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**XIWANG PROPERTY HOLDINGS COMPANY LIMITED**

**西王置業控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 2088)

## **MAJOR AND CONTINUING CONNECTED TRANSACTION FINANCIAL SERVICES FRAMEWORK AGREEMENT**

The Board announces that on 27 October 2016, the Company entered into the Financial Services Framework Agreement with Xiwang Finance in respect of the provision of a range of financial services, including but not limited to deposit services, loan services and other financial services, by Xiwang Finance to the Company and the Qualified Entities for a term commencing from the Effective Date to 30 November 2019. On 27 October 2016, Xiwang Group Company has executed a Guarantee in favour of the Company to secure the performance of obligations of Xiwang Finance under the Financial Services Framework Agreement.

As at the date of this announcement, Xiwang Investment is the controlling shareholder of the Company and is wholly owned by Xiwang Holdings. Xiwang Holdings is held as to 95% by Xiwang Hong Kong and Xiwang Hong Kong is in turn wholly-owned by Xiwang Group Company. As at the date of this announcement, Xiwang Group Company is the ultimate holding company of the Company, and hence Xiwang Finance, being a subsidiary of Xiwang Group Company, is a connected person (as defined in Chapter 14A of the Listing Rules) of the Company, and the transactions contemplated under the Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the deposit services under the Financial Services Framework Agreement exceeds 25%, the deposit services under the Financial Services Framework Agreement constitute a major transaction and non-exempt continuing connected transactions of the Company, which are subject to the reporting, announcement, the Independent Shareholders' approval and annual review requirements under Chapters 14 and 14A of the Listing Rules.

The provision of loan services by Xiwang Finance to the Company under the Financial Services Framework Agreement will constitute financial assistance to be received by the Group from a connected person. As such services will be conducted on normal commercial terms which are no less favourable to the Group than those offered by independent third parties, and will not be secured over the assets of the Group, the loan services are exempt from independent shareholders' approval, annual review and all disclosure requirements under Rule 14A.90 of the Listing Rules.

As all the applicable percentage ratios of the fees payable by the Company to Xiwang Finance in respect of the other financial services under the Financial Services Framework Agreement, on an annual basis, are expected to be less than 5% and the total value of the fees payable in respect of the other financial services are expected to be less than HK\$3,000,000, and the transactions in relation to the other financial services contemplated under the Financial Services Framework Agreement are on normal commercial terms which are no less favourable to the Group than those offered by independent third parties, such transactions are exempt from independent shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

The provision of guarantee by Xiwang Group Company to the Group will constitute financial assistance to be received by the Group from a connected person. As the transactions under the Guarantee will be conducted on normal commercial terms or better and will not be secured over the assets of the Group, such guarantee is exempt from the independent shareholders' approval, annual review and all disclosure requirements under Rule 14A.90 of the Listing Rules.

An independent board committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the deposit services contemplated under the Financial Services Framework Agreement (including the Proposed Annual Caps). First Shanghai Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders of the same.

The Company will convene a SGM to consider and approve the provision of deposit services under the Financial Services Framework Agreement. A circular containing, among other things, (i) further information on the deposit services contemplated under the Financial Services Framework Agreement; (ii) a letter from the Independent Financial Adviser; (iii) a letter from the Independent Board Committee; and (iv) the notice convening the SGM will be despatched to the Shareholders within on or before 17 November 2016.

## **BACKGROUND**

On 27 October 2016, the Company entered into the Financial Services Framework Agreement with Xiwang Finance in respect of the provision of a range of financial services, including but not limited to deposit services, loan services and other financial services, by Xiwang Finance to the Company and the Qualified Entities for a term commencing from the Effective Date to 30 November 2019.

## **FINANCIAL SERVICES FRAMEWORK AGREEMENT**

### **(a) Principal terms**

The principal terms of the Financial Services Framework Agreement are summarized below:—

Date	:	27 October 2016
Parties	:	(a) the Company; and (b) Xiwang Finance
Term	:	From the Effective Date to 30 November 2019
Scope of services	:	Xiwang Finance shall provide the Company and the Qualified Entities with deposit services, loan services and other financial services approved by the relevant regulatory authorities (including but not limit to CBRC), subject to the terms and conditions provided in the Financial Services Framework Agreement.

The Parties shall enter into separate agreements in respect of the transactions contemplated under the Financial Services Framework Agreement and such agreements shall be consistent with the terms and principles set out in the Financial Services Framework Agreement.

