
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.

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**DISCLOSEABLE AND CONNECTED TRANSACTION
AND
NOTICE OF SGM**

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



Capitalised 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 13 of this Circular. A letter from the Independent Board Committee is set out on pages 14 and 15 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 16 to 34 of this Circular.

A notice convening the SGM to be held at Meeting Room N201 (Expo Drive Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Thursday, 29 December 2016 at 11:30 a.m. is set out on pages 80 and 81 of this Circular.

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 22, 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 (as the case may be). 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.

7 December 2016

* For identification purposes only

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DEFINITIONS

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

“Acquisition”	the acquisition by the Purchaser from the Vendor of the Sale Shares as contemplated under the Sale and Purchase Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business day”	a day (excluding Saturday, Sunday and public holiday) on which banks are generally open for business in Hong Kong
“Circular”	this circular, including the appendices hereto
“Citybus”	Citybus Limited (城巴有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Target Company
“Company” or “NWS”	NWS Holdings Limited (新創建集團有限公司*), 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 61.32% by NWD and its subsidiaries and approximately 2.53% by CTFE as at the Latest Practicable Date
“Completion”	completion of the Acquisition in accordance with the Sale and Purchase Agreement
“Completion Accounts”	the unaudited consolidated financial statements of the Target Group for the period from 1 July 2016 to the Completion Date (or such other date as may be determined between the Vendor and the Purchaser in writing)
“Completion Date”	the next business day following the fulfilment (or, as applicable, waiver) of the last of the conditions precedent as set out in the paragraph headed “Conditions precedent” of “Major terms of the Sale and Purchase Agreement” in the “Letter from the Board” of this Circular (except the conditions precedent (1) and (3) which shall continue to be fulfilled up to Completion) or such other date as may be determined between the Vendor and the Purchaser in writing

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the initial consideration for the Acquisition in the amount of HK\$1.38 billion payable by the Purchaser to the Vendor in accordance with the Sale and Purchase Agreement
“CTFE”	Chow Tai Fook Enterprises Limited (周大福企業有限公司), a company incorporated in Hong Kong with limited liability and the holding company of the Vendor
“Director(s)”	director(s) of the Company
“Enlarged Group”	the Group and the Target Group
“Group” or “NWS Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Independent Board Committee”	an independent committee of the Board (which comprises Mr. Kwong Che Keung, Gordon, Dr. Cheng Wai Chee, Christopher, The Honourable Shek Lai Him, Abraham, Mr. Lee Yiu Kwong, Alan and Mrs. Oei Fung Wai Chi, Grace, all of them are independent non-executive Directors) established to advise the Independent Shareholders with regard to the SGM Matters
“Independent Financial Adviser”	BOSC International Company Limited (上銀國際有限公司), a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders with regard to the SGM Matters
“Independent Shareholders”	the Shareholders, other than CTFE and its associate(s), who do not have any material interest in the SGM Matters to be considered at the SGM

DEFINITIONS

“Latest Practicable Date”	1 December 2016, 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
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules
“NAV”	net assets value, being total assets less total liabilities
“NWD”	New World Development Company Limited (新世界發展有限公司), 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 beneficially owned as to approximately 43.92% by CTFE and its subsidiaries as at the Latest Practicable Date
“NWD Group”	NWD and its subsidiaries from time to time, which include the Group
“NWFB”	New World First Bus Services Limited (新世界第一巴士服務有限公司*), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Target Company
“NWFF”	New World First Ferry Services Limited (新世界第一渡輪服務有限公司*), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Target Company
“Purchaser”	NWS Service Management Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of The People’s Republic of China
“Sale and Purchase Agreement”	the sale and purchase agreement dated 15 November 2016 entered into between the Vendor and the Purchaser in relation to the Acquisition

DEFINITIONS

“Sale Shares”	250,000,008 shares of HK\$1 each in the capital of the Target Company, representing 50% of the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement and at Completion
“September Management Accounts”	the unaudited consolidated financial statements of the Target Group for the period from 1 July 2016 to 30 September 2016
“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), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Thursday, 29 December 2016 at 11:30 a.m. to consider and, if thought fit, approve the SGM Matters, or, where the context so admits, any adjournment of such special general meeting
“SGM Matters”	the Sale and Purchase Agreement and the transactions contemplated thereunder
“Share(s)”	share(s) of HK\$1 each in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shareholders Agreement”	the shareholders agreement dated 9 March 2004 entered into between CTFE, the Vendor, the Company and the Purchaser to regulate their respective responsibilities towards the management of the business and the affairs of the Target Company
“Statement of NAV Movement”	the statement setting out the difference between the NAV recorded in the September Management Accounts and the NAV recorded in the Completion Accounts
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto in the Listing Rules
“Target Company”	NWS Transport Services Limited (新創建交通服務有限公司*), a company incorporated in the British Virgin Islands with limited liability, which is held as to 50% by the Purchaser and 50% by the Vendor as at the Latest Practicable Date
“Target Group”	the Target Company and its subsidiaries

DEFINITIONS

“Target Group Company(ies)”	member(s) of the Target Group
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	Enrich Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of CTFE
“%”	per cent.

* *For identification purposes only*

LETTER FROM THE BOARD



新創建 NWS

新創建集團有限公司*

NWS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 659)

Executive Directors:

Dr. Cheng Kar Shun, Henry (*Chairman*)
Mr. Tsang Yam Pui (*Chief Executive Officer*)
Mr. Hui Hon Chung (*Deputy Chief Executive Officer*)
Mr. Cheung Chin Cheung
Mr. Cheng Chi Ming, Brian

Non-executive Directors:

Mr. To Hin Tsun, Gerald
Mr. Dominic Lai
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

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

7 December 2016

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

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
AND
NOTICE OF SGM**

INTRODUCTION

On 15 November 2016, the Board together with the board of directors of NWD jointly announced that on 15 November 2016 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor (a direct wholly-owned subsidiary

* *For identification purposes only*

LETTER FROM THE BOARD

of CTFE) entered into the Sale and Purchase Agreement pursuant to which the Vendor conditionally agreed to dispose of and the Purchaser conditionally agreed to purchase the Sale Shares, representing 50% of the entire issued share capital of the Target Company, at a total consideration of HK\$1.38 billion (subject to adjustment based on the Completion Accounts).

The purpose of this Circular is to provide you, among other things, (i) information on the Sale and Purchase Agreement and the Acquisition; (ii) the recommendations from the Independent Board Committee and the Independent Financial Adviser; and (iii) a notice of SGM at which resolution will be proposed to consider, and, if thought fit, approve the SGM Matters.

MAJOR TERMS OF THE SALE AND PURCHASE AGREEMENT

Date

15 November 2016

Parties

- (1) Vendor: Enrich Group Limited
- (2) Purchaser: NWS Service Management Limited

Acquisition

Pursuant to the Sale and Purchase Agreement, the Vendor conditionally agreed to dispose of and the Purchaser conditionally agreed to purchase the Sale Shares, representing 50% of the entire issued share capital of the Target Company. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

Consideration

The Consideration for the Acquisition is HK\$1.38 billion, which is payable by the Purchaser to the Vendor in cash at Completion and is subject to the adjustment mechanism as set out below:

- (1) if the Statement of NAV Movement reveals a positive figure (i.e. the NAV recorded in the Completion Accounts exceeds the NAV recorded in the September Management Accounts (the “**Excess**”)), the Consideration shall be increased by an amount equivalent to 50% of the Excess; or
- (2) if the Statement of NAV Movement reveals a negative figure (i.e. the NAV recorded in the Completion Accounts is less than the NAV recorded in the September Management Accounts (the “**Shortfall**”)), the Consideration shall be decreased by an amount equivalent to 50% of the Shortfall.

LETTER FROM THE BOARD

An amount equal to 50% of the Excess or the Shortfall shall be paid by the Purchaser or repaid by the Vendor (as the case may be) within 14 business days following the delivery of the Completion Accounts and the Statement of NAV Movement by the Purchaser to the Vendor. The Purchaser shall within 60 business days following the Completion Date deliver to the Vendor the Completion Accounts and the Statement of NAV Movement.

The consideration for the Acquisition was determined after arm's length negotiations between the parties taking into account the financial performance and assets value of the Target Group, comparison on market multiples, market conditions and industry risk factors. The consideration for the Acquisition will be funded by the internal resources and bank financing of the Group.

Conditions precedent

Completion is conditional upon the following conditions precedent being fulfilled and/or waived (as the case may be):

- (1) the warranties given by the Vendor set out in the Sale and Purchase Agreement remaining true and accurate and not misleading as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and Completion;
- (2) satisfactory completion by the Purchaser of due diligence exercise on various aspects of the Target Company;
- (3) the relevant Target Group Companies having informed the related department(s) of the Government of Hong Kong in respect of the transactions contemplated under the Sale and Purchase Agreement before signing of the Sale and Purchase Agreement and no objection is received from the related department(s) of the Government of Hong Kong prior to Completion or such objection has been resolved;
- (4) all necessary consents and approvals being granted by third parties for the consummation of transactions contemplated in the Sale and Purchase Agreement (including any bank consent as required under the relevant financing documents, consent and approval from governmental or official authorities), if applicable, and no statute, regulation or decision which would prohibit, restrict or materially delay the Acquisition having been proposed, enacted or taken by any governmental or official authority; and
- (5) the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder by the independent shareholders of each of the Company and NWD in the manner required by the Listing Rules.

The Purchaser may waive the conditions precedent (1) to (3). If the conditions precedent are not satisfied or waived (as the case may be) prior to Completion, the Purchaser shall not be bound to proceed with Completion.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Purchaser had no intention to waive any of the conditions precedent (1) to (3).

Completion

Completion shall take place on the next business day following the fulfilment (or, as applicable, waiver) of the last of the conditions precedent (except the conditions precedent (1) and (3) which shall continue to be fulfilled up to Completion) or such other date as may be determined between the parties in writing.

Termination of the Shareholders Agreement

Upon Completion, the Shareholders Agreement will be automatically terminated without notice and none of the parties to the Shareholders Agreement shall have any claim against any of the other parties, save for any antecedent breach of the Shareholders Agreement.

REASONS FOR, AND BENEFITS OF, THE ACQUISITION

The Group has been engaging in the transport business through its interest in the Target Group Companies for over ten years. The Target Group, through Citybus, NWFB and NFFF, has been one of the major bus and ferry operators in Hong Kong. The Target Group owned 1,765 buses and 24 vessels (including six pontoons and one workboat), and operated a total of 192 franchised bus routes and five main ferry routes as at 30 September 2016. The Acquisition represents a good opportunity for the Group to increase its interest in its existing investment and to capitalise on the established market position, expertise and experience of the Target Group in the transport industry. By acquiring an additional 50% equity interest in the Target Company, the Group will have the entire control of the Target Company and the results of the Target Group will be fully consolidated into the consolidated financial statements of the Group. The Board considers that the Acquisition will enable the Group to fully benefit from the revenue stream, cash flow and results of the Target Group, and is at a reasonable price, having taken into account the implied valuation multiples of the Consideration as compared to (i) the enterprise value to earnings before interest, taxes, depreciation and amortization multiples; and (ii) price-to-earnings multiples of other comparable companies in the market. The recent completion of the Group's disposal of its entire interest in NWS Kwai Chung Logistics Centre (as disclosed in the announcements of the Company dated 20 June 2016 and 1 September 2016) has also enhanced the Group's financial resources to facilitate investment in valuable opportunities.

The opening of the MTR South Island Line (East) is expected to take place at the end of 2016. Notwithstanding the anticipated competition from the expansion of the MTR network, the Board considers that public bus service in Hong Kong has its competitive advantages in view of, among others, the followings: (i) bus routes offer point-to-point travel which enhances travel convenience, and accordingly cater for the needs of different groups of people such as the elderly and people who travel in the vicinity of bus stops; and (ii) bus service has a more extensive geographical coverage as compared to rail which is limited by its infrastructure, and offers greater travel flexibility and accessibility, and will continue to be an important mode of transportation in Hong Kong.

LETTER FROM THE BOARD

The Board (including the independent non-executive Directors) is of the view that the Acquisition is on normal commercial terms, and that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

APPROVAL OF THE BOARD

Dr. Cheng Kar Shun, Henry, being a Director, is also a director of CTFE. Accordingly, the associates of Dr. Cheng Kar Shun, Henry, who are also Directors (i.e. Mr. Cheng Chi Ming, Brian and Mr. William Junior Guilherme Doo) abstained from voting on the resolutions approving the Acquisition at the meeting of the Board. Dr. Cheng Kar Shun, Henry was not present at the relevant board meeting of the Company and therefore did not vote on the resolutions approving the Acquisition.

INFORMATION ON NWD GROUP, THE GROUP, THE PARTIES AND TARGET GROUP

NWD Group

NWD Group is principally engaged in property development and investments in the areas of property, infrastructure, hotel operation, department store operation, commercial aircraft leasing, services and technology. As at the Latest Practicable Date, NWD was the ultimate holding company of the Company and was, together with its subsidiaries, interested in approximately 61.32% of the total issued share capital of the Company.

The Group

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

The Vendor

The Vendor is an investment holding company which is a direct wholly-owned subsidiary of CTFE.

The Purchaser

The Purchaser is an investment holding company which is an indirect wholly-owned subsidiary of the Company.

Target Group

As at the Latest Practicable Date, the Target Company was held as to 50% by the Purchaser and 50% by the Vendor. The Target Group is principally engaged in the provision of public bus, ferry and travel related services in Hong Kong. The principal subsidiaries of the Target Company include Citybus, NWFB and NWFF, in which the Target Company has

LETTER FROM THE BOARD

an indirect 100% equity interest. Citybus and NWFB operate bus services in Hong Kong while NWFF operates ferry services of outlying island and inner harbour routes in Hong Kong.

According to the audited consolidated financial statements of the Target Group for the financial years ended 30 June 2014, 30 June 2015 and 30 June 2016 prepared in accordance with HKFRS, the audited consolidated profit before and after income tax of the Target Group for the financial years ended 30 June 2014, 30 June 2015 and 30 June 2016 are set out below:

	For the financial year ended 30 June		
	2014	2015	2016
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
Profit before income tax	427.5	286.5	456.1
Profit after income tax	351.8	242.7	386.1

According to the audited consolidated financial statements of the Target Group for the financial year ended 30 June 2016 prepared in accordance with HKFRS, the audited consolidated NAV of the Target Group as at 30 June 2016 was HK\$3,499.2 million. According to the September Management Accounts prepared in accordance with HKFRS, the unaudited consolidated NAV of the Target Group as at 30 September 2016 was HK\$3,608.2 million.

Based on the information provided by the Vendor, the original acquisition cost of the Sale Shares by the Vendor was approximately HK\$0.7 billion.

LISTING RULES IMPLICATIONS

As at the date of signing of the Sale and Purchase Agreement, the Purchaser was an indirect wholly-owned subsidiary of the Company. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition are more than 5% but less than 25% for the Company, the Acquisition constitutes a discloseable transaction for the Company that is subject to the notification and announcement requirements under Rule 14.34 of the Listing Rules.

As at the date of signing of the Sale and Purchase Agreement, CTFE together with its subsidiaries held approximately 43.92% of the total issued share capital of NWD and CTFE held approximately 2.53% of the total issued share capital of the Company. NWD together with its subsidiaries held approximately 61.32% of the total issued share capital of the Company. As the Vendor is a wholly-owned subsidiary of CTFE, the Vendor is therefore a connected person of the Company and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition are more than 5% for the Company, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

SGM

The Company will convene and hold the SGM at Meeting Room N201 (Expo Drive Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Thursday, 29 December 2016 at 11:30 a.m. to consider and, if thought fit, approve the SGM Matters. A notice of SGM is set out on pages 80 and 81 of this Circular.

