



# TOP GLORY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

## ANNOUNCEMENT ONGOING CONNECTED TRANSACTION Renewal of Hotel Management Agreement

### SUMMARY

Beijing Gloria, a 65% owned subsidiary of the Company, has entered into the Hotel Management Agreement with Gloria International, pursuant to which Gloria International will provide general hotel operation and management services to Beijing Gloria Plaza Hotel for a term of ten years from 29th September, 2003.

Since Gloria International is a wholly-owned subsidiary of the Company's substantial shareholder and Beijing Gloria is a subsidiary of the Company, the Transaction under the Hotel Management Agreement constitutes a connected transaction under Chapter 14 of the Listing Rules. As the aggregate remuneration payable annually under the Hotel Management Agreement will be less than 3% of the net tangible assets value of the Group, the Transaction is only subject to the disclosure requirements pursuant to Rule 14.25(1) of the Listing Rules. As the Transaction is to take place on an ongoing basis in accordance with the terms of the Hotel Management Agreement, the Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements of Chapter 14 of the Listing Rules to issue further press announcements in respect of the Transaction for each of the subsequent financial year subject to the conditions set out below.

Details of the Transaction will be included in the next published annual report and accounts of the Company during the continuance of the Transaction.

### The Hotel Management Agreement dated 27th March, 2003 between Beijing Gloria and Gloria International

#### Parties:

- (1) Hotel owner: 凱萊大酒店有限公司 (Gloria Plaza Hotel Ltd.) ("Beijing Gloria"), a wholly-foreign equity joint venture company and owned as to 65% by the Group
- (2) Hotel manager: Gloria International Hotels Limited ("Gloria International"), a wholly-owned subsidiary of COFCO HK

Date: 27th March, 2003

#### HOTEL MANAGEMENT AGREEMENT

Pursuant to the Existing Agreement entered into between Beijing Gloria and Gloria International on 23rd April, 1993, Beijing Gloria appointed Gloria International as the hotel manager of Beijing Gloria Plaza Hotel to provide general hotel operation and management services to the hotel for a term of ten years from 29th September, 1993 to 28th September, 2003. In return, Gloria International is entitled to receive (1) a fee calculated based on 2.5% of the annual turnover of Beijing Gloria Plaza Hotel (the "Management Fee") and (2) an incentive calculated at 4% of the actual gross profit for the relevant year (the "Management Incentive") and together with the Management Fee, the "Remuneration") should the annual gross profit of Beijing Gloria achieves the amount budgeted for by the board of directors of Beijing Gloria for the relevant year. The transaction under the Existing Agreement constitutes a connected transaction and the Stock Exchange has on 21st April 1997 granted a waiver to the Company from strict compliance with the disclosure requirements under the Listing Rules on such transaction under the Existing Agreement to issue further press announcements for each of the subsequent financial year. For the three years ended 31st December, 2001, the Remuneration amounted to about RMB2,495,000, RMB2,383,000 and RMB2,086,000 respectively.

As the Existing Agreement will expire in September 2003, Beijing Gloria and Gloria International have entered into the Hotel Management Agreement pursuant to which Beijing Gloria appoints Gloria International as the hotel manager of Beijing Gloria Plaza Hotel for another term of ten years from 29th September, 2003, the date immediately following the expiry of the Existing Agreement, to provide general hotel operation and management services to the hotel in return for the same level of Management Fee and the Management Incentive as the Existing Agreement i.e. 2.5 % of the annual turnover of Beijing Gloria Plaza Hotel for the Management Fee and 4% of the actual gross profit when achieving the budgeted amount for the Management Incentive.

The terms of the Hotel Management Agreement and the Remuneration payable by Beijing Gloria were agreed after arm's length negotiations and were considered by the Directors (including the independent non-executive Directors) to be on normal commercial terms with reference to the general market rate chargeable by other comparable hotel manager of hotel of similar grade and are fair and reasonable.

#### INFORMATION ON THE COMPANY AND BEIJING GLORIA PLAZA HOTEL

The Company is an investment holding company. Through its subsidiaries, it is principally engaged in property development and investment, hotel ownership and operations and related businesses. The Company is owned as to about 58.93% by COFCO HK.

Beijing Gloria is owned as to 65% by a wholly-owned subsidiary of the Company. The remaining 35% is held by a wholly-owned subsidiary of COFCO HK. The principal asset of Beijing Gloria is the hotel known as Beijing Gloria Plaza Hotel located in the heart of Beijing at No. 2 Jianguomenan Avenue, Chaoyang District, Beijing and is one kilometre from Beijing Railway Station, two kilometres from Tiananmen Square and 25 kilometres from Beijing International Airport. The hotel is a four-star hotel with 424 guest rooms and suites with a gross floor area of approximately 38,000 square metres.