Fees and charges : The fees and charges payable by the Company to Xiwang Finance under the Financial Services Framework Agreement were determined by the Company and Xiwang Finance on an arm's length basis, based on the applicable laws and regulations, prevailing market conditions, normal commercial terms and the principle of fairness.

***(1) Deposit services***

The interest rates payable by Xiwang Finance to the Company in respect of the deposit services shall not be lower than (i) the relevant benchmark interest rates set by the PBOC; and (ii) the interest rates paid by other independent major commercial banks in the PRC for comparable services during the same period, and shall be in compliance with the requirements set by the PBOC.

***(2) Loan and financing services***

The rates to be charged by Xiwang Finance for the provision of loan services and financing services to the Company shall not be higher than (i) the relevant benchmark interest rates set by the PBOC; and (ii) the relevant rates to be charged by other independent major commercial banks in the PRC for comparable loan services and financing services during the same period and shall be in compliance with the requirements set by the PBOC.

**(3) Other financial services**

Xiwang Finance has undertaken that the fees charged for the other financial services shall not be higher than (i) the relevant benchmark charging rates set by the PBOC (if applicable); and (ii) the fees charged by other independent commercial banks in the PRC for providing services of similar nature during the same period to the Group. No service fees will be charged by Xiwang Finance for the provision of settlement services, being one of the other financial services, to the Company.

Capital risk  
management  
measures

: Xiwang Finance undertakes to the Company that:–

- (1) Xiwang Finance shall ensure the secure operation of its funds management network and safety of funds, control the asset-debt risks and satisfy the payment requirements of the Company and the Qualified Entities;
- (2) Xiwang Finance shall ensure that it is in strict compliance with the risk monitoring indicators applicable for Xiwang Finance issued by the CBRC and that its major regulatory indicators such as asset-liability ratio and liquidity ratio will also comply with the requirements of the CBRC and other relevant laws and regulations;
- (3) If any events that may threaten the safety of the deposits of the Company and the Qualified Entities as specified in the Financial Services Framework Agreement arise; or on occurrence of any other circumstances which may cause security concerns in relation to the safety of the deposits of the Company, Xiwang Finance shall give written notice to the Company within two business days and adopt effective measures to avoid or mitigate losses;

- (4) When any of the events mentioned in (3) occurs, the Company has the right to (i) require Xiwang Finance to explain the underlying reasons and offer the relevant measures to prevent, control and resolve the issues; (ii) in the event that Xiwang Finance defaults in its payment obligations, inform and request the board of Xiwang Group Company to adopt remedial measures and increase the capital fund of Xiwang Finance to settle such payment obligations; and/or (iii) suspend or terminate the Financial Services Framework Agreement; and
- (5) In respect of the deposits placed by the Company and/or the Qualified Entities with Xiwang Finance, in case of default or misuse or breach by Xiwang Finance which renders the Company and/or the Qualified Entities unable to recover the deposits (including accrued interest) placed with Xiwang Finance, the Company and/or the Qualified Entities have the right to lawfully set off such deposits (including accrued interest) against the outstanding loans (including accrued interest) extended by Xiwang Finance to the Company and/or the Qualified Entities. However, if the Company and/or the Qualified Entities fail to repay the loans extended by Xiwang Finance on time, Xiwang Finance does not have the right to set off such outstanding loans due from the Company and/or the Qualified Entities with the deposits placed by the Company and/or the Qualified Entities with Xiwang Finance.

**(b) Proposed Annual Caps**

**(1) Deposit services**

The Proposed Annual Caps in respect of the deposit services pursuant to the Financial Services Framework Agreement for the years ended 31 December 2016 to 2018 and the eleven months ended 30 November 2019 are as follows:

<b>Period</b>	<b>Maximum daily outstanding balance of deposits (including accrued interest) (RMB)</b>
For the year ended 31 December 2016	120,000,000
For the year ended 31 December 2017	200,000,000
For the year ended 31 December 2018	300,000,000
For the eleven months ended 30 November 2019	580,000,000

The above proposed caps were determined after taking into account of the following:

- (i) the historical monetary funds (being cash and cash equivalents and restricted cash) of the Group, which were approximately RMB11.04 million, RMB13.12 million, RMB97.61 million and RMB103.8 million as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016 respectively; and
- (ii) the expected increase in the amount of cash and deposit of the Group in the next three years in relation to the key property development projects of the Group.

The Directors (excluding the independent non-executive Directors who will form their opinion after considering the advice from the Independent Financial Adviser) consider that the above Proposed Annual Caps in respect of the deposit services are fair and reasonable.