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 Matters (namely, the Sale and Purchase Agreement and the transactions contemplated thereunder) must abstain from voting on the resolution approving the SGM Matters at the SGM.

At the SGM, CTFE and its associates shall abstain from voting on the resolution approving the SGM Matters.

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 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 22, 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 (as the case may be). Completion and return of the proxy form shall not preclude you from attending and voting at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Independent Board Committee (comprising Mr. Kwong Che Keung, Gordon, Dr. Cheng Wai Chee, Christopher, The Honourable Shek Lai Him, Abraham, Mr. Lee Yiu Kwong, Alan and Mrs. Oei Fung Wai Chi, Grace) has been formed to advise and provide recommendation to the Independent Shareholders in respect of the SGM Matters after taking into account the advice from the Independent Financial Adviser.

BOSC International Company Limited 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 Matters, and whether they are in the ordinary and usual course of business of the Group, on normal commercial terms and 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 14 and 15 of this Circular which contains its recommendation to the Independent Shareholders on the SGM Matters; and (ii) the letter from the Independent Financial Adviser

LETTER FROM THE BOARD

set out on pages 16 to 34 of this Circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the SGM 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 advice of the Independent Financial Adviser, considers that while the SGM Matters (namely, the Sale and Purchase Agreement and the transactions contemplated thereunder) are not in the ordinary and usual course of business of the Group, the SGM Matters are on normal commercial terms, fair and reasonable 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, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the SGM relating to the SGM Matters.

ADDITIONAL INFORMATION

Your attention is drawn to the valuation reports on (i) the buildings and structures; and (ii) the buses, vessels and pontoons of the Target Group set out in Appendices I and II to this Circular respectively, and general information set out in Appendix III to this Circular.

Yours faithfully
For and on behalf of the board of
NWS HOLDINGS LIMITED
Dr. Cheng Kar Shun, Henry
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



新創建 NWS

新創建集團有限公司*

NWS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 659)

7 December 2016

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to the circular dated 7 December 2016 (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 Matters, namely, the Sale and Purchase Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether, in our opinion, the SGM Matters are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

BOSC International Company Limited 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 Matters and whether the SGM Matters are in the ordinary and usual course of business of the Group, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

We wish to draw your attention to the letter from the Board as set out on pages 6 to 13 of the Circular which contains, among others, information on the SGM Matters as well as the letter from the Independent Financial Adviser as set out on pages 16 to 34 of the Circular which contains its advice in respect of the SGM Matters.

* For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of the Independent Financial Adviser, we consider that while the SGM Matters are not in the ordinary and usual course of business of the Group, the SGM Matters are on normal commercial terms, fair and reasonable 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 resolution to be proposed at the SGM in relation to the SGM Matters.

Yours faithfully

Independent Board Committee

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

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.



34/F, Champion Tower,
3 Garden Road, Central
Hong Kong

7 December 2016

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the SGM Matters, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of NWS (the “**Circular**”) to the Shareholders dated 7 December 2016, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 15 November 2016, the Board together with the board of directors of NWD jointly announced that the Purchaser (an indirect wholly-owned subsidiary of NWS) and the Vendor (a direct wholly-owned subsidiary of CTFE) entered into the Sale and Purchase Agreement pursuant to which the Vendor conditionally agreed to dispose of and the Purchaser conditionally agreed to purchase the Sale Shares, representing 50% of the total issued share capital of the Target Company, at a Consideration of HK\$1.38 billion (subject to adjustment based on the Completion Accounts) in accordance with the terms and conditions of the Sale and Purchase Agreement.

Since one or more of the applicable percentage ratios in respect of the Acquisition exceed 5% but are less than 25%, as determined in accordance with Rule 14.07 of the Listing Rules, the Acquisition constitutes a discloseable transaction for NWS for the purpose of Chapter 14 of the Listing Rules. Further, as at the date of signing of the Sale and Purchase Agreement, CTFE together with its subsidiaries held approximately 43.92% of the total issued share capital of NWD and CTFE held approximately 2.53% of the total issued share capital of NWS, and NWD together with its subsidiaries held approximately 61.32% of the total issued share capital of NWS. As the Vendor is a wholly-owned subsidiary of CTFE, the Vendor is a connected person of NWS. The Acquisition therefore constitutes a connected transaction for NWS, which is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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Dr. Cheng Kar Shun, Henry, being a Director, is also a director of CTFE. Accordingly, the associates of Dr. Cheng Kar Shun, Henry, who are also Directors (i.e. Mr. Cheng Chi Ming, Brian and Mr. William Junior Guilherme Doo) abstained from voting on the resolutions approving the Acquisition at the meeting of the Board. Dr. Cheng Kar Shun, Henry was not present at the relevant board meeting of NWS and therefore did not vote on the resolutions approving the Acquisition.

At the SGM, CTFE and its associates shall abstain from voting to approve the resolutions regarding the Acquisition contemplated under the Sale and Purchase Agreement.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Dr. Cheng Wai Chee, Christopher, The Honourable Shek Lai Him, Abraham, Mr. Lee Yiu Kwong, Alan and Mrs. Oei Fung Wai Chi, Grace, has been formed to advise the Independent Shareholders in relation to the Acquisition.

BASIS OF OUR OPINION

In formulating our recommendation, 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 Directors and the senior management of NWS.

The Directors have declared in a responsibility statement set out in Appendix III to 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 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 Directors and the senior management of NWS. We have also been advised by the 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 recommendation. 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 NWS, the Target Company or any of their respective subsidiaries or associates.

INDEPENDENCE DECLARATION

As at the Latest Practicable Date, BOSC International Company Limited (“**BOSC International**”) was not aware of any relationships or interests between BOSC International and NWS or any other parties that could be reasonably regarded as a hindrance to BOSC International’s independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice in relation to the Acquisition, we have considered the following principal factors and reasons:

A. Information on NWS Group

A.1 Principal business of NWS Group

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

A.2 Historical financial performance of NWS Group

Set out below is a summary of the audited consolidated financial results of NWS Group for the three years ended 30 June 2014 (“FY2014”), 30 June 2015 (“FY2015”) and 30 June 2016 (“FY2016”), details of which are set out in the annual reports of NWS for FY2015 (the “2015 Annual Report”) and FY2016 (the “2016 Annual Report”).

	FY2016	FY2015	FY2014
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
	(audited)	(audited)	(audited)
Revenue	29,497.8	24,491.8	21,443.0
Gross Profit	3,352.5	3,150.7	3,079.9
Attributable operating profit (“AOP”)	4,739.6	4,456.6	4,379.0
Profit attributable to Shareholders	4,912.8	4,477.6	4,324.9

For FY2016, NWS Group recorded a revenue of HK\$29,497.8 million, which represented an increase of approximately 20.4% as compared to that of HK\$24,491.8 million for FY2015, which in turn represented an increase of approximately 14.2% as compared to the revenue of NWS Group in FY2014 of HK\$21,443.0 million. As noted in the 2015 Annual Report and the 2016 Annual Report, the increase in revenue in both FY2015 and FY2016 was mainly driven by the increase in revenue in NWS Group’s Construction & Transport segment.

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As noted from the 2015 Annual Report and the 2016 Annual Report, NWS assesses the performance of its group's operating segments based on a measure of AOP. Such 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 AOP contribution by operating segment of NWS Group for FY2014, FY2015 and FY2016 as extracted from the 2015 Annual Report and the 2016 Annual Report.

AOP contribution by operating segment	FY2016		FY2015		FY2014	
	<i>HK\$'</i> <i>million</i> (audited)	<i>% of</i> <i>total</i> <i>AOP</i>	<i>HK\$'</i> <i>million</i> (audited)	<i>% of</i> <i>total</i> <i>AOP</i>	<i>HK\$'</i> <i>million</i> (audited)	<i>% of</i> <i>total</i> <i>AOP</i>
<i>Infrastructure division</i>						
Roads	1,259.8	26.6%	1,201.0	26.9%	1,126.7	25.7%
Environment	469.8	9.9%	631.4	14.2%	739.7	16.9%
Logistics	702.6	14.8%	548.9	12.3%	477.7	10.9%
Aviation	424.0	9.0%	243.6	5.5%	83.9	1.9%
	2,856.2	60.3%	2,624.9	58.9%	2,428.0	55.4%
<i>Services division</i>						
Facilities Management	645.0	13.6%	861.5	19.3%	910.7	20.8%
Construction & Transport (<i>Note 1</i>)	911.6 (<i>Note 1</i>)	19.2%	691.1 (<i>Note 1</i>)	15.5%	605.3 (<i>Note 1</i>)	13.8%
Strategic Investments	326.8	6.9%	279.1	6.3%	435.0	10.0%
	1,883.4	39.7%	1,831.7	41.1%	1,951.0	44.6%
Total AOP	4,739.6	100.0%	4,456.6	100.0%	4,379.0	100.0%

Note 1: The amount includes NWS Group's share of AOP from its transport business (which was operated by the Target Group) of HK\$172.6 million, HK\$125.3 million and HK\$196.1 million for FY2014, FY2015 and FY2016, respectively.

As illustrated in the table above, NWS Group's Infrastructure division (which consisted of NWS Group's Roads, Environment, Logistics and Aviation segments) contributed to around 60% of NWS Group's AOP for FY2014, FY2015 and FY2016, respectively, and NWS Group's Services division (which consisted of NWS Group's Facilities Management, Construction & Transport and Strategic Investments segments) contributed to around 40% of NWS Group's AOP for FY2014, FY2015 and FY2016, respectively. None of NWS Group's individual operating segments contributed to more than 30% of NWS Group's AOP in FY2014, FY2015 and FY2016.

For FY2016, NWS Group's profit attributable to Shareholders amounted to HK\$4,912.8 million, which represented an increase of approximately 9.7% as compared to that of HK\$4,477.6 million in FY2015, which in turn represented an increase of approximately 3.5% as compared to that of HK\$4,324.9 million in FY2014. The

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increase in profit attributable to Shareholders in each of FY2015 and FY2016 was mainly attributable to the increase in NWS Group's overall AOP in FY2015 and FY2016.

A.3 Financial position of NWS Group

Set out below is a summary of the audited consolidated assets and liabilities of NWS Group as at 30 June 2016, as extracted from the 2016 Annual Report:

	As at 30 June 2016 <i>HK\$'million</i> (audited)
Non-current assets	51,660.4
Current assets	20,258.5
Assets held-for-sale	<u>3,766.1</u>
Total assets	<u>75,685.0</u>
Non-current liabilities	11,576.0
Current liabilities	18,167.3
Liabilities directly associated with assets held-for-sale	<u>83.3</u>
Total liabilities	<u>29,826.6</u>
Equity attributable to Shareholders	<u>45,618.9</u>

As at 30 June 2016, NWS Group's total assets amounted to HK\$75,685.0 million, mainly comprising (i) interests in joint ventures and associated companies, which represented interests in various infrastructure, ports, logistics, aviation, transport, healthcare, strategic investments and other projects, with an aggregate amount of HK\$33,070.2 million (representing approximately 43.7% of total assets); (ii) intangible concession rights in relation to NWS Group's investment in the roads segment of HK\$13,006.7 million (representing approximately 17.2% of total assets); (iii) trade and other receivables of HK\$10,909.2 million (representing approximately 14.4% of total assets); and (iv) cash and bank balances of HK\$8,923.6 million (representing approximately 11.8% of total assets).

As at 30 June 2016, NWS Group's total liabilities amounted to HK\$29,826.6 million, mainly comprising (i) borrowings of HK\$15,064.8 million (representing approximately 50.5% of total liabilities); and (ii) trade and other payables of HK\$12,035.9 million (representing approximately 40.4% of total liabilities).

As at 30 June 2016, NWS Group recorded equity attributable to Shareholders of HK\$45,618.9 million.

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B. Information on the Target Group

B.1 Information on the business of the Target Group

The Target Group is principally engaged in the provision of public bus, ferry and travel-related services in Hong Kong (collectively, the “**Transport Business**”). The majority of the Target Group’s revenue is generated from the provision of public bus services. For each of FY2015 and FY2016, approximately 92% of the Target Group’s total revenue was attributable to its provision of public bus services.

Target Company

The Target Company is a joint venture company principally engaged in investment holding and has been indirectly owned as to 50% by each of NWS and CTFE since 2004. The Target Company’s principal subsidiaries include (i) Citybus; (ii) NWFB; and (iii) NWFF.

Citybus

Citybus is an indirect wholly-owned subsidiary of the Target Company and is principally engaged in the provision of franchised and non-franchised bus services in Hong Kong. Currently, Citybus runs two franchised networks, one for Hong Kong Island and cross-harbour routes (the “**First Franchise Network**”) and the other for the Chek Lap Kok Airport and North Lantau Island routes (the “**Second Franchise Network**”), and also provides private hire and non-franchised residential or staff bus services. As at 30 September 2016, Citybus owned 1,029 buses and operated 104 franchised bus routes (comprising 52 Hong Kong Island routes, one New Territories route, 29 cross-harbour routes and 22 routes between urban areas and the Airport/North Lantau Island). For FY2016, Citybus had an average daily patronage of 627,000.

For each of FY2015 and FY2016, approximately 57% of the Target Group’s total revenue was attributable to the provision of bus services by Citybus.

We have obtained and reviewed the two franchise documents (the “**Citybus Franchise Documents**”) in respect of the First Franchise Network and the Second Franchise Network. Pursuant to the Citybus Franchise Documents, the Chief Executive in Council has granted Citybus the right to operate public bus services on the specified routes. The franchise in respect of the First Franchise Network was granted for the period from 1 June 2016 to 1 June 2026, and the franchise in respect of the Second Franchise Network was granted for the period from 1 May 2013 to 1 May 2023.

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NWFB

NWFB is an indirect wholly-owned subsidiary of the Target Company and is principally engaged in the provision of franchised bus services in Hong Kong. As at 30 September 2016, NWFB owned 736 buses and operated 88 bus routes (comprising 46 Hong Kong Island routes, 34 cross-harbour routes and eight routes serving Kowloon and Tseung Kwan O). For FY2016, NWFB had an average daily patronage of 461,000.

For each of FY2015 and FY2016, approximately 35% of the Target Group's total revenue was attributable to the provision of bus services by NWFB.

We have obtained and reviewed the franchise document in respect of the franchise network of NWFB. Pursuant to the franchise document, the Chief Executive in Council has granted NWFB the right to operate a public bus service on the specified routes for a period from 1 July 2013 to 1 July 2023.

NWFF

NWFF is an indirect wholly-owned subsidiary of the Target Company and is principally engaged in the provision of licenced ferry services of outlying island and inner harbour routes in Hong Kong. As at 30 September 2016, NWFF owned 24 vessels (including six pontoons and one workboat) and operated five main ferry routes. For FY2016, NWFF had an average daily patronage of 40,000.

For each of FY2015 and FY2016, approximately 8% of the Target Group's total revenue was attributable to the provision of ferry services by NWFF.

