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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**

#### **MASTER SERVICE AGREEMENT WITH NEW WORLD DEVELOPMENT COMPANY LIMITED**

The Company and NWD entered into the Master Service Agreement on 27 May 2008 whereby the Company agrees to engage relevant members of the NWD Group to provide the Services to members of the Group during the term of the Master Service Agreement.

As NWD, together with its subsidiaries, holds approximately 70% of total issued share capital of the Company, it is a substantial shareholder of the Company and hence a connected person of the Company. The transactions contemplated under the Master Service Agreement therefore constitute continuing connected transactions of the Company under the Listing Rules. Given that each of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the maximum aggregate annual value in respect of the Services contemplated under the Master Service Agreement exceeds 2.5%, the Master Service Agreement is subject to reporting and announcement requirements and Independent Shareholders' approval under the Listing Rules.

A circular containing details of the Master Service Agreement, a letter from the independent board committee of the Company and a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders together with a notice convening the EGM will be despatched to the shareholders of the Company as soon as practicable.

### **BACKGROUND**

In the ordinary course of their businesses, members of the Group regularly enter into continuing connected transactions with members of the NWD Group. In order to streamline and renew such continuing connected transactions, the Company and NWD entered into the Master Service Agreement on 27 May 2008 whereby the Company agrees to engage relevant members of the NWD Group to provide the Services to members of the Group during the term of the Master Service Agreement.

# THE MASTER SERVICE AGREEMENT

**Date:** 27 May 2008

**Parties:** the Company and NWD

**Term:** with effect from 1 July 2008 for a term of three years

## Provision of Services

Under the Master Service Agreement, the Company agrees to engage relevant members of the NWD Group to provide the Services to members of the Group during the term of the Master Service Agreement.

The Services include the following categories of services:

| <b>Categories of Services</b> | <b>Description of services</b>  |
|-------------------------------|---|
| Contracting Services          | the provision of construction, engineering and related services by the relevant members of the NWD Group to members of the Group, including but not limited to, building and general construction, civil engineering, building exterior and interior design, building repair, renovation maintenance and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction and project management, supply of construction and building equipment and materials, electrical and mechanical engineering works, supply and installation of air-conditioning, heating and ventilation systems, fire services systems, plumbing and drainage systems, lift repair and maintenance services, electrical systems and system design and consultancy and computer aided drafting services |
| Property Agency Services      | the provision of property agency and related services in connection with the promotion, sale and leasing of properties by the relevant members of the NWD Group to members of the Group, including but not limited to, (a) design and compilation of promotion and marketing plans; (b) supervision of marketing activities and overseeing the operation of sales offices; (c) formulation of pricing strategy and assistance in the execution and completion of sale and leasing agreements with the buyers and tenants  |

## Major terms

Pursuant to the Master Service Agreement, the provision of the Services shall be in accordance with the following terms:

- (a) as for the Services undertaken by any member of the NWD Group but not yet completed as at the commencement date of the Master Service Agreement, NWD agrees to procure relevant members of the NWD Group to continue to provide the relevant Services in accordance with the terms of the relevant agreements, notwithstanding the terms of the Master Service Agreement;
- (b) save as the Services referred to in (a) above, NWD agrees to provide the Services through itself and/or any of its subsidiaries to members of the Group in accordance with the terms of the Master Service Agreement at the request of the Group, subject to the subsequent agreement of the terms and conditions by the parties thereto in relation to each particular service which shall be recorded in writing in the form of an operational agreement;
- (c) the terms of the Operational Agreements shall be in compliance with the relevant laws and regulations in force from time to time and shall be on normal commercial terms, negotiated on arm's length basis and at prices and terms comparable with terms available to independent third parties; and
- (d) the appointment of the relevant members of the NWD Group by the Group to provide the Services under the Master Service Agreement is on a non-exclusive basis.

## Historic transaction values and annual caps

The aggregate transaction values in respect of each category of the Services for the periods indicated below were as follows:

| <u>Services</u>          | <u>Aggregate transaction values</u>    |                |                           |
|--------------------------|--|----------------|---------------------------|
|                          | <u>for each of the financial years</u> |                | <u>for the six months</u> |
|                          | <u>ended 30 June</u>                   |                | <u>period ended 31</u>    |
|                          | <u>2006</u>                            | <u>2007</u>    | <u>December</u>           |
|                          | HK\$ (million)                         | HK\$ (million) | <u>2007</u>               |
|                          |  |                | HK\$ (million)            |
| Contracting Services     | 173.9                                  | 135.8          | 217.4                     |
| Property Agency Services | 2.0                                    | 5.1            | 4.2                       |
| Total                    | 175.9                                  | 140.9          | 221.6                     |

The annual cap in respect of each category of the Services for each of the financial years ended 30 June 2006 and 2007 and for the financial year ending 30 June 2008 are as follows:

| <u>Services</u>          | <u>Annual cap for each of the financial years</u> |                           |                            |
|--------------------------|---|---------------------------|----------------------------|
|                          | <u>ended 30 June 2006</u>                         | <u>ended 30 June 2007</u> | <u>ending 30 June 2008</u> |
|                          | HK\$ (million)                                    | HK\$ (million)            | HK\$ (million)             |
| Contracting Services     | 1,073.0   | 1,391.0                   | 1,714.0                    |
| Property Agency Services | 8.8   | 11.7                      | 9.0                        |
| <b>Total</b>             | <b>1,081.8</b>                                    | <b>1,402.7</b>            | <b>1,723.0</b>             |

### **Annual caps**

The Company expects that the maximum aggregate annual value in respect of each category of the Services will be as follows:

| <u>Services</u>          | <u>Annual cap for each of the financial years ending 30 June</u> |                |                |
|--------------------------|--|----------------|----------------|
|                          | <u>2009</u>  | <u>2010</u>    | <u>2011</u>    |
|                          | HK\$ (million)   | HK\$ (million) | HK\$ (million) |
| Contracting Services     | 4,102.0  | 4,728.1        | 4,649.5        |
| Property Agency Services | 6.6  | 7.4            | 7.0            |
| <b>Total</b>             | <b>4,108.6</b>   | <b>4,735.5</b> | <b>4,656.5</b> |

Each of the annual caps above has been determined by reference to:

- (a) the prevailing market conditions;
- (b) the historical annual amounts in respect of that category of service provided by the relevant members of the NWD Group to members of the Group; and
- (c) the projected quantity of Services that relevant members of the NWD Group would be engaged to undertake in the next three financial years.