*Historical transaction amounts*

Xiwang Finance was established on 15 December 2015. The Company did not conduct any transaction in relation to the financial services with Xiwang Finance in the past. Therefore, there is no historical transaction amount to be provided.

*Internal Control on pricing policies*

The interest rates for deposit, loan and the service fees for other financial services will be arrived at after considering the interest rates and service fees charged by/offered by other independent commercial banks and financial institutions in the PRC for provision of similar level of services.

There are stringent internal control policies with regard to financial service transactions. The finance department of the Company will compare the interest rates for deposit, loan and the service fees for other financial services quoted from Xiwang Finance with the terms from other independent third parties (including at least 2 financial institutions and commercial banks in the PRC) to ensure that the most favourable terms are obtained from Xiwang Finance.

In addition, the financial service transactions under the Financial Services Framework Agreement will be reported to and approved by the head of the finance department of the Company. The internal control policies will also be applied to the financial service transactions with Xiwang Finance to ensure the interest rates for deposit and loan services and the service fees for other financial services charged by/offered by Xiwang Finance shall not be less favourable than the interest rates and services fees charged by/offered by other independent commercial banks for comparable services.



By adopting the policy set out above, the Company can ensure that (i) the interest rate payable for the Company's deposits shall not be lower than the interest rate offered by other independent commercial banks for comparable deposits in the PRC; and (ii) the interest rate for loans and service fees for other financial services to be charged by Xiwang Finance shall not be higher than those charged by other independent commercial banks for providing comparable services in the PRC.

#### *Provision of Guarantee by Xiwang Group Company*

On 27 October 2016, Xiwang Group Company executed a Guarantee in favour of the Company to secure the performance of obligations of Xiwang Finance under the Financial Services Framework Agreement. The Guarantee will be effective from the date on which the Financial Services Framework Agreement becomes effective. No fees will be charged by Xiwang Group Company for the provision of such guarantee.

Pursuant to the terms of the Guarantee, Xiwang Group Company has undertaken that if Xiwang Finance experiences or foresees to experience any liquidity problems, Xiwang Group Company will inject capital to Xiwang Finance based on Xiwang Finance's needs in order to maintain the normal operations of Xiwang Finance. Xiwang Group Company has also undertaken to compensate the Company and/or the Qualified Entities jointly and severally with Xiwang Finance for all the substantial risks or losses (including but not limited to the deposits, interests and related expenses incurred) caused by or potentially caused by Xiwang Finance's breaches or potential breaches of PRC laws and regulations, or by any major operational problems or difficulties with liquidity on the part of Xiwang Finance, or by Xiwang Finance's non-performance of any terms or default of the Financial Services Framework Agreement.

#### *Reasons for and benefits of entering into the Financial Services Framework Agreement*

The Group requires deposit, loan and other financial services in its ordinary course of business which are currently provided by independent third party banks and/or financial institutions. As the interest rates on deposits and loans and the service fees for other financial services to be offered by Xiwang Finance to the Company will be equal to or more favourable than those offered by other independent commercial banks in the PRC in respect of comparable services, this represents potential cost savings to the Group.

Xiwang Finance is established as a non-banking financial institution regulated by the PBOC and the CBRC, and provides its services in accordance with the rules and operational requirements of these regulatory authorities. In addition, capital risks are reduced through the introduction of the risk control measures stipulated in the Financial Services Framework Agreement.

The Company is expected to benefit from Xiwang Finance's better understanding of the business needs of the Company which will allow more expedient and efficient services than those rendered by other PRC commercial banks. For example, in the event that the Company considers that it is necessary to obtain loan and guarantee from Xiwang Finance in view of its business and financial needs, it is expected that the time required for the examination and approval of the loans and guarantee to be provided by Xiwang Finance will be shorter than that required by other commercial banks.

By entering into the Financial Services Framework Agreement with Xiwang Finance, the Company will be able to centralise its control and management over the financial resources of the Company, therefore improve the utilisation and efficiency of fund usage and mitigate its operating risks. It can also accelerate the turnover of funds and reduce transaction costs and expenses, thereby further enhancing the amount and efficiency of funds utilisation. Meanwhile, the financial services to be provided under the Financial Services Framework Agreement are diversified and can meet the business needs of the Company.

## **OPINION OF THE DIRECTORS**

In view of the reasons and benefits as set out above, the Directors (excluding the independent non-executive Directors who will form their opinion after considering the advice from the Independent Financial Adviser) are of the view that the terms of the deposit services contemplated under the Financial Services Framework Agreement (including the Proposed Annual Caps) are fair and reasonable and on normal commercial terms which are no less favourable than those available from independent third parties under the prevailing market conditions, and in the interest of the Company and its shareholders as a whole.