Currently, NWFF operates five main inner harbour and outlying island ferry routes in Hong Kong, including North Point-Hung Hom and North Point-Kowloon City, as well as Central-Cheung Chau, Central-Mui Wo and Inter Islands (between Peng Chau, Mui Wo, Chi Ma Wan and Cheung Chau), together with one special ferry route (plying between North Point and Joss House Bay, Sai Kung during Tin Hau Festival only) (collectively, the "**Ferry Routes**").

We have obtained and reviewed the subsisting licence documents of NWFF in respect of each of the Ferry Routes (the "**Ferry Licence Documents**"), and note that the Commissioner of Transport has granted NWFF the licence to operate a ferry service for each of the Ferry Routes. As advised by the management of NWS, the ferry service licence periods are typically granted for a period of three years. We note from the Ferry Licence Documents that the ferry service licence periods in respect of the Ferry Routes will end during the period from March to June 2017. We have obtained the application letter for extension of ferry service licences by NWFF and note that NWFF has applied to the Transport Department, Hong Kong (the "**Transport Department**") in October 2016 for extension of ferry service licences for all of its existing ferry routes for a three year period of 2017 to 2020 (the "**Extension**"). Based on our discussions with management of NWS, we understand that approval for the Extension is expected to be obtained in

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early 2017. Furthermore, since the commencement of the ferry business by NWFF, there was no historical incident where the Transport Department rejected the application of NWFF for the extension of ferry service licences. In view of the above, the management of NWS is confident that NWFF will be able to extend the ferry service licences successfully and thus can continue to provide ferry services on the Ferry Routes during the extended ferry service licence period.

Other subsidiaries of the Target Company

Aside from the Target Company's equity interest in Citybus, NWFB and NWFF, which are principally engaged in the provision of bus services and ferry services as described above, the Target Company holds other subsidiaries which are principally engaged in travel related businesses, including the provision of local sightseeing services, coach and travel related services and the sale of travel related products (the "**Travel Related Businesses**").

For each of FY2015 and FY2016, the Target Group's revenue contribution from the Travel Related Businesses was minimal (less than 0.1% of the Target Group's total revenue was attributable to the Travel Related Businesses).

B.2 Historical financial performance of the Target Group

Set out below is the selected financial information of the Target Group according to the audited consolidated financial statements of the Target Group for FY2014, FY2015 and FY2016, respectively:

	FY2016	FY2015	FY2014
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
	(audited)	(audited)	(audited)
Revenue	3,640.3	3,487.8	3,646.5
Gross profit	569.5	383.8	616.5
Profit before tax	456.1	286.5	427.5
Profit after tax	386.1	242.7	351.8

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FY2016 vs. FY2015

As shown in the above table, the revenue of the Target Group increased from HK\$3,487.8 million in FY2015 to HK\$3,640.3 million in FY2016, representing an increase of approximately 4.4%. Such increase was mainly attributable to the increase in fare revenue from the provision of public bus services. As advised by NWS, in FY2016, the Target Group had recovered from the impact of the “Occupy Central Movement” in FY2015 and also the ridership loss to the MTR West Island Line had gradually subsided and stabilized in FY2016, and the Target Group also took advantage of the rising patronage from the airport bus services.

The Target Group recorded a gross profit of HK\$569.5 million in FY2016, representing an increase of approximately 48.4% as compared to that of HK\$383.8 million in FY2015. Such increase in gross profit was mainly attributable to the increase in the Target Group’s revenue in FY2016. The gross profit margin of the Target Group increased by approximately 4.6 percentage points from approximately 11.0% in FY2015 to approximately 15.6% in FY2016. As advised by NWS, the increase in gross profit margin in FY2016 was mainly due to the effect of the increase in revenue and the decrease in fuel costs. The profit after tax of the Target Group increased from HK\$242.7 million in FY2015 to HK\$386.1 million in FY2016, representing an increase of approximately 59.1%. The increase was mainly attributable to the increase in gross profit of the Target Group during FY2016.

FY2015 vs. FY2014

The revenue of the Target Group amounted to HK\$3,487.8 million in FY2015, representing a decrease of approximately 4.4% as compared to HK\$3,646.5 million in FY2014. As advised by NWS, the decrease in revenue was primarily attributable to the fall in patronage resulting from the “Occupy Central Movement” from September to December 2014 and the subsequent opening of the MTR West Island Line in late December 2014.

The Target Group recorded a gross profit of HK\$383.8 million in FY2015 and recorded a gross profit margin of approximately 11.0% in FY2015, representing a decrease of approximately 5.9 percentage points as compared to the gross profit margin of approximately 16.9% in FY2014. Such decrease in gross profit margin was mainly due to the decrease in revenue for reasons mentioned above. The profit after tax of the Target Group amounted to HK\$242.7 million in FY2015, which represented a decrease of approximately 31.0% as compared to HK\$351.8 million in FY2014. The decrease was mainly attributable to the decrease in gross profit of the Target Group during FY2015.

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Set out below is the unaudited consolidated NAV and the Adjusted NTAV (as defined and reconciled below) of the Target Group as at 30 September 2016. The Adjusted NTAV of the Target Group as at 30 September 2016 is presented below for illustration purpose, to illustrate the impact of the revaluation adjustment in respect of the Target Group's buildings and structures, buses, vessels and pontoons with reference to the valuation reports issued by American Appraisal China Limited (the "Valuation Reports") as set out in Appendix I and Appendix II to the Circular.

	As at 30 September 2016 <i>HK\$'million</i> (unaudited)
NAV (<i>Note 1</i>)	3,608.2
<i>Less:</i> Net book value of the Target Group's intangible assets (<i>Note 2</i>)	<u>(947.1)</u>
Net tangible assets value ("NTAV")	2,661.1
<i>Add:</i> Revaluation Adjustment (<i>Note 3</i>)	<u>540.5</u>
NTAV as adjusted by the revaluation adjustment ("Adjusted NTAV")	<u>3,201.6</u>
Adjusted NTAV attributable to 50% equity interests of the Target Group (the "50% Adjusted NTAV")	<u>1,600.8</u>

Note 1: The unaudited consolidated NAV of the Target Group as at 30 September 2016 of HK\$3,608.2 million is extracted from the September Management Accounts.

Note 2: The net book value of intangible assets held by the Target Group as at 30 September 2016 of HK\$947.1 million is extracted from the September Management Accounts. The intangible assets represent goodwill on acquisition of subsidiaries.

Note 3: The revaluation adjustment (net of tax) of HK\$540.5 million (the "Revaluation Adjustment") represents the difference between the depreciated replacement cost of the Buildings (as defined below) and the fair value of the Buses and Vessels (as defined below) as at 30 September 2016 based on the Valuation Reports and the net book value of the Buildings and the Buses and Vessels as at 30 September 2016, as adjusted for deferred tax effect at the tax rate of 16.5%. For illustration purpose, set out below is the computation of the Revaluation Adjustment.

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As at
30 September 2016
HK\$'million
(unaudited)

Revaluation adjustment in respect of the buildings and structures (collectively, the “ Buildings ”) of the Target Group:	
Depreciated replacement cost of the Buildings (<i>Note 4</i>)	1,149.0
<i>Less:</i> Net book value of the Buildings (<i>Note 5</i>)	(508.6)
	640.4
Revaluation adjustment in respect of the buses, vessels and pontoons (the “ Buses and Vessels ”) of the Target Group:	
Fair value of the Buses and Vessels (<i>Note 4</i>)	2,667.9
<i>Less:</i> Net book value of the Buses and Vessels (<i>Note 5</i>)	(2,661.0)
	6.9
Total revaluation adjustment (before adjusting for deferred tax effect)	647.3
Revaluation Adjustment (after adjusting for deferred tax effect at the tax rate of 16.5%)	540.5

Note 4: The depreciated replacement cost of the Buildings and the fair value of the Buses and Vessels of the Target Group as at 30 September 2016 of HK\$1,149.0 million and HK\$2,667.9 million, respectively, are referenced from the Valuation Reports issued by American Appraisal China Limited as set out in Appendix I and Appendix II to the Circular.

Note 5: The net book value of the Buildings and the Buses and Vessels of the Target Group of HK\$508.6 million and HK\$2,661.0 million, respectively, is extracted from the September Management Accounts.

Based on the above, as at 30 September 2016, the NAV and the Adjusted NTAV of the Target Group was HK\$3,608.2 million and HK\$3,201.6 million, respectively. For illustration purpose, the Consideration of HK\$1.38 billion represents a discount of approximately 13.8% to the 50% Adjusted NTAV.

With respect to our work done on the Valuation Reports, we have discussed with American Appraisal China Limited about their work done on the valuation, particularly the valuation method. The valuer confirmed that the Valuation Reports are prepared in line with the standard valuation procedures and practices. We also obtained and reviewed the service scope of the valuer included in their engagement letter and were not aware of any uncustomary clauses and we are satisfied with the qualification and experience of American Appraisal China Limited for purpose of preparation of the Valuation Reports.

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B.3 Reasons for the Acquisition

NWS Group has been monitoring investment opportunities from time to time and has been seeking growth opportunities through strategic acquisitions. As referred to in the Letter from the Board, the recent completion of NWS Group's disposal of its entire interest in NWS Kwai Chung Logistics Centre (details of which are set out in the announcements of NWS dated 20 June 2016 and 1 September 2016) has enhanced NWS Group's financial resources to facilitate investment in valuable opportunities. The management of NWS consider that the Acquisition (i) represents a good opportunity for NWS Group to capitalize on the strengths of the Target Group with a view to bring recurring cash flow to NWS Group and generate return to the Shareholders, in view of the established market position, expertise and experience of the Target Group in the transport business; (ii) is expected to enhance NWS Group's operating results through the consolidation of the results of the Target Group, which would enable NWS Group to fully benefit from the revenue stream and cash flow of the Target Group (please refer to the section headed "D. Possible financial effects of the Acquisition" below for details); (iii) enables NWS Group to further increase its stake in the Target Group and consolidate control of the Target Group, the management, operations and financial position of which NWS Group is familiar with through its existing 50% equity interest in the Target Company; and (iv) is at a reasonable price, having taken into account the implied multiples of the Acquisition as compared to the EV/EBITDA multiples of the Comparables and the P/E multiples of the Comparables (details of which are set out in the section headed "C.1 Consideration" below).

Given the financial performance of the Target Group for the review period, in particular the revenue of the Target Group (details of which are set out in the section headed "B.2 Historical financial performance of the Target Group" above), the knowledge, expertise and experience of the Target Group in the transport business, and the relatively stable franchised bus market in Hong Kong as mentioned below, we concur with the view of NWS that the Acquisition is in line with NWS Group's business strategy.

B.4 Overview of the franchised bus market in Hong Kong

According to the Census and Statistics Department, Hong Kong, the population in Hong Kong at the end of 2015 reached approximately 7,324,800, which represented an increase of approximately 58,300 or 0.8% as compared to a population of approximately 7,266,500 at the end of 2014. The estimated population in Hong Kong was approximately 7,346,700 at mid-2016 which represented an increase of approximately 41,000 or 0.6% as compared to approximately 7,305,700 at mid-2015.

According to the Transport Department, the average daily passenger journeys of franchised buses in 2015 was approximately 3,915,400, which is similar to that of approximately 3,914,000 in 2014. The average daily passenger journeys of franchised buses in June 2016 was approximately 3,939,800, which represented an increase of approximately 41,300 or 1.1% as compared to that of approximately 3,898,500 in June 2015.

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Of the franchised buses, the average daily passenger journeys of Citybus and NWFB in 2015 was approximately 1,089,900 which represented a decrease of approximately 42,400 average daily passenger journeys or approximately 3.7% as compared to that of approximately 1,132,300 in 2014. The average daily passenger journeys of Citybus and NWFB in June 2016 was approximately 1,077,100 which represented a slight decrease of approximately 6,100 or 0.6% as compared to that of approximately 1,083,200 in June 2015. As advised by the management of NWS, the decrease in passenger journeys of Citybus and NWFB in 2015 was mainly attributable to the opening of the MTR West Island Line in late 2014 which led to a fall in patronage. However, according to the 2016 Annual Report, the Transport Business made steady progress in FY2016 in regaining some loss of ridership following the opening of the MTR West Island Line. As set out in the section headed “B.2 Historical financial performance of the Target Group” above, the Target Group managed to record an increase in revenue of approximately 4.4% in FY2016 as compared to FY2015.

Further, as advised by the management of NWS and as noted from the 2016 Annual Report, the performance of the Target Group’s Transport Business may be adversely affected by the scheduled opening of new MTR routes including the Kwun Tong Line Extension (which opened in October 2016) and the South Island Line (East) (which is scheduled for opening at the end of 2016). However, NWS Group believes that such effects could be partly mitigated by the bus rationalization programme pursued by Citybus and NWFB which aims at, among others, improving transport network efficiency through optimizing and minimizing duplication of bus routes and resources.

Taking into account the above, we concur with the view of NWS that the franchised bus market in Hong Kong is expected to remain relatively stable.

In addition, as stated in the Letter from the Board, the Board considers that public bus service in Hong Kong has its competitive advantages, in view of, among others, the followings: (i) bus routes offer point-to-point travel which enhances travel convenience, and accordingly cater for the needs of different groups of people such as the elderly and people who travel in the vicinity of bus stops; and (ii) bus service has a more extensive geographical coverage as compared to rail which is limited by its infrastructure, and offers greater travel flexibility and accessibility, and will continue to be an important mode of transportation in Hong Kong.

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B.5 Key risk factors of the Transport Business

The Independent Shareholders should note various key risk factors that may pose operational risks to the Transport Business of the Target Group.

Fuel price

Fuel represents a major cost component of the Target Group and its performance may be adversely affected by the volatility in fuel prices, and any fare increase proposal by the Target Group to offset rising overheads and costs would most likely be met with strong public objection and also result in negative publicity which may affect adversely on the financial stability of the Target Group (please also refer to the risk factor headed “Fare adjustment arrangement” below for details).

Fare adjustment arrangement

Under the existing fare adjustment arrangement for franchised buses, proposal for fare increase is subject to the Hong Kong Government’s approval after taking into consideration of public acceptability and affordability. The Hong Kong Government is currently reviewing the fare adjustment arrangement for the franchised buses. Changes in fare adjustment arrangement may have an impact on the Target Group’s operating results.

Given the Hong Kong population’s heavy reliance on public transport, any fare increase proposal to offset rising overheads and costs would most likely be met with strong public objection and result in negative publicity. This inherent inflexibility may make it difficult for the Target Group to absorb the rise in costs through fare adjustment.

Competition

The profitability of the Target Group may be adversely affected by the existence of bus routes operated by other bus companies or alternative modes of transport such as the MTR. As noted in the interim report of MTR Corporation Limited for the six months ended 30 June 2016, MTR has several projects in progress including the Kwun Tong Line Extension (which opened in October 2016), South Island Line (East) scheduled for opening at the end of 2016, and the two corridors of the Shatin to Central Link scheduled for opening in 2019 and 2021, which may bring competition to the Target Group and exert downward pressure on the Target Group’s patronage and revenue.

Franchising and licensing policies

The Target Group operates its public bus and ferry transportation services under certain franchising and licensing rights. There is no assurance that the relevant franchises and licences of the Target Group can be renewed successfully or if renewed, the renewed terms of such franchises and licences would not be

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less favourable than those currently obtained by the Target Group. In addition, any changes to the franchising and licensing requirements may materially affect the Target Group's results of operations.

Staff cost

The transport industry is labour intensive in nature. Any increase in labour costs and impacts from labour unions and strikes will affect the operation and financial performance of the Target Group.

