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# **New World China Land Limited**

## **新世界中國地產有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 917)**

### **CONTINUING CONNECTED TRANSACTIONS**

### **HOTEL MANAGEMENT SERVICES CONTRACT**

#### **The Contract**

On 1 February 2010, NWHM, an indirect wholly-owned subsidiary of the Company, entered into the Contract with Shunde Poh-hing in relation to the provision of hotel management services by NWHM to the Hotel.

#### **Continuing connected transactions**

Shunde Poh-hing is a jointly-controlled entity which is owned as to 65% by Global Perfect Development Limited and as to 35% by an independent third party. Global Perfect Development Limited is owned by the Group as to 50% and by CTF Nominee Limited as nominee for Centennial as to 50%. Centennial owns the entire interest in CTF which owns an approximately 38.85% interest in NWD. As at the date of this announcement, NWD held an approximately 70% attributable interest in the issued share capital of the Company. Shunde Poh-hing is an associate of Centennial and therefore a connected person of the Company within the meaning of Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Contract constitute continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules.

The Contract has an initial term of twenty years commencing from 1 January 2010 to 31 December 2029. It was estimated that one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the expected maximum amount receivable under the Contract for each of the three financial years ending 30 June 2012 will be more than 0.1% but less than 2.5%, the transactions contemplated under the Contract are therefore exempt from independent shareholders' approval requirement but are subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

## THE CONTRACT

The principal terms of the Contract are as follows:

- Date : 1 February 2010
- Parties : (a) Shunde Poh-hing, as owner of the Hotel; and  
(b) NWHM
- Scope of services rendered : the provision of management services by NWHM to Shunde Poh-hing in respect of the Hotel, including (a) formulation of business strategy, operational plans, pricing policy and setting guidelines on the operating standard of the Hotel; (b) provision of assistance in the preparation of budgets and overseeing the financial accounting and treasury management function; (c) overseeing the decoration, maintenance of facilities and assistance in the procurement of furniture, equipments, groceries and other supplies; (d) supervision of hotel personnel, advising on recruitment and remuneration policies and provision of staff training; and (e) monitoring the advertising, marketing and promotional activities of the Hotel and attending to the leasing matters
- Term : an initial term of twenty years commencing from 1 January 2010 and expiring on 31 December 2029 which is renewable for successive terms of 10 years each provided that NWHM shall give prior notice on or before 31 December 2028, and in the case of each subsequent renewal, NWHM shall give prior notice on or before 1 January in the final year of the extended term (note)
- Basic management fees : 2% of the monthly Total Revenue of the Hotel. The fee is payable in cash within 30 days after the end of each month.
- Incentive management fees : (i) 5% of the Gross Operating Profit of the Hotel from 1 January 2010 up to 31 December 2014  
(ii) 6% of the Gross Operating Profit of the Hotel for the next five years up to 31 December 2019; and  
(iii) 7% of the Gross Operating Profit of the Hotel from 1 January 2020
- The fees are payable in cash within 30 days after the end of each month.
- Expenses : expenses incurred by NWHM will be reimbursed on an actual basis within 30 days upon presentation of the relevant invoices

- Marketing fees : (1) a marketing fee will be charged by NWHM per guest room per annum which is US\$70 per guest room (or about US\$5.83 per month per guest room) plus 1.5% of the Total Revenue per month to cover the costs incurred by NWHM for the provision of marketing services to the Hotel; and
- (2) all costs relating to (i) the provision of centralized reservation system basing on the number of reservations made; and (ii) the client rewarding scheme basing on a percentage of the total revenue of the guests' spending at the Hotel, are payable by the Hotel

The fees are payable in cash within 30 days after the end of each month.

Note:

As required by Rule 14A.35 of the Listing Rules, the period for non-exempt continuing connected transactions must not exceed 3 years, except in special circumstances which are limited to cases where the nature of the transaction requires the contract to be of a duration longer than 3 years. To comply with the Listing Rules, the Board has appointed CIMB as the independent financial advisor to advise them in relation to the duration of the Contract. CIMB noted that different hotel management operators have different requirements, branding and marketing strategies, and standards for hotels under their management. Hotel owners are normally required to decorate their hotels, and change the branding and marketing strategies to fit the requirements of the hotel management operators. As frequent changes of hotel management operator may lead to expensive redecorations, temporary closure of the hotel and may also result in confusion of hotel identity, contracts in respect of hotel management and the related sales and marketing services, are normally of long duration. In addition, CIMB has confirmed that it is of normal business practice for the type of the Contract to be of the Term having considered the following principal factors and reasons:

- (i) the transactions contemplated under the Contract fall within the principal business of the Group;
- (ii) the Contract will provide a stable source of income to the Group given that NWHM will be entitled to monthly management fees and monthly marketing fees;
- (iii) the Term of the Contract falls within the initial term range of four to twenty years, of the other eight hotel management contracts in respect of the provision of, amongst other matters, hotel management, and sales and marketing services, entered into by the Group for those eight hotels located in the PRC and Philippines, of which five of them are hotels owned/invested by the Group, two are hotels co-invested by CTF and NWD and the remaining one is a hotel invested by CTF;

- (iv) as disclosed in the announcement of Kerry Properties Limited (“Kerry”) (Stock Code: 683), a company listed on the Stock Exchange, dated 30 May 2006, a non-wholly owned subsidiary of Kerry entered into hotel management agreements in respect of the provision of, amongst other matters, hotel management and marketing services, with a then indirect wholly-owned subsidiary of Shangri-La Asia Limited, an associate of Kerry, in respect of The Kerry Centre Hotel, Beijing, for an initial term of twenty years;
- (v) as disclosed in the prospectus of Regal Real Estate Investment Trust (“Regal REIT”) (Stock Code: 1881), a company listed on the Stock Exchange, dated 19 March 2007, Regal REIT owned an investment portfolio of five hotel properties in Hong Kong at the time of its listing, all of which are managed by a subsidiary of Regal Hotels International Holdings Limited (Stock Code: 78), a company listed on the Stock Exchange, pursuant to a hotel management agreement in respect of the provision of, amongst other matters, hotel management and marketing services for an initial term of twenty years from the date of the listing of Regal REIT;
- (vi) as disclosed in the announcement of The Hong Kong and Shanghai Hotels, Limited (“HSH”) (Stock Code: 45), a company listed on the Stock Exchange, dated 20 January 2009, an indirect wholly-owned subsidiary of HSH will manage a hotel, which is located in Paris, France and is scheduled to open in mid 2012, for an initial term of thirty years;
- (vii) as disclosed in the annual report of HSH for the year ended 31 December 2008, HSH indirectly held certain interest in a long term hotel management contract in respect of The Peninsula Beverly Hills hotel for a period of forty-five years; and
- (viii) based on the information provided by the Company, NWD owns a number of hotels which are currently managed by international hotel management operators and the initial terms of those hotel management contracts in respect of the provision of, amongst other matters, hotel management and marketing services range from five to thirty years.

The Board will comply with the then requirements under the Listing Rules in the event that the Contract is renewed and will make further announcement in this regard as appropriate.

## **THE CAPPED AMOUNT**

The Directors expect that the total maximum fees receivable under the Contract in each of the following periods will be as follows:

	HK\$
From 1 January 2010 to 30 June 2010	2,250,000
From 1 July 2010 to 30 June 2011	4,500,000
From 1 July 2011 to 30 June 2012	4,500,000

The annual maximum fees receivable are determined based on the estimation of the Total Revenue with reference to the operation budget of the Hotel for the year 2010 and an estimated increase in the Total Revenue at an annual rate of 3% in subsequent years.

The Directors expect that further announcement will be made by the Company on the maximum annual management fees receivable under the Contract after 30 June 2012.

## **INFORMATION RELATING TO NWHM AND SHUNDE POH-HING**

NWHM is a limited liability company incorporated under the laws of Hong Kong and is principally engaged in the provision of hotel management services.

Shunde Poh-hing is a company established under the laws of the PRC and is principally engaged in the operations of the Hotel.

## **REASONS FOR ENTERING INTO THE CONTRACT**

The Group is principally engaged in the property development, property related investment as well as rental and hotel operation in the PRC. NWHM is the operating vehicle of the Group providing hotel management services. The Contract is entered into in the ordinary course of business of NWHM and will provide a stable source of income to the Group.

The terms of the Contract, including the scale of fees, are determined after arm's length negotiation between the parties by reference to the current market levels of management and marketing fees of other hotels in Shunde District, PRC.