The above mentioned projected figures are determined based on the relevant historical figures, the business growth of the Group, the estimated future demand for the Services with regard to factors such as the values of the construction contracts signed, new sizeable property projects scheduled to be developed and construction of new phases of existing property projects by the Group, and inflation.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER SERVICE AGREEMENT**

The Company is principally engaged in property development, property investment as well as rental and hotel operation in the PRC. The core businesses of NWD include property, infrastructure, hotel operation, department store operation, services as well as telecommunications and technology.

The transactions contemplated under the Master Service Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group and the NWD Group. The Master Service Agreement provides a framework for Services which may be provided by the NWD Group from time to time on a non-exclusive basis and regulates the future possible business relationship between the Group and the NWD Group.

The directors of the Company are of the view that the terms of the Master Service Agreement are fair, reasonable and in the interests of the Company and its shareholders as a whole and that it is beneficial to the Company to enter into the Master Service Agreement.

## **CONTINUING CONNECTED TRANSACTIONS**

As NWD, together with its subsidiaries, holds approximately 70% of total issued share capital of the Company, it is a substantial shareholder of the Company and hence a connected person of the Company. The transactions contemplated under the Master Service Agreement therefore constitute continuing connected transactions of the Company under the Listing Rules. Given that each of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the maximum aggregate annual value in respect of the Services contemplated under the Master Service Agreement exceeds 2.5%, the Master Service Agreement is subject to reporting and announcement requirements and Independent Shareholders' approval under the Listing Rules. NWD and its associates will abstain from voting on the resolution to approve the Master Service Agreement at the EGM.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An independent board committee of the Company has been appointed to advise the Independent Shareholders on the terms of the Master Service Agreement. Commerzbank AG Hong Kong Branch has been appointed as the independent financial adviser to advise the independent board committee of the Company and the Independent Shareholders on the terms of the Master Service Agreement.

## **DESPATCH OF CIRCULAR**

A circular containing details of the Master Service Agreement, a letter from the independent board committee of the Company and a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders together with a notice convening the EGM will be despatched to the shareholders of the Company as soon as practicable.

## **DEFINITIONS**

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

|                            |   |
|----------------------------|---|
| “associates”               | has the meaning ascribed to it under the Listing Rules  |
| “Company”                  | New World China Land Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange  |
| “connected person”         | has the meaning ascribed to it under the Listing Rules  |
| “Contracting Services”     | the provision of construction, engineering and related services by the relevant members of the NWD Group to members of the Group as described in the section headed “Master Service Agreement” in this announcement |
| “EGM”                      | the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Master Service Agreement  |
| “Group”                    | the Company and its subsidiaries from time to time  |
| “HK\$”                     | Hong Kong dollars, the lawful currency of Hong Kong   |
| “Hong Kong”                | The Hong Kong Special Administrative Region of the PRC  |
| “Independent Shareholders” | shareholders of the Company other than NWD and its associates   |
| “Listing Rules”            | The Rules Governing the Listing of Securities on the Stock Exchange   |
| “Master Service Agreement” | the master service agreement in relation to the Services entered into between the Company and NWD on 27 May 2008  |

|                            |  |
|----------------------------|--|
| “NWD”                      | New World Development Company Limited, a company incorporated in Hong Kong, the shares of which are listed on the main board of the Stock Exchange   |
| “NWD Group”                | NWD and its subsidiaries from time to time   |
| “Operational Agreement”    | the individual agreement in respect of the provision of any of the Services which may from time to time be entered into between a member of the Group and a member of the NWD Group pursuant to the Master Service Agreement   |
| “PRC”                      | The People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan  |
| “Property Agency Services” | the provision of property agency and related services in connection with the promotion, sale and leasing of properties by the relevant members of the NWD Group to members of the Group as described in the section headed “Master Service Agreement” in this announcement |
| “Services”                 | the Contracting Services and the Property Agency Services  |
| “Stock Exchange”           | The Stock Exchange of Hong Kong Limited  |
| “%”                        | per cent.  |

By order of the board of  
**New World China Land Limited**  
**Ngan Man-ying, Lynda**  
*Company Secretary*

Hong Kong, 27 May 2008

*As at the date of this announcement, the board of directors of the Company comprises: (1) Dr. Cheng Kar-shun, Henry, Mr. Doo Wai-hoi, William, Mr. Cheng Kar-shing, Peter, Mr. Cheng Chi-kong, Adrian, Mr. Leung Chi-kin, Stewart, Mr. Chow Kwai-cheung, Mr. Chow Yu-chun, Alexander, Mr. Fong Shing-kwong, Michael and Ms. Ngan Man-ying, Lynda as executive directors; (2) Mr. Fu Sze-shing as non-executive director and (3) Mr. Cheng Wai-chee, Christopher, Mr. Tien Pei-chun, James and Mr. Lee Luen-wai, John as independent non-executive directors.*