B.6 Our view on the Acquisition

Having taken into consideration the above, in particular (i) the Acquisition is in line with the strategy of NWS Group and represents an acquisition of the remaining interest in the Target Group and enables NWS Group to consolidate control of the Target Group; and (ii) our analysis on the major terms of the Sale and Purchase Agreement (with details set out in the section headed "C. Major terms of the Sale and Purchase Agreement" in our letter below), we consider that the Acquisition is in the interests of NWS and the Independent Shareholders as a whole.

C. Major terms of the Sale and Purchase Agreement

The following is our analysis and view on the major terms of the Sale and Purchase Agreement:

C.1 Consideration

The Sale and Purchase Agreement stipulates that the Consideration for the Acquisition is HK\$1.38 billion, which is payable by the Purchaser to the Vendor in cash at Completion and is subject to the adjustment mechanism as set out below:

- (1) if the Statement of NAV Movement reveals a positive figure (i.e. the NAV recorded in the Completion Accounts exceeds the NAV recorded in the September Management Accounts (the "**Excess**")), the Consideration shall be increased by an amount equivalent to 50% of the Excess; or
- (2) if the Statement of NAV Movement reveals a negative figure (i.e. the NAV recorded in the Completion Accounts is less than the NAV recorded in the September Management Accounts (the "**Shortfall**")), the Consideration shall be decreased by an amount equivalent to 50% of the Shortfall.

The Purchaser shall within 60 business days following the Completion Date deliver to the Vendor the Completion Accounts and the Statement of NAV Movement. An amount equal to 50% of the Excess or the Shortfall shall be paid by the Purchaser or repaid by the Vendor (as the case may be) within 14 business days following the delivery of the Completion Accounts and the Statement of NAV Movement by the Purchaser to the Vendor.

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As stated in the Letter from the Board, the consideration for the Acquisition was arrived at after arm's length negotiations between the parties taking into account the financial performance and assets value of the Target Group, comparison on market multiples, market conditions and industry risk factors. The consideration for the Acquisition will be funded by the internal resources and bank financing of NWS Group.

In assessing the fairness and reasonableness of the Consideration, we have adopted the enterprise value ("EV") to earnings before interest, taxes, depreciation and amortization ("EBITDA") multiple ("EV/EBITDA") approach which we believe is appropriate for the purpose of the Acquisition, in view of the substantial amount of depreciation charges of the Target Group relating to its buses and motor vehicles (we note that the Target Group recorded significant depreciation charges amounting to HK\$245.0 million for FY2016). Further, we consider that the EV/EBITDA multiple is less distorted by the differences in the capital structures of companies. Apart from the EV/EBITDA approach, we have also considered the price-to-earnings multiple ("P/E") approach for assessing the fairness and reasonableness of the Consideration, as the P/E approach is a commonly adopted approach for analyzing companies that have a track record of generating profits.

We have conducted a research, on a best effort basis, on comparable companies which (i) are listed on the main board of the Stock Exchange; and (ii) recorded a majority of revenue and profit from the provision of public bus transport services based on the disclosure in their respective latest annual reports. When determining the above selection criteria, we have taken into account the principal business of the Target Group, that is, the provision of public bus transport services from which most of the Target Group's revenue was generated. Based on the criteria above, we have identified three comparable companies (the "Comparables") with details set out in the table below:

Comparable company	Stock code	Principal business	Market capitalization (HK\$' million)	EV/EBITDA (approximate times)	P/E (approximate times)
Transport International Holdings Limited	62.HK	Provision of public bus transportation services	9,510	5.4	13.6
Kwoon Chung Bus Holdings Limited	306.HK	Provision of public bus transportation services	1,907	4.4	6.8
AMS Public Transport Holdings Limited	77.HK	Provision of public light bus transportation services	387	9.5	12.9
Minimum				4.4	6.8
Average				6.4	11.1
Maximum				9.5	13.6
Implied multiple of the Acquisition				3.7	7.1
				(Note 2)	(Note 3)

Source: Bloomberg and the website of the Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Note 1: Data as at 15 November 2016, being the date of the Sale and Purchase Agreement

Note 2: The implied EV of the Target Group of HK\$2,650.2 million is calculated by the sum of (i) the Consideration multiplied by two (to reflect the implied consideration required for the entire equity interests of the Target Group) of HK\$2,760.0 million; and (ii) total debt (excluding amounts due to/from related companies) of HK\$300.0 million, minus the cash balance of HK\$409.8 million of the Target Group as at 30 September 2016.

The EBITDA of the Target Group of HK\$708.9 million is calculated by the sum of (i) the profit after tax of the Target Group of HK\$386.1 million; (ii) the finance costs of the Target Group of HK\$7.8 million; (iii) the income tax expense of the Target Group of HK\$70.0 million; and (iv) the depreciation charge of the Target Group of HK\$245.0 million, for FY2016.

The implied EV/EBITDA is calculated by dividing the implied EV by the EBITDA of the Target Group.

Note 3: Calculated by dividing the Consideration multiplied by two (to reflect the implied consideration required for the entire equity interests of the Target Group) of HK\$2,760.0 million by the profit after tax of the Target Group of HK\$386.1 million for FY2016.

As illustrated in the table above, we note that the EV/EBITDA multiples of the Comparables range from approximately 4.4 times to 9.5 times, with an average of approximately 6.4 times. The P/E multiples of the Comparables range from approximately 6.8 times to 13.6 times, with an average of approximately 11.1 times.

Since the implied EV/EBITDA multiple of the Acquisition is slightly below the low end of the range of EV/EBITDA multiples of the Comparables and the implied P/E multiple of the Acquisition is below the average of, and at the low end of the range of, the P/E multiples of the Comparables, we consider that the Consideration is fair and reasonable so far as NWS and the Independent Shareholders are concerned.

C.2 Conditions precedent

Completion is conditional upon the fulfillment, or where applicable, waiver of the conditions precedent. Please refer to the sub-section headed “Conditions precedent” in the Letter from the Board for details.

C.3 Completion

Completion shall take place on the next business day following the fulfillment (or as applicable, waiver) of the last of the conditions precedent (except the conditions precedent (1) and (3) as set out in the sub-section headed “Conditions precedent” in the Letter from the Board which shall continue to be fulfilled up to Completion) or such other date as may be determined by the parties in writing.

C.4 Our view on the Sale and Purchase Agreement

Having considered the above, in particular (i) the implied EV/EBITDA multiple of the Acquisition is slightly below the low end of range of the EV/EBITDA multiples of the Comparables; and (ii) the implied P/E multiple of the Acquisition is below the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

average of, and at the low end of the range of, the P/E multiples of the Comparables, we are of the view that the principal terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interests of NWS and the Independent Shareholders as a whole.

D. Possible financial effects of the Acquisition

(i) Accounting treatment upon completion of the Acquisition

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of NWS and the results and assets and liabilities of the Target Group will be consolidated into the consolidated financial statements of NWS Group.

(ii) Working capital

As stated in the Letter from the Board, the consideration for the Acquisition will be funded by the internal resources and bank financing of NWS Group. Given that NWS Group had cash and bank balances of HK\$8,923.6 million as at 30 June 2016 as disclosed in the 2016 Annual Report and received approximately HK\$3.4 billion on 31 August 2016 as the balance of consideration for the disposal of the NWS Kwai Chung Logistics Centre (details of which are set out in the announcements of NWS dated 20 June 2016 and 1 September 2016), we concur with the view of NWS that NWS Group would have sufficient internal resources to fulfill its payment obligation under the Acquisition.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- (i) the Acquisition represents an acquisition of the remaining interest in the Target Group and enables NWS Group to consolidate control of the Target Group;
- (ii) the Acquisition can enhance NWS Group's operating results through the consolidation of the results of the Target Group, which would enable NWS Group to fully benefit from the revenue stream and cash flow of the Target Group; and
- (iii) the implied EV/EBITDA multiple of the Acquisition is slightly below the low end of the range of the EV/EBITDA multiples of the Comparables, and the implied P/E multiple of the Acquisition is below the average of, and at the low end of the range of, the P/E multiples of the Comparables,

we are of the opinion that while the Acquisition is not in the ordinary and usual course of business of NWS Group, the Acquisition is on normal commercial terms and in the interests of NWS and the Shareholders as a whole, and the terms thereof are fair and reasonable so far as NWS and the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

BOSC International Company Limited

Heidi Cheng

Lily Li

Managing Director

Associate Director

Corporate Finance

Corporate Finance

Investment Banking

Investment Banking

Note: Ms. Heidi Cheng of BOSC International has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2004, and Ms. Lily Li of BOSC International has been a licensed representative of Type 6 (advising on corporate finance) regulated activity since 2006.

The following is the text of the valuation report on the buildings and structures of the Target Group from American Appraisal China Limited prepared for the purpose of incorporation in this Circular.

American Appraisal China Limited
Rooms 701 & 708-710, Gloucester Tower
The Landmark, 15 Queen's Road Central, Hong Kong
美國評值有限公司
香港中環皇后大道中15號置地廣場告羅士打大廈701及708-710室
Tel: 852-2281 0188 Fax: 852-2511 9626



A Division of
DUFF & PHELPS

December 7, 2016

The Directors
New World Development Company Limited
30/F New World Tower
18 Queen's Road Central
Hong Kong

The Directors
NWS Holdings Limited
28/F New World Tower
18 Queen's Road Central
Hong Kong

Dear Sirs,

Pursuant to the engagement agreements between NWS Holdings Limited (“NWS”) and American Appraisal China Limited (“American Appraisal”), a division of Duff & Phelps Corporation, and a reliance letter agreement between New World Development Company Limited (“NWD”) and American Appraisal, we are instructed to estimate the market values of various buildings and structures located in Hong Kong (the “Properties”) held by the subsidiaries of NWS Transport Services Limited, including New World First Bus Services Limited, Citybus Limited and New World First Ferry Services Limited, (hereinafter together referred to as the “NWST Group”), we confirm that we have inspected the Properties, made relevant enquiries and obtained such further information as we consider necessary for providing the market value of such property interests as of September 30, 2016 (the “Valuation Date”).

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of property and the limiting conditions.

We understand that NWD and NWS, with our consent, will disclose this valuation report in the circular for their independent shareholders' approval and to The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

No third party shall have the right of reliance on this valuation report and neither receipt nor possession of this valuation report by any third party shall create any express or implied third-party beneficiary rights.

BASIS OF VALUATION

Our valuation is our opinion of the Market Value which is defined in accordance with the HKIS Valuation Standards of the Hong Kong Institute of Surveyors to mean “the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market Value is understood as the value of an asset and liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

The Properties are currently rented and occupied by NWST Group, they are considered to have no commercial value because of their non-assignability in the market or because there are prohibitions against subletting and/or assignment contained in the respective leases and/or tenancy agreements or lack of substantial profit rent.

However, for reference purpose, we have estimated the depreciated replacement cost of the Properties. Depreciated replacement cost which is defined as the gross replacement cost of the buildings and structures, from which appropriate deductions may then be made to allow for age, condition, economic/external and functional obsolescence and environmental factors etc. All of these might result in the existing buildings and structures being worth less to the undertaking in occupation than would a new replacement. The total depreciated replacement cost of the Properties as of the Valuation Date was HK\$1,149,046,000.

TITLE INVESTIGATION

No investigation has been made for the legal title or any liabilities attached to the Properties. We have also not scrutinized the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by NWST Group.

All legal documents disclosed in this letter and valuation certificates are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this letter and valuation certificates.

ASSUMPTIONS

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, all the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have valued the property interests on the assumption that it is developed in accordance with the development proposals or building plans given to us. We have assumed that all consents, approvals and licences from relevant government authorities for the buildings and structures erected or to be erected thereon have been granted. Also, we have assumed that unless otherwise stated, all buildings and improvements are held by the owner(s) or permitted to be occupied by the owner(s).

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation certificates. Further, it is assumed that the utilization of the land and improvements is within the boundaries of the property interests described and that no encroachment or trespass exists unless noted in the valuation certificates.

Other special assumptions of the Properties, if any, have been stated in the footnotes of the valuation certificates.

LIMITING CONDITIONS

We have relied to a considerable extent on the information provided by NWST Group and have accepted advice given to us by NWST Group on such matters as statutory notices, easements, tenure, occupancy, construction cost, site areas and floor areas and all other relevant matters. Dimensions and areas included in the valuation certificates are based on information contained in the documents provided to us and are only approximations.

Having examined all relevant documentation, we have had no reason to doubt the truth and accuracy of the information provided to us. We have assumed that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

We have not carried out detailed site measurements to verify the land or building areas in respect of the Properties but have assumed that the areas provided to us are correct. All dimensions and areas are approximations only.

Our Mr. Calvin K. C. Chan has inspected the Properties included in the attached valuation certificates on 29 September 2016. No structural survey has been made and we are therefore unable to report as to whether the Properties are or are not free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

No site investigations have been carried out to determine the suitability of the ground conditions or the services for the development site. Our valuation is made on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licenses, consents, or other legislative, or administrative authority from any local, provincial, or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

REMARKS

In valuing the property interests, we have complied with all the requirements contained in Paragraph 34(2) and (3) of Schedule 3 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32), Chapter 5 and Practice Note 12 of the Listing Rules and The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors.

We hereby certify that we have neither present nor prospective interest in the real properties or the value reported. This valuation report is issued subject to our Assumptions and Limiting Conditions.

Unless otherwise stated, all monetary amount stated in this report is in Hong Kong Dollars (HKD).

We enclose herewith our valuation certificates.

Yours faithfully,
For and on behalf of
AMERICAN APPRAISAL CHINA LIMITED
Calvin K.C. Chan
CFA, MRICS, MHKIS, MCIREA, RPS (GP)
Director

Note: Mr. Calvin K. C. Chan, who is a Chartered Surveyor and Registered Professional Surveyor, has over 18 years' experience in valuation of properties in Hong Kong. Mr. Chan has been admitted to the Hong Kong Institute of Surveyors' approved List of Property Valuers to undertake valuation for incorporation or reference in Listing Particulars and Circulars and valuation in connection with takeovers and mergers.