The Board, including the independent non-executive Directors, is of the view that the terms of the Contract are on normal commercial terms and the transactions contemplated therein are in the ordinary course of business of the Group. They also consider that the Contract is fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **CONNECTED RELATIONSHIP WITH SHUNDE POH-HING**

Shunde Poh-hing is a jointly-controlled entity which is owned as to 65% by Global Perfect Development Limited and as to 35% by an independent third party. Global Perfect Development Limited is owned by the Group as to 50% and by CTF Nominee Limited as nominee for Centennial as to 50%. Centennial owns the entire interest in CTF which owns an approximately 38.85% interest in NWD. As at the date of this announcement, NWD held an approximately 70% attributable interest in the issued share capital of the Company. Shunde Poh-hing is an associate of Centennial and therefore a connected person of the Company within the meaning of Chapter 14A of the Listing Rules.

## **CONTINUING CONNECTED TRANSACTIONS**

The hotel management services to be provided to NWHM under the Contract will be carried out on an ongoing basis, and therefore the transactions contemplated under the Contract constitute continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules.

It was estimated that one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the expected maximum amount receivable under the Contract for each of the three financial years ending 30 June 2012 will be more than 0.1% but less than 2.5%, the transactions contemplated under the Contract are therefore exempt from independent shareholders' approval requirement but are subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

## TERMS USED IN THIS ANNOUNCEMENT

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

“Board”	the board of Directors
“Centennial”	Centennial Success Limited, a company incorporated in British Virgin Islands
“CIMB”	CIMB Securities (HK) Limited, the independent financial advisor to the Board in relation to the duration of the Contract
“Company”	New World China Land Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed in the main board of the Stock Exchange
“Contract”	a contract dated 1 February 2010 entered into between Shunde Poh-hing and NWHM relating to the provision of hotel management services by NWHM to the Hotel
“CTF”	Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong with limited liability
“Directors”	directors of the Company
“Gross Operating Profit”	Total Revenue less cost of operation of the Hotel, including but not limited to cost relating to restaurant operations, hotel supplies, utilities, salaries, reserves for capital items, marketing fee and basic management fee but without deduction of depreciation, property tax, insurance, interest expenses and other expenses not recognized as cost of operation in accordance with the Uniform System of Accounts for Lodging Industry
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hotel”	the hotel located at 150 Qing-hui Road, Da-liang, Shunde District, Foshan City, Guangdong Province, the PRC (中國廣東省佛山市順德區大良清暉路 150 號) to be re-named as New World Hotel Shunde (順德新世界酒店)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“NWD”	New World Development Company Limited (stock code: 17), a company incorporated in Hong Kong with limited liability and whose shares are listed on the main board of the Stock Exchange.
“NWHM”	New World Hotel Management Company Limited, an indirect wholly-owned subsidiary of the Company
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shunde Poh-hing”	佛山市順德區寶興酒店有限公司 (Foshan City Shunde Poh-hing Hotel Co., Ltd.*)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	a term of twenty years commencing from 1 January 2010 and expiring on 31 December 2029
“Total Revenue”	the direct and indirect revenue derived from the operation of the Hotel, including but not limited to rooms revenue and income received from restaurant operations, leases of shops area, rebates earned by the Hotel from other parties who provide ancillary services or goods in the Hotel and other income recognized by the local tax authority for taxation purposes
“%”	per cent

By order of the Board  
**Ngan Man-ying, Lynda**  
*Company Secretary*

Hong Kong, 1 February 2010

At the date of this announcement, the Board comprises (a) eight executive directors, namely Dr. Cheng Kar-shun, Henry, Mr. Cheng Kar-shing, Peter, Mr. Cheng Chi-kong, Adrian, Miss Cheng Chi-man, Sonia, Mr. Cheng Chi-him, Conrad, Mr. Chow Yu-chun, Alexander, Mr. Fong Shing-kwong, Michael and Ms. Ngan Man-ying, Lynda; (b) three non-executive directors, namely Mr. Doo Wai-hoi, William, Mr. Leung Chi-kin, Stewart and Mr. Chow Kwai-cheung; and (c) three independent non-executive directors, namely Mr. Cheng Wai-chee, Christopher, Mr. Tien Pei-chun, James and Mr. Lee Luen-wai, John.

*This announcement is published on the websites of the Company ([www.nwcl.com.hk](http://www.nwcl.com.hk)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).*

\* for identification purpose only