#### CONNECTED PERSON

As at the date hereof, COFCO HK, directly and indirectly through its wholly-owned subsidiaries, holds approximately 58.93% of the issued share capital of the Company. Pursuant to the Listing Rules, COFCO HK is a substantial shareholder of the Company. As Gloria International is a wholly-owned subsidiary of COFCO HK and Beijing Gloria is a 65% owned subsidiary of the Company, the Transaction under the Hotel Management Agreement constitutes a connected transaction under Chapter 14 of the Listing Rules. As the aggregate of the Remuneration payable annually under the Hotel Management Agreement will be less than 3% of the net tangible assets value of the Group, the Transaction is only subject to the disclosure requirements pursuant to Rule 14.25(1) of the Listing Rules. As the Transaction is to take place on an ongoing basis in accordance with the terms of the Hotel Management Agreement, the Company has applied to the Stock Exchange for a conditional waiver from strict compliance with the requirements of Chapter 14 of the Listing Rules to issue further press announcements in respect of the Transaction for each of the subsequent financial year in respect of the continuing connected transaction thereunder. If granted, the waiver will be subject to the following conditions:

- the Transactions must be:-
  - entered into in the ordinary and usual course of the Company's business;
  - conducted either (A) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities) or (B) where there is no available comparison, on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
  - entered into in accordance with the terms of the Hotel Management Agreement;
- the aggregate amount of the Transaction for each financial year must not exceed the higher of (a) HK\$10,000,000; and (b) 3% of the net tangible assets value of the Group as disclosed in the latest audited consolidated accounts of the Company (the "Cap Amount");
- the independent non-executive Directors must review the Transaction annually and confirm in the Company's next annual report that it is conducted in the manner stated in paragraphs 1 to 2 above;

- the Company's auditors must review the Transaction annually and confirm in a letter (the "Letter") to the Directors (a copy of which is to be provided to the Listing Division of the Stock Exchange) stating whether:
  - the Transaction has received the approval of the Company's board of Directors;
  - the Transaction is in accordance with the relevant pricing policies as stated in the Company's financial statements;
  - the Transaction has been entered into in accordance with the terms of the Hotel Management Agreement; and
  - the Cap Amount stated in paragraph 2 above has been exceeded.

- the Transaction has received the approval of the Company's board of Directors;
- the Transaction is in accordance with the relevant pricing policies as stated in the Company's financial statements;
- the Transaction has been entered into in accordance with the terms of the Hotel Management Agreement; and
- the Cap Amount stated in paragraph 2 above has been exceeded.

Where, for whatever reason, the auditors decline to accept the engagement or are unable to provide the Letter, the Directors must contact the Listing Division of the Stock Exchange immediately;

- details of the Transaction in each financial year must be disclosed pursuant to Rule 14.25(1)(A) to (D) of the Listing Rules in the annual report of the Company for that financial year together with a statement of the opinion of the independent non-executive Directors and the auditors of the Company referred to in paragraphs 3 and 4 above; and
- the Company must provide to the Exchange an undertaking that, for so long as the Company's shares are listed on the Stock Exchange, it will provide the Company's auditors with full access to the relevant records for the purpose of the auditors' review of the Transaction referred to in paragraph 4 above.

If any terms of the Transaction as mentioned above are altered or if the Company enters into any new agreements with any connected persons (within the meaning of the Listing Rules) in the future, the Company must comply with the provisions of Chapter 14 of the Listing Rules governing connected transactions unless it applies for and obtains a separate waiver from the Stock Exchange.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than as at the date of this letter on transactions of the kind to which the Transaction belongs including, but not limited to, a requirement that such transaction be made conditional on approval by the independent shareholders of the Company, the Company must take immediate steps to ensure compliance with such requirements within a reasonable time.

The Directors (including the independent non-executive Directors) of Company, consider that the terms and conditions of the Transaction are fair and reasonable and are in the interests of the Company and the Shareholders and that the Transaction is entered into in the ordinary and usual course of business of the Company and on normal commercial terms.

Details of the Transaction will be included in the next published annual report and accounts of the Company, pursuant to Rule 14.25(1) of the Listing Rules during the continuance of the Transaction.

#### DEFINITIONS

"Beijing Gloria"	凱萊大酒店有限公司 (Gloria Plaza Hotel Ltd.), a wholly-foreign equity joint venture company established in the PRC on 7th October, 1986 which is owned as to 65% by the Group and 35% by a wholly-owned subsidiary of COFCO HK
"COFCO HK"	COFCO (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and an intermediate holding company of the Company
"Company"	Top Glory International Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
"Director(s)"	the director(s) of the Company, including its independent non-executive directors
"Existing Agreement"	the hotel management agreement dated 23rd April, 1993 entered into between Beijing Gloria and Gloria International in respect of the operation and management of Beijing Gloria Plaza Hotel for a term of 10 years from 29th September, 1993 to 28th September 2003
"Gloria International"	Gloria International Hotels Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of COFCO HK
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hotel Management Agreement"	the hotel management agreement dated 27th March, 2003 entered into between Beijing Gloria and Gloria International in respect of the operation and management of Beijing Gloria Plaza Hotel for a term of 10 years from 29th September, 2003
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction"	the connected transaction to be continued between Beijing Gloria and Gloria International on an ongoing basis under the Hotel Management Agreement

By order of the Board  
**Top Glory International Holdings Limited**  
**Xue Guoping**  
*Vice-Chairman & Managing Director*

Hong Kong, 27th March, 2003