VALUATION SUMMARY

No. Property	Market Value in existing state as at the Valuation Date (HKD)
Group I – Property interests held by New World First Bus Services Limited	
1. A permanent bus depot located at No. 8 Chong Fu Road, Chai Wan, Hong Kong	No Commercial Value
2. A bus depot located at No. 70 Hing Wah Street West, West Kowloon Reclamation, Kowloon, Hong Kong	No Commercial Value
3. A bus depot located at No. 17 Wan Lung Road, Area 26, Tseung Kwan O, New Territories, Hong Kong	No Commercial Value
4. Buildings and structures located at STT NHX-761, Connaught Road West, underneath a flyover near Western Fire Services Street, Hong Kong	No Commercial Value
5. A bus depot located at No. 45 Heung Yip Road, Wong Chuk Hang, Hong Kong	No Commercial Value
Sub-total:	<u>No Commercial Value</u>
Group II – Property interests held by Citybus Limited	
6. A bus depot located at No. 38 Sheung On Street, Shing Tai Road, Chai Wan, Hong Kong	No Commercial Value
7. Buildings and structures located at STT 1092, Hoi Wong Road, Area 16, Tuen Mun, New Territories, Hong Kong	No Commercial Value
8. Buildings and structures located at STT SHX-1168, Heung Yip Road, Wong Chuk Hang, Hong Kong	No Commercial Value
9. Structures located at STT KX2851, junction of Lin Cheung Road and Hing Wah Street West, Lai Chi Kok, Kowloon, Hong Kong	No Commercial Value
10. Structures located at STT KX2641, Cheung Yip Street, Kowloon Bay, Kowloon, Hong Kong	No Commercial Value
11. A bus depot located at No. 3 Sham Fung Road, Siu Ho Wan, North Lantau Island, New Territories, Hong Kong	No Commercial Value
12. Buildings and structures located at No. 6 Chung Wai Street, Area 26, Tung Chung, Lantau Island, New Territories, Hong Kong	No Commercial Value
Sub-total:	<u>No Commercial Value</u>

VALUATION SUMMARY

No. Property	Market Value in existing state as at the Valuation Date (HKD)
Group III – Property interests held by New World First Ferry Services Limited	
13. An office building and structures located at No. 71 Hing Wah Street West, Lai Chi Kok, Kowloon, Hong Kong	No Commercial Value _____
Sub-total:	<u>No Commercial Value</u>
Grand Total:	<u><u>No Commercial Value</u></u>

VALUATION CERTIFICATE

Group I – Property interests held by New World First Bus Services Limited

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at the Valuation Date <i>HKD</i>
1.	A permanent bus depot located at No. 8 Chong Fu Road, Chai Wan, Hong Kong	The subject property comprises a 9-storey building and structures with a site area of about 13,000 square metres. The building of the subject property was built in about 2001. As per the provided building plan, the building of the subject property has a total gross floor area of about 56,555.438 square metres (or about 608,762.73 square feet).	The subject property was occupied by NWST Group for bus depot.	No Commercial Value

Notes:

- (1) Pursuant to a lease agreement and a supplemental agreement, No. EHX-260 entered into between the Government of the Hong Kong Special Administrative Region (“Landlord”) and New World First Bus Services Limited (“Tenant”) dated 21 September 2000 and 16 April 2003 respectively, the land of the subject property has been leased by the Tenant for a term from 9 February 2000 to 31 July 2003. For subsequent periods when this tenancy created not being terminated within 3 years from its commencement, the rent hereby reserved may be increased by the Landlord at its sole discretion on or after the expiry of every third year of the tenancy upon the Landlord giving to the Tenant not less than 3 calendar months’ prior notice to that effect. As advised, the current quarterly rental is HK\$9,861,740 from the period of 1 July 2016 to 30 September 2016.
- (2) As per the lease agreement captioned above, the subject property can be used as a bus depot for the construction, repair, maintenance, servicing, cleaning, refueling and parking of vehicles used by the Tenant in connection with its franchise granted under the Public Bus Services Ordinance (Cap. 230) together with ancillary offices, canteen and watchmen’s or caretakers’ quarters and such other ancillary facilities including recreation room and shower room for the use of the Tenant’s employees as may be approved by the Commissioner for Transport. In addition, the Tenant may permit (i) the subletting of the part or parts of the office spaces of the areas for the purpose of office uses and (ii) the provision of bus refueling and washing services to buses owned by Kwoon Chung Bus Holdings Limited.
- (3) For reference purpose, the depreciated replacement cost of the building and the structures of the subject property as of the Valuation Date was HK\$593,308,500.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at the Valuation Date <i>HKD</i>
2.	A bus depot located at No. 70 Hing Wah Street West, West Kowloon Reclamation, Kowloon, Hong Kong	The subject property comprises various buildings and structures in a bus servicing and supporting site with a site area of about 8,200 square metres. The buildings of the subject property were built in about 2007. As per the provided building plan, the buildings of the subject property have a total gross floor area of about 616.543 square metres (or about 6,636.47 square feet).	The subject property was occupied by NWST Group for bus servicing and supporting site.	No Commercial Value

Notes:

- (1) Pursuant to a lease agreement and a supplemental agreement, No. KX2245 entered into between the Government of the Hong Kong Special Administrative Region (“Landlord”) and New World First Bus Services Limited (“Tenant”) dated 7 April 2006 and 8 March 2007 respectively, the land of the subject property has been leased by the Tenant for a term of 3 years from 24 June 2005. For subsequent periods when this tenancy created not being terminated within 3 years from its commencement, the rent hereby reserved may be increased by the Landlord at its sole discretion on or after the expiry of every third year of the tenancy upon the Landlord giving to the Tenant not less than 3 calendar months’ prior notice to that effect. As advised, the current quarterly rental is HK\$2,174,750 for the period from 1 July 2016 to 30 September 2016.
- (2) As per the lease agreement captioned above, the subject property can be used for parking, repairing, servicing, cleaning and refueling of vehicles used by the Tenant in connection with its franchise granted under the Public Bus Services Ordinance (Cap. 230) together with coin box changing and other ancillary facilities as may be approved by the Commissioner for Transport.
- (3) For reference purpose, the depreciated replacement cost of the buildings and the structures of the subject property as of the Valuation Date was HK\$16,705,500.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at the Valuation Date <i>HKD</i>
3.	A bus depot located at No. 17 Wan Lung Road, Area 26, Tseung Kwan O, New Territories, Hong Kong	The subject property comprises 6 buildings and structures in a bus servicing and supporting site with a site area of about 2,200 square metres. The buildings of the subject property were built in about 2013.	The subject property was occupied by NWST Group for bus servicing and supporting site.	No Commercial Value
		As per the provided building plan, the buildings of the subject property have a total gross floor area of about 278.594 square metres (or about 2,998.79 square feet).		

Notes:

- (1) Pursuant to a lease agreement, No. SX4126 entered into between the Government of the Hong Kong Special Administrative Region ("Landlord") and New World First Bus Services Limited ("Tenant") dated 3 June 2014, the land of the subject property has been leased by the Tenant for a term of 18 months from 1 February 2012. For subsequent periods when this tenancy created not being terminated within 3 years from its commencement, the rent hereby reserved may be increased by the Landlord at its sole discretion on or after the expiry of every third year of the tenancy upon the Landlord giving to the Tenant not less than 3 calendar months' prior notice to that effect. As advised, the current quarterly rental is HK\$565,820 for the period from 1 July 2016 to 30 September 2016.
- (2) As per the lease agreement captioned above, the subject property can be used as a bus servicing and supporting site for the franchised operation by the Tenant excluding construction, dismantling, repair or maintenance of buses on site.
- (3) For reference purpose, the depreciated replacement cost of the buildings and the structures of the subject property as of the Valuation Date was HK\$15,575,900.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at the Valuation Date <i>HKD</i>
4.	Buildings and structures located at STT NHX-761, Connaught Road West, underneath a flyover near Western Fire Services Street, Hong Kong	The subject property comprises various buildings and structures in a bus servicing and supporting site with a site area of about 1,480 square metres. The buildings of the subject property were built in about 2016. As per the provided building plan, the buildings of the subject property have a total gross floor area of about 198.33 square metres (or about 2,134.82 square feet).	The subject property was occupied by NWST Group for bus servicing and supporting site.	No Commercial Value

Notes:

- (1) Pursuant to a lease agreement, No. NHX-761 entered into between the Government of the Hong Kong Special Administrative Region ("Landlord") and New World First Bus Services Limited ("Tenant") dated 2 March 2015, the land of the subject property has been leased by the Tenant for a term of 3 years from 16 March 2015. The annual rent of the property is HK\$3,418,800. The first 12 months' rent, plus rent up to the next quarter day shall be payable on or before the execution of the lease agreement and thereafter rent shall be payable by equal quarterly payments in advance until the tenancy is terminated. For subsequent periods when this tenancy created not being terminated within 3 years from its commencement, the rent hereby reserved may be increased by the Landlord at its sole discretion on or after the expiry of every third year of the tenancy upon the Landlord giving to the Tenant not less than 3 calendar months' prior notice to that effect. As advised, the current quarterly rental is HK\$854,700 for the period from 1 July 2016 to 30 September 2016.
- (2) As per the lease agreement captioned above, the subject property can be used as a bus servicing area for the fueling and washing of Tenant's buses (excluding construction, dismantling, repair or maintenance of buses on the property).
- (3) For reference purpose, the depreciated replacement cost of the buildings and the structures of the subject property as of the Valuation Date was HK\$29,625,300.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at the Valuation Date <i>HKD</i>
5.	A bus depot located at No. 45 Heung Yip Road, Wong Chuk Hang, Hong Kong	<p>The subject property comprises a building and structures for construction, repair, maintenance, servicing, cleaning, refueling and parking of vehicles with a site area of about 3,002 square metres. The building of the subject property was built in about 1999.</p> <p>As advised, the building of the subject property has a total gross floor area of about 16,452 square metres (or about 177,089.33 square feet).</p>	The subject property was occupied by NWST Group for bus depot.	No Commercial Value

Notes:

- (1) Pursuant to a lease agreement, No. P1004 entered into between the Government of the Hong Kong Special Administrative Region ("Landlord") and New World First Bus Services Limited ("Tenant") dated 19 October 1998, the land of the subject property has been leased by the Tenant for a term of 1 year from 1 September 1998 and thereafter quarterly until such time as the tenancy is determined. For subsequent periods when this tenancy created not being terminated within 3 years from its commencement, the rent hereby reserved may be increased by the Landlord at its sole discretion on or after the expiry of every third year of the tenancy upon the Landlord giving to the Tenant not less than 3 calendar months' prior notice to that effect. As advised, the current quarterly rental is HK\$3,451,304.30 for the period from 1 July 2016 to 30 September 2016.
- (2) As per the lease agreement captioned above, the subject property can be used for construction, repair, maintenance, servicing, cleaning, refueling and parking of vehicles used by the Tenant in connection with its franchise granted under the Public Bus Services Ordinance (Cap. 230) together with ancillary offices, canteen and watchmen's or caretakers' quarters as may be approved by the Commissioner of Transport.
- (3) For reference purpose, the depreciated replacement cost of the building and the structures of the subject property as of the Valuation Date was HK\$1,076,500.

VALUATION CERTIFICATE

Group II – Property interests held by Citybus Limited

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at the Valuation Date <i>HKD</i>
6.	A bus depot located at No. 38 Sheung On Street, Shing Tai Road, Chai Wan, Hong Kong	The subject property comprises a 7-storey building and structures for construction, repair, maintenance, servicing, cleaning, refueling and parking of vehicles with a site area of about 11,297 square metres. The building of the subject property was built in about 2004. As per the provided building plan, the building of the subject property has a total gross floor area of about 32,498.877 square metres (or about 349,817.91 square feet).	The subject property was occupied by NWST Group for bus depot.	No Commercial Value

Notes:

- (1) Pursuant to a lease agreement and a supplemental agreement, No. EHX-286 entered into between the Government of the Hong Kong Special Administrative Region (“Landlord”) and Citybus Limited (“Tenant”) dated 17 January 2002 and 30 November 2015 respectively, the land of the subject property has been leased by the Tenant for a term from 10 December 2001 to 30 June 2006. For subsequent periods when this tenancy created not being terminated within 3 years from its commencement, the rent hereby reserved may be increased by the Landlord at its sole discretion on or after the expiry of every third year of the tenancy upon the Landlord giving to the Tenant not less than 3 calendar months’ prior notice to that effect. As advised, the current quarterly rental is HK\$6,746,510 for the period from 1 July 2016 to 30 September 2016.
- (2) As per the lease agreement captioned above, the subject property can be used as a bus depot for the construction, repair, maintenance, servicing, cleaning, refueling and parking of vehicles used by the Tenant in connection with its franchise granted under the Public Bus Services Ordinance (Cap. 230) together with ancillary offices, canteen and watchmen’s or caretakers’ quarters and such other ancillary facilities including recreation room and shower room for the use of the Tenant’s employees as may be approved by the Commissioner for Transport.
- (3) For reference purpose, the depreciated replacement cost of the building and the structures of the subject property as of the Valuation Date was HK\$388,641,200.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at the Valuation Date <i>HKD</i>
7.	Buildings and structures located at STT 1092, Hoi Wong Road, Area 16, Tuen Mun, New Territories, Hong Kong	<p>The subject property comprises various buildings and structures in a bus servicing and supporting site with a site area of about 11,000 square metres. The buildings of the subject property were built in about 2001.</p> <p>As advised, the buildings of the subject property have a total gross floor area of about 403 square metres (or about 4,337.89 square feet).</p>	The subject property was occupied by NWST Group for bus servicing and supporting site.	No Commercial Value

Notes:

- (1) Pursuant to a lease agreement, No. 1092 entered into between the Government of the Hong Kong Special Administrative Region ("Landlord") and Citybus Limited ("Tenant") dated 3 January 2001, the land of the subject property has been leased by the Tenant for a term of 3 years from 2 January 2001. For subsequent periods when this tenancy created not being terminated within 3 years from its commencement, the rent hereby reserved may be increased by the Landlord at its sole discretion on or after the expiry of every third year of the tenancy upon the Landlord giving to the Tenant not less than 3 calendar months' prior notice to that effect. As advised, the current quarterly rental is HK\$2,872,500 for the period from 1 July 2016 to 30 September 2016.
- (2) As per the lease agreement captioned above, the subject property can be used as a bus depot for parking of buses currently licensed under the Road Traffic Ordinance and used by the Tenant in connection with its franchise granted under the Public Bus Services Ordinance (Cap. 230) and for such ancillary uses as may be approved by the District Lands Officer.
- (3) For reference purpose, the depreciated replacement cost of the buildings and structures of the subject property as of the Valuation Date was HK\$12,460,700.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at the Valuation Date <i>HKD</i>
8.	Buildings and structures located at STT SHX-1168, Heung Yip Road, Wong Chuk Hang, Hong Kong	The subject property comprises various buildings and structures in a bus servicing and supporting site with a site area of about 3,826 square metres. The buildings of the subject property were built in about 2006.	The subject property was occupied by NWST Group for bus servicing and supporting site.	No Commercial Value
		As advised, the buildings of the subject property have a total gross floor area of about 244 square metres (or about 2,626.42 square feet).		

