel operation and telecommunications and technology. NWD is the ultimate holding company of the NWSH Group.

As at the date of this announcement, the NWD Board comprises (a) six executive directors, namely Dato^{*} Dr. Cheng Yu Tung, Dr. Cheng Kar Shun, Henry, Dr. Sin Wai Kin, David, Mr. Liang Chong Hou, David, Mr. Leung Chi Kin, Stewart and Mr. Cheng Chi Kong, Adrian; (b) five non-executive directors,

namely Mr. Cheng Yue Pui, Mr. Cheng Kar Shing, Peter, Mr. Chow Kwai Cheung, Mr. Ho Hau-Hay, Hamilton and Mr. Liang Cheung Bui, Thomas; and (c) four independent non-executive directors, namely Lord Sandberg, Michael, Mr. Yeung Ping Leung, Howard, Dr. Cha Mou Sing, Payson (alternate director to Dr. Cha Mou Sing, Payson: Mr. Cha Mou Zing, Victor) and Mr. Lee Luen Wai, John.

The NWSH Group

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

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

The NWST Group

The NWST Group operates transport and related businesses in Hong Kong, Macau and the PRC.

7. DEFINITIONS

Unless the context otherwise requires, capitalized terms used in this announcement have the following meanings:

“Cleaning and Landscaping Services”	cleaning, landscaping and related services provided by the NWSH Group to the NWST Group as described in Section 2 of this announcement
“Contracting Services”	construction and related services provided by the NWSH Group to the NWST Group as described in Section 2 of this announcement
“CTF”	Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong with limited liability which holds approximately 36.53% of the total issued share capital of NWD and approximately 3% of the total issued share capital of NWSH
“Facility Management Services”	facility management, information technology and related services provided by the NWSH Group to the NWST Group as described in Section 2 of this announcement
“Financial Services”	insurance brokerage and related services provided by the NWSH Group to the NWST Group as described in Section 2 of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Master Services Agreement”	the master services agreement entered into between NWSH and Merryhill Group Limited (now known as NWST) on 20 May 2004
“New Master Services Agreement”	the new master services agreement entered into between NWSH and NWST on 18 May 2007
“NWD”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
“NWD Board”	The board of directors of NWD
“NWD Group”	NWD and its subsidiaries
“NWSH”	NWS Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“NWSH Board”	The board of directors of NWSH
“NWSH Group”	NWSH and its subsidiaries
“NWST”	NWS Transport Services Limited (formerly known as Merryhill Group Limited), a company incorporated in the British Virgin Islands in which each of CTF and NWSH holds 50% indirect equity interests
“NWST Group”	NWST and its subsidiaries
“Operational Agreements”	the individual agreements in respect of the provision of any of the Operational Services which may from time to time be entered into between a member of the NWST Group and a member of the NWSH Group pursuant to the New Master Services Agreement, and “Operational Agreement” means any of them
“Operational Services”	Contracting Services, Facility Management Services, Security and Guarding Services, Cleaning and Landscaping Services, Financial Services and Property Management Services and such other types of services as NWSH and NWST may agree upon from time to time in writing
“PRC”	the People's Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Property Management Services”	property management and related services provided by the NWSH Group to the NWST Group as described in Section 2 of this announcement
“Security and Guarding Services”	security and related services provided by the NWSH Group to the NWST Group as described in Section 2 of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board of
NEW WORLD DEVELOPMENT COMPANY LIMITED
Leung Chi Kin, Stewart
Company Secretary

By Order of the Board of
NWS HOLDINGS LIMITED
Chow Tak Wing
Company Secretary

Hong Kong, 18 May 2007

^{*} For identification purposes only