Notes:

- (1) Pursuant to a lease agreement, No. SHX-1168 entered into between the Government of the Hong Kong Special Administrative Region ("Landlord") and Citybus Limited ("Tenant") dated 4 October 2006, the land of the subject property has been leased by the Tenant for a term of 3 years from 19 July 2006. For subsequent periods when this tenancy created not being terminated within 3 years from its commencement, the rent hereby reserved may be increased by the Landlord at its sole discretion on or after the expiry of every third year of the tenancy upon the Landlord giving to the Tenant not less than 6 calendar months' prior notice to that effect. As advised, the current quarterly rental is HK\$1,267,130 for the period from 1 July 2016 to 30 September 2016.
- (2) As per the lease agreement captioned above, the subject property can be used as a bus depot (including bus refueling, bus washing and bus repairing).
- (3) For reference purpose, the depreciated replacement cost of the buildings and the structures of the subject property as of the Valuation Date was HK\$10,368,200.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at the Valuation Date <i>HKD</i>
9.	Structures located at STT KX2851, junction of Lin Cheung Road and Hing Wah Street West, Lai Chi Kok, Kowloon, Hong Kong	The subject property comprises various structures in a bus servicing and supporting site with a site area of about 7,750 square metres.	The subject property was occupied by NWST Group for bus servicing and supporting site.	No Commercial Value

Notes:

- (1) Pursuant to a lease agreement, No. KX2851 entered into between the Government of the Hong Kong Special Administrative Region ("Landlord") and Citybus Limited ("Tenant") dated 3 July 2013, the land of the subject property has been leased by the Tenant for a term of 3 years from 3 June 2013. For subsequent periods when this tenancy created not being terminated within 3 years from its commencement, the rent hereby reserved may be increased by the Landlord at its sole discretion on or after the expiry of every third year of the tenancy upon the Landlord giving to the Tenant not less than 3 calendar months' prior notice to that effect. As advised, the current quarterly rental is HK\$2,285,630 for the period from 1 July 2016 to 30 September 2016.
- (2) As per the lease agreement captioned above, the subject property can be used as a bus depot for parking of buses currently licensed under the Road Traffic Ordinance and used by the Tenant in connection with its franchise granted under the Public Bus Services Ordinance (Cap. 230) and for such ancillary uses as may be approved by the District Lands Officer.
- (3) For reference purpose, the depreciated replacement cost of the structures of the subject property as of the Valuation Date was HK\$12,778,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at the Valuation Date <i>HKD</i>
10.	Structures located at STT KX2641, Cheung Yip Street, Kowloon Bay, Kowloon, Hong Kong	The subject property comprises various structures in the bus parking site with a site area of about 4,630 square metres.	The subject property was occupied by NWST Group for parking bus.	No Commercial Value

Notes:

- (1) Pursuant to a lease agreement, No. KX2641 entered into between the Government of the Hong Kong Special Administrative Region (“Landlord”) and Citybus Limited (“Tenant”) dated 13 May 2010, the land of the subject property has been leased by the Tenant for a term of 1 year from 1 November 2009. For subsequent periods when this tenancy created not being terminated within 3 years from its commencement, the rent hereby reserved may be increased by the Landlord at its sole discretion on or after the expiry of every third year of the tenancy upon the Landlord giving to the Tenant not less than 3 calendar months’ prior notice to that effect. As advised, the current quarterly rental is HK\$1,516,330 for the period from 1 July 2016 to 30 September 2016.
- (2) As per the lease agreement captioned above, the subject property can be used for parking of buses used by the Tenant in connection with its franchise granted under the Public Bus Services Ordinance (Cap. 230).
- (3) For reference purpose, the depreciated replacement cost of the structures of the subject property as of the Valuation Date was HK\$759,200.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at the Valuation Date <i>HKD</i>
11.	A bus depot located at No. 3 Sham Fung Road, Siu Ho Wan, North Lantau Island, New Territories, Hong Kong	The subject property comprises various buildings and structures in a bus maintenance and supporting site with a site area of about 8,800 square metres. The buildings of the subject property were built in about 1997. As advised, the buildings of the subject property have a total gross floor area of about 5,089 square metres (or about 54,778.00 square feet).	The subject property was occupied by NWST Group for bus maintenance and supporting site.	No Commercial Value

Notes:

- (1) Pursuant to a lease agreement, No. 1205 entered into between the Government of the Hong Kong Special Administrative Region (“Landlord”) and Citybus Limited (“Tenant”) dated 20 June 1997, the land of the subject property has been leased by the Tenant for a term of about 6 years from 15 May 1997 to 31 May 2003 and thereafter quarterly. For subsequent periods when this tenancy created not being terminated within 3 years from its commencement, the rent hereby reserved may be increased by the Landlord at its sole discretion on or after the expiry of every third year of the tenancy upon the Landlord giving to the Tenant not less than 3 calendar months’ prior notice to that effect. As advised, the current quarterly rental is HK\$1,572,560 for the period from 1 July 2016 to 30 September 2016.
- (2) As per the lease agreement captioned above, the subject property can be used as bus maintenance depot (including the operation, construction, maintenance, washing, parking and refueling of buses and operation vehicles) in connection with the Tenant’s franchise to operate the public bus service granted under the Public Bus Services Ordinance (Cap. 230).
- (3) For reference purpose, the depreciated replacement cost of the buildings and the structures of the subject property as of the Valuation Date was HK\$34,496,500.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at the Valuation Date <i>HKD</i>
12.	Buildings and structures located at No. 6 Chung Wai Street, Area 26, Tung Chung, Lantau Island, New Territories, Hong Kong	The subject property comprises various buildings and structures in the bus servicing and supporting site with a site area of about 6,373 square metres. The buildings of the subject property were built in about 2002. As advised, the buildings of the subject property have a total gross floor area of about 354 square metres (or about 3,810.46 square feet).	The subject property was occupied by NWST Group for bus servicing and supporting site.	No Commercial Value

Notes:

- (1) Pursuant to a lease agreement and a supplemental agreement, No. CX1483 entered into between the Government of the Hong Kong Special Administrative Region ("Landlord") and Citybus Limited ("Tenant") dated 20 June 2002 and 14 December 2004 respectively, the land of the subject property has been leased by the Tenant for a term of 21 months from 1 March 2002 to 30 November 2003. For subsequent periods when this tenancy created not being terminated within 3 years from its commencement, the rent hereby reserved may be increased by the Landlord at its sole discretion on or after the expiry of every third year of the tenancy upon the Landlord giving to the Tenant not less than 3 calendar months' prior notice to that effect. As advised, the current quarterly rental is HK\$1,079,030 for the period from 1 July 2016 to 30 September 2016.
- (2) As per the lease agreement captioned above, the subject property can be used as a bus depot for coinage handling, washing, refueling and parking of buses and operational vehicles in connection with the Tenant's operation of public bus services.
- (3) For reference purpose, the depreciated replacement cost of the buildings and the structures of the subject property as of the Valuation Date was HK\$14,140,500.

VALUATION CERTIFICATE

Group III – Property interests held by New World First Ferry Services Limited

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at the Valuation Date <i>HKD</i>
13.	An office building and structures located at No. 71 Hing Wah Street West, Lai Chi Kok, Kowloon, Hong Kong	The subject property comprises an office building and structures in a repairing depot with a site area of about 4,700 square metres. The building of the subject property was built in about 1996. As per the provided building plan, the building of the subject property has a total gross floor area of about 2,986.988 square metres (or about 32,151.94 square feet).	The subject property was occupied by NWST Group for office and repairing depot for fleet and vessels purposes.	No Commercial Value

Notes:

- (1) Pursuant to a lease agreement and two supplemental agreements, No. KX2222 entered into between the Government of the Hong Kong Special Administrative Region (“Landlord”) and New World First Ferry Services Limited (“Tenant”) dated 2 October 2002, 18 July 2006 and 3 February 2010 respectively, the land of the subject property has been leased by the Tenant for a term of 3 years from 1 April 2002. For subsequent periods when this tenancy created not being terminated within 3 years from its commencement, the rent hereby reserved may be increased by the Landlord at its sole discretion on or after the expiry of every third year of the tenancy upon the Landlord giving to the Tenant not less than 3 calendar months’ prior notice to that effect. As advised, the current quarterly rental is HK\$666,200 for the period from 1 July 2016 to 30 September 2016.
- (2) As per the lease agreement captioned above, the subject property can be used as an emergency repair depot for the Tenant’s fleet of vessels operated under the Tenant’s Ferry Service Licences granted by the Commissioner for Transport under the Ferry Services Ordinance (Cap. 104), a staging area for their personnel and equipment and ancillary office thereto.
- (3) For reference purpose, the depreciated replacement cost of the building and structures of the subject property as of the Valuation Date was HK\$19,110,000.

APPENDIX II VALUATION REPORT ON THE BUSES, VESSELS AND PONTOONS OF THE TARGET GROUP

The following is the text of the valuation report on the buses, vessels and pontoons of the Target Group from American Appraisal China Limited prepared for the purpose of incorporation in this Circular

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A Division of
DUFF & PHELPS

December 7, 2016

The Directors
New World Development Company Limited
30/F New World Tower
18 Queen's Road Central
Hong Kong

The Directors
NWS Holdings Limited
28/F New World Tower
18 Queen's Road Central
Hong Kong

Dear Sirs,

We understand that NWS Holdings Limited (“NWS”) intends to acquire 50% equity interests in NWS Transport Services Limited (“NWST”) owned by Chow Tai Fook Enterprises Limited. Pursuant to the terms, conditions and purpose of (i) an engagement agreement dated May 16, 2016 and its supplement agreement duly signed on September 28, 2016 between NWS Holdings Limited (“NWS”) and American Appraisal China Limited (“American Appraisal”), a division of Duff & Phelps Corporation; and (ii) a reliance letter agreement dated November 11, 2016 between New World Development Company Limited (“NWD”) and American Appraisal, we have performed an analysis of fair value of the buses, vessels and pontoons held by NWST and its subsidiaries (“Subject Assets”) as of September 30, 2016 (“Valuation Date”). This valuation was prepared in compliance with the relevant standards recommended by the International Valuation Standards Council and the Hong Kong Financial Reporting Standards.

Only NWD and NWS are the intended users of, and may rely on, American Appraisal's report. NWD and NWS may not substitute this reliance for its own due diligence. NWD and NWS may disclose a complete copy of our report to its auditor or its tax or legal advisors or parties involved in the mentioned transaction. We understand that NWD and NWS, with our consent, will disclose this report in the circular for their independent shareholders' approval and to The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the requirements of the Rules Governing the Listing of Securities on the Stock Exchange. However, no third party shall have the right of reliance on this report, and neither receipt nor possession of the report by any third party shall create any express or implied

**APPENDIX II VALUATION REPORT ON THE BUSES, VESSELS
AND PONTOONS OF THE TARGET GROUP**

third-party beneficiary rights. Our report has been prepared solely in connection with the described transaction and may therefore not be suitable for any other purpose. American Appraisal is not responsible for the unauthorized use of this report.

The assets considered in this analysis include 1,765 buses and 24 vessels/pontoons held by the following subsidiaries of NWST:

Buses	No. of units
New World First Bus Services Limited	736
Citybus Limited	<u>1,029</u>
Total	<u><u>1,765</u></u>
Vessels and Pontoons	
New World First Ferry Services Limited	23
Conquer Services Limited	<u>1</u>
Total	<u><u>24</u></u>

Based on the information and analysis summarized in this report, it is our opinion that the fair value for the Subject Assets, as of the Valuation Date, are as presented in the following table:

Buses	Fair value (HKD)
New World First Bus Services Limited	803,480,005
Citybus Limited	<u>1,677,354,600</u>
Subtotal	<u><u>2,480,834,605</u></u>
Vessels and Pontoons	
New World First Ferry Services Limited	175,618,850
Conquer Services Limited	<u>11,481,000</u>
Subtotal	<u><u>187,099,850</u></u>
Total	<u><u>2,667,934,455</u></u>

APPENDIX II VALUATION REPORT ON THE BUSES, VESSELS AND PONTOONS OF THE TARGET GROUP

PURPOSE AND SCOPE OF WORK

The purpose of this valuation is to express our opinion of the fair value to assist the respective party with its internal management planning and decision related to the intended acquisition, as well as for incorporation in public circular with appropriate disclosures. This valuation was developed as of September 30, 2016.

Our opinion is intended to assist the respective party in making informed business decisions; it is not a recommendation. Any decisions relating to a potential transaction shall remain the respective party's responsibility and be made solely at its discretion.

Fair value has been established based on premises of value described in subsequent section of this report and underlying analytical approaches appropriate to the facts and circumstances pertaining to identified asset valued.

In the process of formulating our opinions of value, we held discussions with, and were provided various documents by, the managements of NWS and NWST. The fixed asset register data for the Subject Assets ("FAR") and other records and documents pertaining to the Subject Assets have been accepted without verification as a proper representation of utility and condition of the assets.

This report presents our opinion and supporting analyses and assumptions. Additional relevant information and analyses considered in our opinion are retained in our work files.

STANDARD OF VALUE AND VALUATION METHODOLOGY

Fair value is defined by Hong Kong Financial Reporting Standard 13 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Based upon the nature of the transaction, fair value in this case incorporates a "continued use" premise. This value includes all normal direct and indirect costs, such as installation and other assemblage costs to make the property fully operational.

In developing our opinion of value, we will not investigate any financial data pertaining to the present or prospective earning capacity of the operation in which designated assets are used. We will assume that prospective earnings will provide a reasonable return on the appraised value of the designated assets, plus the value of any assets not included in the appraisal, and adequate net working capital. If prospective earnings are not adequate to justify ownership of the assets at the appraised levels, then the client will have to address any appropriate reduction to the appraisal value.

In this valuation, the fair value of the Subject Assets are interchangeable with their market value. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion" under International Valuation Standards.

Concept of Value

As the fair value of the Subject Assets was established on the premise of continued use, it was assumed that the buyer would contemplate retention of the assets as part of the current and forecast operations.

An estimate of fair value derived on the premise of continued use does not represent the amount that might be realized from piecemeal disposition of the assets in the marketplace or from an alternative use of the assets. The premise of continued use is generally appropriate when:

- The assets are fulfilling an economic demand for the service they provide or which they house.
- The assets have a significant remaining useful life expectancy.
- Responsible ownership and competent management may be expected.
- Diversion of the assets to an alternative use would not be economically feasible or legally permitted.
- Continuation of the existing use by present or similar users is practical.
- Due consideration is given to the assets' functional utility for their present use.
- The assets' economic utility is duly considered.

Approaches to Value

Three approaches are generally considered in determining fair value: the Cost, Income, and Market Approaches. The application of these approaches is dependent upon the availability of appropriate information, the nature of the assets, and the scope of the analysis. Based on the value indications derived from the application of appropriate approaches, an opinion of value is estimated using expert judgment within the confines of the appraisal process. Summary descriptions of the three approaches are as follows:

The Cost Approach

The Cost Approach recognizes that a prudent investor would not ordinarily pay more for an asset than the cost to reproduce or replace it new. Utilization of the Cost Approach results in a concept referred to as Depreciated Replacement Cost New ("DRCN") where the term depreciated refers to a reduction of utility or value. DRCN is an indicator of fair value provided that all elements of depreciation and obsolescence are addressed. The first step in the Cost Approach is to estimate the reproduction/replacement cost (as if) new of an asset, using current prices and labor. Reproduction and replacement cost new are defined as follows:

Reproduction Cost New (“RPDCN”) is “the current cost of an identical new property”¹. In other words, it is the estimated cost to construct, at current prices as of the Valuation Date, an exact duplicate, or replica of the asset being appraised, using the same materials, construction standards, design, layout and quality of workmanship, and embodying all the subject’s deficiencies, super-adequacies, and obsolescence.

Replacement Cost New (“RPLCN”) is “the current cost of a similar new property having the nearest equivalent utility to the property being valued”².

There are two alternative methods in calculating DRCN. The first method (“Reproduction Method”) begins with RPDCN, with adjustments being made for physical depreciation, and functional and technological obsolescence. The second method (“Replacement Method”) begins with RPLCN, with adjustments being made for physical depreciation and additional functional and technological obsolescence. Certain elements of functional and technological obsolescence are already addressed in the calculation of RPLCN. However, a quantification of the super-adequacies and additional functionalities of the replacement asset versus the asset to be valued must be addressed. If economic obsolescence is indicated, it must be quantified and the appropriate adjustment made, so that DRCN is equivalent to fair value.

The elements of depreciation/obsolescence are defined in the following paragraphs:

Physical Depreciation is “the loss in value or usefulness of a property due to the using up or expiration of its useful life caused by wear and tear, deterioration, exposure to various elements, physical stresses, and similar factors”³. Physical deterioration can be divided into curable and incurable. Curable physical deterioration is a loss in value which can be recovered or offset by repairing or replacing defective items causing the loss, provided that the resulting value increase equals or exceeds the cost of work. Incurable physical deterioration, on the other hand, is a loss in value which cannot be offset or which would involve a cost to correct greater than the resulting increase in value.

Functional Obsolescence is “the loss in value or usefulness of a property caused by inefficiencies or inadequacies of the property itself, when compared to a more efficient or less costly replacement property that new technology has developed. Symptoms suggesting the presence of functional obsolescence are excess operating costs, excess construction (excess capital cost), over-capacity, lack of utility, or similar conditions”⁴. This would include any loss of value resulting from inappropriate architectural design, inefficient process flow, or poor construction or layout for the intended use. Functional obsolescence may be either curable or incurable.

¹ Source: Pratt, Shannon, Grabowski, Roger, Cost of Capital, Fourth Edition (John Wiley & Sons, Inc., 2010), 744.

² Ibid.

³ Valuing Machinery and Equipment: The Fundamentals of Appraising Machinery and Technical Assets, Second Edition (American Society of Appraisers, 2005), 67.

⁴ Ibid.

Economic/External Obsolescence is “the loss in value of a property caused by factors external to the property. These may include such things as the economics of the industry; availability of financing; loss of material and/or labor sources; passage of new legislation; changes in ordinances; increased cost of raw materials, labor, or utilities (without an offsetting increase in product price); reduced demand for the product; increased competition; inflation or high interest rates; or similar factors”⁵.

The Income Approach

The Income Approach is a valuation technique that provides an estimation of the value of an asset based on the benefit stream that an asset can be expected to generate over its remaining useful life. This approach begins with an estimation of the annual benefit stream a prudent investor would expect the subject asset to generate over a discrete projection period. The estimated benefit stream for each of the years in the discrete projection period is converted to its present value equivalent using a rate of return appropriate for the risk of achieving the asset’s benefit stream. The present value of the estimated benefit stream is added to the present value equivalent of the residual value of the asset, if any, at the end of the discrete projection period to derive an estimate of value.

The Market Approach

The Market Approach estimates value based on what other purchasers and sellers in the market have agreed to as prices for comparable assets. This approach is based on the principle of substitution, which states that the limits of prices, rents, and rates tend to be set by the prevailing prices, rents, and rates of equally desirable substitutes. In conducting the Market Approach, we gather data on reasonably substitutable assets and make adjustments for such factors as market conditions, location, conditions of sale, income characteristics, etc. The resulting adjusted prices lead to an estimate of the price one might expect to realize upon sale of the asset.

Our conclusions rely on the approach or approaches judged to be most appropriate for the purpose and scope of our analysis, as well as considering the nature and reliability of the data available to us. The selected approaches and specific methodologies applied in the valuation of each asset class are described in the related sections of this report.

⁵ Valuing Machinery and Equipment: The Fundamentals of Appraising Machinery and Technical Assets, Second Edition (American Society of Appraisers, 2005), 67.

**APPENDIX II VALUATION REPORT ON THE BUSES, VESSELS
AND PONTOONS OF THE TARGET GROUP**

DESCRIPTION OF THE SUBJECT ASSETS

The assets considered in this valuation were identified to us at the onset of this engagement and through our investigations during this valuation. The identified assets consist of 1,765 buses and 24 vessels/pontoons operated by the following subsidiaries of NWST:

New World First Bus Services Limited

Bus type	No. of units
9.4M Leyland Fleetline 2-axle DD Non A/C	1
10.3M Dennis Trident complete with Duple Metsec 3-axle DD A/C	60
10.3M Leyland Fleetline 61U/S 41L/S 13St 2-axle DD Non A/C	1
10.6M Dennis Trident complete with Duple Metsec 3-axle DD A/C	1
10.6M Dennis Trident complete with Walter Alexander 3-axle DD A/C	15
10M Dennis Dart SLF c/w Plaxton 29L/S 30St 2-axle SD A/C	10
11.3M Dennis Trident complete with Walter Alexander 3-axle DD A/C	24
11.3M Volvo B9TL MKII 3-axle DD A/C	30
11.5M Metro bus 70U/S 48L/S 11St 3-axle DD Non A/C	1
11.6M BYD Battery Powered E-Bus SD A/C	2
11.6M Great Dragon Battery Powered E-Bus SD A/C	2
11.6M Young Man 2-axle SD A/C	8
11M ADL E500 3-axle DD A/C	20
11M ADL E500MMC 3-axle DD A/C	12
12.8M MAN 3-axle DD A/C	1
12M ADL E500MMC 3-axle DD A/C	136
12M ADL E500 HYBRID 3-axle DD A/C	1
12M Dennis Trident complete with Duple Metsec 3-axle DD A/C	50
12M Dennis Trident complete with Walter Alexander 3-axle DD A/C	115
12M ADL E500 3-axle DD A/C	103
12M Neoplan Centroliner 3-axle DD A/C	30
12M Volvo B9TL MKII 3-axle DD A/C	7
12M Volvo Super Olympian complete with Walter Alexander 3-axle DD A/C	103
9.4M Leyland Fleetline 56U/S 36L/S 19St 2-axle DD Non A/C	1
9.8M Dennis Jubilant 60U/S 42L/S 8St 2-axle DD Non A/C	1
9.8M Leyland victory 60U/S 42L/S 6St 2-axle DD Non A/C	1
	<hr/>
Subtotal	736

Citybus Limited

Bus type	No. of units
11.6M BYD Battery Powered E-Bus SD A/C	3
10.5M ADL E400 2-axle DD A/C	60
11.3M ADL E500MMC 3-axle DD A/C	49
12M ADL E500 HYBRID (3-axle)	2
12M Dennis Trident complete with Duple Metsec 3-axle DD A/C	77
12M Dennis Trident complete with Walter Alexander 3-axle DD A/C	8
10.6M Dennis Trident complete with Duple Metsec 3-axle DD A/C	1
12M ADL E500 3-axle DD A/C	220
12M ADL E500MMC 3-axle DD A/C	215
12M ADL E500MMC 3-axle DD A/C (Cityflyer)	66
12.8M ADL E500MMC 3-axle DD A/C	129
11.6M Great Dragon Battery Powered E-Bus SD A/C	3
12M Scania K94UB complete with Volgren 3-axle DD A/C	1
12M Scania K280 complete with Caetano 3-axle DD A/C	1
12.8M Volvo B9TL 3-axle DD A/C	1
10.6M Volvo B9TL MKII 2-axle DD A/C	1
11.3M Volvo B9TL 3-axle DD A/C	60
12M Volvo Olympian complete with Walter Alexander 3-axle DD A/C	26
11M Volvo Olympian complete with Walter Alexander 3-axle DD A/C	20
11M Volvo Olympian MKII complete with Walter Alexander 3-axle DD A/C	20
12M Volvo Olympian MKII complete with Walter Alexander 3-axle DD A/C	8
12M Volvo Olympian MKII complete with Plaxton 3-axle DD A/C	10
10.5M Young Man 2-axle SD A/C	16
11.6M Young Man 2-axle SD A/C	16
11.6M Man NL262/R 2-axle SD A/C	11
11.3M Leyland Olympian complete with Walter Alexander 3-axle DD A/C	5
Subtotal	1,029
Total	1,765

**APPENDIX II VALUATION REPORT ON THE BUSES, VESSELS
AND PONTOONS OF THE TARGET GROUP**

New World First Ferry Services Limited

No.	Vessel/pontoon name	Vessel/pontoon type	Year built/ purchased
1	Xin Jie	Double-deck (540 seats)	1983
2	Xin Zhong	Double-deck (543 seats)	1981
3	Xin Fa	Triple-deck (1,000 seats)	1981
4	Xin Chao	Triple-deck (1,434 seats)	1982
5	Xin Fei	Triple-deck (1,270 seats)	1985
6	Xin Guo	Triple-deck (1,382 seats)	1987
7	Xin Guang	Triple-deck (1,303 seats)	1983
8	Xin Ying	Double-deck (528 seats)	1982
9	First Ferry III	Catamaran (403 seats)	2001
10	First Ferry V	Catamaran (403 seats)	2001
11	First Ferry VI	Catamaran (403 seats)	2001
12	First Ferry VII	Catamaran (403 seats)	2001
13	First Ferry VIII	Catamaran (403 seats)	2002
14	First Ferry IX	Catamaran (231 seats)	2003
15	First Ferry X	Catamaran (231 seats)	2003
16	First Ferry XI	Catamaran (231 seats)	2003
17	New Ferry XV	Workboat	2015
18	NF21	Pontoon	2000
19	NF23	Pontoon	2000
20	NF28	Pontoon	2000
21	NF22	Pontoon	2002
22	NF26	Pontoon	2002
23	NF XXV	Pontoon	2001

Conquer Services Limited

No.	Vessel name	Vessel type	Year built/ purchased
1	New Ferry II	Catamaran (432 seats)	1993

SOURCES OF INFORMATION

- Fixed asset register for the buses, vessels and pontoons as of the Valuation Date
- Vessels and pontoons maintenance and other non-capitalized cost overview
- Producer Price Indices of the UK manufacturers of motor vehicles, trailers and semi-trailers, Eurostat, <http://ec.europa.eu/eurostat>

- Producer Price Indices of the Hong Kong manufacturers, <http://www.tradingeconomics.com>
- Exchange rate history of HKD to GBP, <http://www.oanda.com>
- Hong Kong historical inflation, <http://www.theglobaleconomy.com> and <http://www.gdpinflation.com>
- Vessels/Pontoons second hand market data, <http://www.maritimesales.com>
- Bus lifecycle cost model, John A. Volpe National Transportation Systems Center
- Ferry lifecycle cost model, John A. Volpe National Transportation Systems Center

Site Inspection

In accordance with the requested scope of the valuation, no inspection of the Subject Assets was performed. This valuation was developed using desktop procedures, meaning that it was based solely on the content of the data provided by NWS and any communication from NWST. We have assumed that all Subject Assets are in operating condition corresponding to their age under proper maintenance. We assumed that all information provided during the valuation process is accurate and complete.

PROCEDURES

Approaches Utilized

We have utilized the Cost Approach as the primary approach for valuing the majority of the Subject Assets. The Market Approach was used to estimate the value of the subject vessels and pontoons by researching the secondary equipment market for data on sales and/or offers for sale of similar assets. Because used-market data normally accounts for all forms of deterioration and obsolescence, no further adjustments for these factors were made. The Income Approach was not deemed applicable for the Subject Assets due to the lack of direct income streams associated solely with the appraised assets.

The scope of the Subject Assets analysis included a study of the FARs supplied by NWST and research in the marketplace in order to identify replacement costs, useful lives, and other pertinent information used in the valuation process.

General Valuation Procedures

When fixed asset accounting data is used, the process involves 1) loading the data into a valuation model; 2) segregating the assets into logical asset classes; 3) determining a RPDCN for all the assets; 4) assessing and adjusting, as appropriate, the reproduction cost calculation to ensure that it reasonably reflects replacement cost; 5) calculating the diminution of value resulting from physical deterioration based on the age of the assets and a normal useful life that is assigned to each asset class; and 6) investigating and, as appropriate, measuring functional and economic obsolescence.

Within cost approach analysis, several techniques are commonly used to facilitate the process of estimating the current cost new of the assets. For purposes of this valuation, we used trending, and the cost-to-capacity technique to develop cost new of the Subject Assets.

Trending is a technique to estimate current cost new by multiplying historical cost data (the cost when the asset was first placed into service) by relevant age and asset-type price indices. Trending tracks the movement of costs over time; therefore, a trended cost calculation provides what is referred to as reproduction cost, which may or may not be equivalent to replacement cost, which is the normal starting point for a cost approach analysis. In some situations, additional procedures are appropriate to confirm or adjust the reproduction cost estimate to better reflect replacement cost.

The cost-to-capacity technique to estimate the current cost new uses the assumption that the costs of similar assets of different sizes vary, exponentially, by size. Typically, this relationship is represented mathematically as follows:

$$\left(\frac{\text{Cost of Asset 2}}{\text{Cost of Asset 1}} \right) = \left(\frac{\text{Productive Quantity/Size of Asset 2}}{\text{Productive Quantity/Size of Asset 1}} \right)^x$$

Where

x = Engineering exponent

Upon commencement of the engagement, information was requested for the Subject Assets, as of the Valuation Date. We relied primarily on the Cost Approach to value the Subject Assets, and we have applied the Reproduction and Replacement Cost Method. Through discussions with NWS and NWST management, published equipment cost data, and NWS's and NWST's provided data, estimates of RPLCN were provided for certain assets. Where differences arose between the Reproduction and the Replacement Methods, we relied primarily on the RPLCN estimates as these were more supportable and better represented the assets included in our analysis.

Our analysis of the Subject Assets are based primarily on the FARs, in electronic format, as of the Valuation Date. The FARs included such information as the description of each asset, its classification, its original cost and date of installation, and other descriptive information.

Discussions were held with NWS and NWST regarding the accuracy of the FARs. This included verifying that the original cost and acquisition date reflected the true historical cost and the original date placed in service, and did not reflect prior valuation adjustments.

SUBJECT ASSETS ANALYSIS**Classification of the Subject Assets**

For valuation purposes, the assets have been categorized into similar asset types (“Valuation Class”). Each Valuation Class has been assigned a certain valuation methodology based on discussions with management, published sources, and on our experience in valuing these asset types.

Application of the Cost Approach*Development of RPDCN/RPLCN*

The first step in the Cost Approach analysis was the estimation of RPDCN / RPLCN. The following assumptions were utilized and procedures were conducted:

- Cost indices, by year, were derived for each Valuation Class from published sources of this type of data, including producer price indices.
- The historical cost, by year, for each asset was multiplied by the appropriate index, in order to calculate RPDCN.
- Because of most of the buses originates in Europe, we have used the historical cost data adjusted by historical exchange rates and producer price indices to calculate an estimated reproduction cost new for each class of asset. The equipment-based inflation indices were obtained from Eurostat and the exchange rates were published by OANDA.
- For the buses that are no longer manufactured, we have used RPLCN of the modern equivalent available on the market.
- For certain major assets, we analyzed market data to determine if our computed RPDCN approximates RPLCN. Based on this analysis, and where there were material deviations from our computed RPDCN, we have substituted the market derived RPLCN.

Depreciation

The second phase of the Cost Approach incorporates the deterioration, obsolescence and other forms of depreciation affecting each asset. Because the personal property assets, which represents the Subject Assets in this case, have been in service for varying lengths of time, it is logical to assume that they are generally worth less than their cost new. This reduction in value typically results from a combination of factors that might include physical deterioration, functional obsolescence, and economic obsolescence.

The calculation of DRCN was conducted through the following procedures:

- The anticipated useful life and depreciation method of each Valuation Class was assigned through our experience in valuing these types of assets. These assumptions considered both physical deterioration and functional/technological obsolescence for the assets.
- For the purpose of this valuation, physical deterioration was estimated based on an age/life calculation, generally using the historical age data within the fixed asset accounting records. The age/life calculation applies a straight-line depreciation pattern to the asset until the asset is near the end of the designated useful life; at that point, the asset is assumed to have minimum remaining life (assuming the asset is still in service) and the rate of physical deterioration has slowed.
- Normal Useful Life (“NUL”) is the physical life, usually in terms of years, that a new property will actually be used before it is retired from service. A property’s normal useful life relates to how long similar properties actually tend to be used, as opposed to the more theoretical economic life calculation of how long a property can profitably be used (source: American Society of Appraisers).
- We have used 15 years of NUL with remaining rate 10% for buses and 40 years of NUL and 20% remaining rate for vessels and pontoons.
- General functional obsolescence has been taken into account through our assignment of normal useful lives.
- Depreciation was subtracted from our estimated RPLCN to estimate DRCN.

Obsolescence

Functional and economic obsolescence should be considered as a further reduction in value when inutility, excess capital costs, excess operating cost, and/or insufficient business economics factors, specific or external to the assets, are evident and measurable.

As a part of functional obsolescence analysis of buses, we have analyzed emissions standards for heavy duty diesel engines, assuming that informed purchaser will pay less for asset that does not comply with the latest emission requirements. Based on this analysis, we have assigned functional obsolescence to each vintage (year built) as follows:

Year built		Functional obsolescence
from	to	
1990	1991	30%
1992	1995	27%
1996	1999	22%
2000	2004	17%
2005	2007	10%
2008	2012	7%
2013	2016	0%

Other Assumptions

- We have assumed that for the functional utility as of the Valuation Date, the respective assets are complete and will not require any improvement, alteration or modification in order to render it complete for its intended use.
- As stated above, we have not personally inspected the assets but have assumed that the subject assets are in respective condition that meets or exceeds standards for similar equipment of this age and construction.
- We have assumed that all maintenance work has been executed by authorized person and the adherence to quality rules has been documented. We have assumed that a preventative maintenance policy has been in place since the assets began service. The lack of such a policy can adversely affect the operation, utilization and condition of an asset. The maintenance consists of periodic inspections, all performed on a regular schedule.
- Utilization is another factor that should be taken into account. If the property is over utilized, their effective age will exceed their physical age, thereby reducing the Economic Useful Life of such property. The shortened life is directly related to loss in value in the form of added depreciation. In this case, we have assumed that no evidence of over utilization was apparent.

Application of the Market Approach

In addition to the Cost Approach, we have analyzed about 80 passenger vessels/pontoons sold this year worldwide. As these transactions did not reveal any direct market comparable to subject vessels/pontoons, we have calculated a market price per passenger ratio and used these ratios as a check for reasonableness of fair values derived by cost approach.

**APPENDIX II VALUATION REPORT ON THE BUSES, VESSELS
AND PONTOONS OF THE TARGET GROUP**

Additional Consideration

Among the subject buses, there are few models, namely 9.8M Dennis Jubilant, 10.3M Leyland Fleetline, 9.8M Leyland Victory, 11.5M Metro bus, and two units of 9.4M Leyland Fleetline, which are classified as “*antique buses*”. These buses are no longer in the production and have no active secondary market as well. Based on the classification, we have assumed that they are also no longer in the service. These buses were valued at their net book value.

CONCLUSION

Based on the information and analysis summarized in this report, it is our opinion that the fair value for the Subject Assets, as of the Valuation Date, are as presented in the following table:

Buses	Fair value (HKD)
New World First Bus Services Limited	803,480,005
Citybus Limited	<u>1,677,354,600</u>
Subtotal	<u>2,480,834,605</u>
Vessels and Pontoons	
New World First Ferry Services Limited	175,618,850
Conquer Services Limited	<u>11,481,000</u>
Subtotal	<u>187,099,850</u>
Total	<u>2,667,934,455</u>

We hereby certify that we have neither present nor prospective interest in the Subject Assets or the value reported.

Respectfully submitted,

Ricky Lee
Managing Director
American Appraisal China Limited

Note: Mr. Ricky Lee (“Mr. Lee”) has been involved in valuation services for the purposes of joint venture, merger & acquisition and public listing for over fifteen years and is a fellow member of the Association of Chartered Certified Accountants, accredited senior appraiser of the American Society of Appraisers and charter holder of the Chartered Financial Analyst.

This valuation was prepared under the supervision of Mr. Lee as project-in-charge with significant technical advices and contributions from Mr. Evzen Korner (“Mr. Korner”) and assistance from Mr. Georg Fuehr.

Mr. Korner is a specialist in the valuation of industrial property and machinery and equipment with experience of approximately 20 years. He is an Accredited Senior Appraiser in Machinery & Technical Specialties of American Society of Appraisers and is also the member of The Association of German Engineers, Institute of Industrial Engineers as well as The International Association of Consultants, Valuators and Analysts.

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 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			Total	Approximate percentage to the total issued shares of the relevant company as at the Latest Practicable Date
	Personal interests	Family interests	Corporate interests		
The Company					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar Shun, Henry	18,349,571	–	12,000,000 ⁽¹⁾	30,349,571	0.792%
Mr. Tsang Yam Pui	180,000	–	–	180,000	0.005%
Mr. Lam Wai Hon, Patrick	1,316,207	–	7,608 ⁽²⁾	1,323,815	0.035%
Mr. William Junior Guilherme Doo	533,377	–	122,375 ⁽³⁾	655,752	0.017%
Mr. Kwong Che Keung, Gordon	1,207,077	–	–	1,207,077	0.032%
Dr. Cheng Wai Chee, Christopher	2,804,123	–	–	2,804,123	0.073%

	Number of shares			Total	Approximate percentage to the total issued shares of the relevant company as at the Latest Practicable Date
	Personal interests	Family interests	Corporate interests		
Associated corporations					
NWD					
(Ordinary shares)					
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%
Newton Resources Ltd (“Newton Resources”)					
(Ordinary shares of HK\$0.10 each)					
Mr. Cheung Chin Cheung	7,154	–	–	7,154	0.000%
Mr. Kwong Che Keung, Gordon	11,307	–	–	11,307	0.000%
Wai Kee Holdings Limited					
(Ordinary shares of HK\$0.10 each)					
Mr. Lam Wai Hon, Patrick	300,000	–	–	300,000	0.038%

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 respective share option schemes of the Company and NWD, an associated corporation of the Company within the meaning of Part XV of the SFO, options may be granted to their respective directors and employees and also to certain eligible participants of these companies as defined in their respective share option schemes to subscribe for their respective shares. As at the Latest Practicable Date, the following Directors had personal interests in the following share options granted to them to subscribe for shares in the Company and NWD:

	Date of grant	Exercisable period <i>(Notes)</i>	Number of share options outstanding
The Company			
(Exercise price of HK\$14.137 per share)			
Dr. Cheng Kar Shun, Henry	9 March 2015	(1)	7,412,058
Mr. Tsang Yam Pui	9 March 2015	(1)	3,706,028
Mr. Cheung Chin Cheung	9 March 2015	(1)	3,706,028
Mr. Cheng Chi Ming, Brian	9 March 2015	(1)	3,706,028
Mr. To Hin Tsun, Gerald	9 March 2015	(1)	701,140
Mr. Dominic Lai	9 March 2015	(1)	701,140
Mr. Lam Wai Hon, Patrick	9 March 2015	(1)	3,706,028
Mr. William Junior Guilherme Doo	9 March 2015	(1)	701,140
Mr. Kwong Che Keung, Gordon	9 March 2015	(1)	1,402,281
Dr. Cheng Wai Chee, Christopher	9 March 2015	(1)	1,402,281
Mr. Shek Lai Him, Abraham	9 March 2015	(1)	1,402,281
Mr. Lee Yiu Kwong, Alan	9 March 2015	(1)	1,402,281
NWD			
(Exercise price of HK\$7.540 per share)			
Dr. Cheng Kar Shun, Henry	10 June 2016	(2)	10,675,637

Notes:

- (1) 60% of the share options are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40% of the share options are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.
- (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 the Company or NWD was HK\$10.

2.3 Long position in debentures

As at the Latest Practicable Date, the following Director had interests in the debentures issued by Rosy Unicorn Limited, New World China Land Limited, Fita International Limited, NWD (MTN) Limited and NWD Finance (BVI) 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 interests	Family interests	Corporate interests		
Rosy Unicorn Limited					
Mr. William Junior Guilherme Doo	-	-	US\$4,500,000 ⁽¹⁾	US\$4,500,000	0.900%
New World China Land Limited					
Mr. William Junior Guilherme Doo	-	-	RMB27,628,000 ⁽²⁾	RMB27,628,000	0.295%
Fita International Limited					
Mr. William Junior Guilherme Doo	-	-	US\$3,000,000 ⁽¹⁾	US\$3,000,000	0.400%
NWD (MTN) Limited					
Mr. William Junior Guilherme Doo	-	-	US\$2,000,000 ⁽¹⁾	US\$2,000,000	0.078%
NWD Finance (BVI) Limited					
Mr. William Junior Guilherme Doo	-	-	US\$1,310,000 ⁽¹⁾	US\$1,310,000	0.109%

Notes:

- (1) The debentures were held by a company/companies wholly owned by Mr. William Junior Guilherme Doo.
- (2) The debentures were held by a company wholly owned by Mr. William Junior Guilherme Doo of which RMB6,128,000 debentures were issued in US\$ and had been translated into RMB using the rate of US\$1 = RMB6.128.

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 had any interest or short position in the shares, underlying shares (within the meaning of Part XV of the SFO) or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be: (i) notified to the Company and the Stock

Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which a Director or chief executive of the Company would be taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

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

Name	Number of Shares			Approximate percentage to the issued share capital of the Company as at the Latest Practicable Date
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited	–	2,446,682,308 ⁽¹⁾	2,446,682,308	63.85%
Cheng Yu Tung Family (Holdings II) Limited	–	2,446,682,308 ⁽²⁾	2,446,682,308	63.85%
Chow Tai Fook Capital Limited	–	2,446,682,308 ⁽³⁾	2,446,682,308	63.85%
Chow Tai Fook (Holding) Limited	–	2,446,682,308 ⁽⁴⁾	2,446,682,308	63.85%
CTFE	97,034,424	2,349,647,884 ⁽⁵⁾	2,446,682,308	63.85%
NWD	1,572,899,022	776,748,862 ⁽⁶⁾	2,349,647,884	61.32%
Mombasa Limited	706,667,321	–	706,667,321	18.44%

Notes:

- (1) Cheng Yu Tung Family (Holdings) Limited held approximately 48.98% direct interest in Chow Tai Fook Capital Limited (“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 78.58% direct interest in Chow Tai Fook (Holding) Limited (“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 CTFE and was accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTFE.
- (5) CTFE, 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, 33,550,783 Shares each held by Hing Loong Limited and Fine Reputation Incorporated respectively, all of them are 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 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	CTFE group of companies	Investment in transport services and commercial aircraft leasing businesses	Director
	FSE Holdings Limited group of companies	Carpark management	Director and shareholder
	Silver City International Limited group of companies	Food and beverage operations	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
	Road King Infrastructure Limited	Development, operation and management of toll roads	Director
Mr. William Junior Guilherme Doo	FSE Holdings Limited group of companies	Carpark management	Director
	Silver City International Limited group of companies	Food and beverage operations	Director

5. ADDITIONAL DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Enlarged Group which was not determinable by the relevant member of the Enlarged Group within one year without payment of compensation, other than statutory compensation.
- (b) As at the Latest Practicable Date, Dr. Cheng Kar Shun, Henry, Mr. Cheng Chi Ming, Brian and Mr. William Junior Guilherme Doo were members of the Cheng's family which held interest in Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited which in turn indirectly controlled CTFE, and there was a tenancy agreement regarding the letting of an office premises by an associate of CTFE to the Group at a monthly rental of HK\$65,232 and the amount of such transaction was covered under the master services agreement dated 11 April 2014 made between the Company and CTFE as disclosed in the annual report of the Company for the year ended 30 June 2016. Save as disclosed herein, 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 2016 (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 Enlarged Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group.

- (c) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the businesses of the Enlarged Group.
- (d) As at the Latest Practicable Date, the following Director was a director or employee of a company which 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:

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	CTFE
Dr. Cheng Kar Shun, Henry	NWD
Dr. Cheng Kar Shun, Henry	Mombasa Limited

6. MATERIAL ADVERSE CHANGE

An announcement was made by the Company on 30 November 2016 in relation to, among other things, a preliminary impairment assessment to be carried out by the Group on its investment of 35.5% equity interest in Newton Resources (“**Investment**”), owing to the possible impairment to be made by Newton Resources on the value of its group’s assets at Yanjiazhuang Mine. Such impairment loss to be made by the Group (if any) in respect of the Investment is non-cash in nature and bears no impact on the cash flow or the operation of the Group. The Board considers that the impairment loss (if any) will not result in any material adverse change in the financial and trading position of the Group.

As at the Latest Practicable Date, the Board was not aware of any material adverse change in the financial or trading position of the Group since 30 June 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. EXPERTS AND CONSENTS

The following are the qualifications of the experts whose advice and/or reports are contained in this Circular:

Name	Qualification
BOSC International Company Limited	A corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
American Appraisal China Limited	Independent valuation specialist

Each of BOSC International Company Limited and American Appraisal China Limited has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter and/or reports and references to its name and its letter and/or reports in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of BOSC International Company Limited and American Appraisal China Limited 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, each of BOSC International Company Limited and American Appraisal China Limited did not have any direct or indirect interest in any assets which had been, since 30 June 2016 (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 Enlarged Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group.

8. MISCELLANEOUS

The English text of this Circular and the enclosed proxy form will 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 head office and 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 from the date of this Circular up to and including 29 December 2016 and at the SGM:

- (a) the Sale and Purchase Agreement;
- (b) the Shareholders Agreement;

- (c) the written consents as referred to under the paragraph headed “Experts and consents” in this appendix;
- (d) the letter of recommendation 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” of this Circular;
- (e) the letter of advice from the Independent Financial Adviser 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” of this Circular;
- (f) the valuation report on the buildings and structures of the Target Group, the text of which is set out in Appendix I to this Circular; and
- (g) the valuation report on the buses, vessels and pontoons of the Target Group, the text of which is set out in Appendix II to 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)

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), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Thursday, 29 December 2016 at 11:30 a.m. for the purpose of considering and, if thought fit, with or without amendments, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the conditional sale and purchase agreement dated 15 November 2016 (the “**Sale and Purchase Agreement**”) (a copy of the Sale and Purchase Agreement has been produced at the meeting and marked “A” and initialled by the Chairman of the meeting for the purpose of identification) entered into between Enrich Group Limited as vendor and NWS Service Management Limited as purchaser in relation to the acquisition of 50% of the entire issued share capital of NWS Transport Services Limited by NWS Service Management Limited and all transactions contemplated thereunder and in connection therewith, be and are hereby confirmed, ratified and approved; and
- (b) any director of the Company be and is hereby authorised to take all such steps, do all such acts and things and execute all such documents which he/she may in his/her absolute discretion, consider necessary, desirable or expedient in connection with or to implement or give effect to the Sale and Purchase Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 7 December 2016

* *For identification purposes only*

NOTICE OF SGM

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 Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the appointed time for holding of the Meeting or at any adjournment thereof (as the case may be).
3. A form of proxy for use at the Meeting is enclosed. Completion and return of the form of proxy will not preclude you from attending and voting at the Meeting or any adjournment thereof.
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 will alone be entitled to vote in respect thereof.
5. Voting on the above resolution will be taken by poll.
6. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
7. As at the date of this notice, (a) the executive directors of the Company are Dr. Cheng Kar Shun, Henry, Mr. Tsang Yam Pui, Mr. Hui Hon Chung, Mr. Cheung Chin Cheung and Mr. Cheng Chi Ming, Brian; (b) the non-executive directors of the Company are Mr. To Hin Tsun, Gerald, Mr. Dominic Lai, Mr. Lam Wai Hon, Patrick and Mr. William Junior Guilherme Doo; and (c) the independent non-executive directors 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 and Mrs. Oei Fung Wai Chi, Grace.