The Directors (including the independent non-executive Directors) are also of the view that the terms of the loan services and other financial services contemplated under the Financial Services Framework Agreement and the terms of the Guarantee are fair and reasonable and on normal commercial terms which are no less favourable than those available from independent third parties under the prevailing market conditions and in the interest of the Company and its shareholders as a whole.

As (i) each of Mr. WANG Yong, Mr. WANG Di and Mr. SUN Xinhui is also a director and shareholder of Xiwang Group Company; and (ii) Mr. WANG Di is also a director of Xiwang Finance, each of them abstained from voting on the resolutions of the Board approving the Financial Services Framework Agreement and the transactions contemplated thereunder. Save as disclosed, none of the Directors has a material interest in the transactions contemplated under the Financial Services Framework Agreement.

## **INFORMATION OF THE PARTIES**

The Group is principally engaged in property development in the PRC.

Xiwang Finance is principally engaged in the provision of financial services for the member companies of Xiwang Group (including but not limited to the provision of consultancy and agency services, entrusted loans, guarantee and bills acceptance and discounting services and taking deposit from the member companies of Xiwang Group), inter-bank lending and borrowing and other businesses approved by the CBRC.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Xiwang Investment is the controlling shareholder of the Company and is wholly owned by Xiwang Holdings. Xiwang Holdings is held as to 95% by Xiwang Hong Kong and Xiwang Hong Kong is in turn wholly-owned by Xiwang Group Company. As at the date of this announcement, Xiwang Group Company is the ultimate holding company of the Company, and hence Xiwang Finance, being a subsidiary of Xiwang Group Company, is a connected person (as defined in Chapter 14A of the Listing Rules) of the Company, and the transactions contemplated under the Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the deposit services under the Financial Services Framework Agreement exceeds 25%, the deposit services under the Financial Services Framework Agreement constitute a major transaction and non-exempt continuing connected transactions of the Company, which are subject to the reporting, announcement, the Independent Shareholders' approval and annual review requirements under Chapters 14 and 14A of the Listing Rules.

The provision of loan services by Xiwang Finance to the Company under the Financial Services Framework Agreement will constitute financial assistance to be received by the Group from a connected person. As such services will be conducted on normal commercial terms which are no less favourable to the Group than those offered by independent third parties, and will not be secured over the assets of the Group, the loan services are exempt from the independent shareholders' approval, annual review and all disclosure requirements under Rule 14A.90 of the Listing Rules.

As all the applicable percentage ratios of the fees payable by the Company to Xiwang Finance in respect of the other financial services under the Financial Services Framework Agreement, on an annual basis, are expected to be less than 5% and the total value of the fees payable in respect of the other financial services are expected to be less than HK\$3,000,000, and the transactions in relation to the other financial services contemplated under the Financial Services Framework Agreement are on normal commercial terms which are no less favourable to the Group than those offered by independent third parties, such transactions are exempt from the independent shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

The provision of guarantee by Xiwang Group Company to the Group will constitute financial assistance to be received by the Group from a connected person. As the transactions under the Guarantee will be conducted on normal commercial terms or better and will not be secured over the assets of the Group, such guarantee is exempt from the independent shareholders' approval, annual review and all disclosure requirements under Rule 14A.90 of the Listing Rules.

The Company will disclose the relevant details of the Financial Services Framework Agreement in its next published annual report and accounts in accordance with the relevant requirements as set out in Rule 14A.49 of the Listing Rules.

## **GENERAL**

An independent board committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the deposit services contemplated under the Financial Services Framework Agreement (including the Proposed Annual Caps). First Shanghai Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders of the same.

The Company will convene a SGM to consider and approve the provision of deposit services under the Financial Services Framework Agreement. A circular containing, among other things, (i) further information on the deposit services contemplated under the Financial Services Framework Agreement; (ii) a letter from the Independent Financial Adviser; (iii) a letter from the Independent Board Committee; and (iv) the notice convening the SGM will be despatched to the Shareholders on or before 17 November 2016.

## **DEFINITIONS**

“Board”	the board of Directors
“CBRC”	China Banking Regulatory Commission
“Company”	Xiwang Property Holdings Company Limited (西王置業控股有限公司*) (Stock Code: 2088), a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Independent Shareholders approve the deposit services contemplated under the Financial Services Framework Agreement (including the Proposed Annual Caps)

“Financial Services Framework Agreement”	a framework agreement dated 27 October 2016 entered into between the Company and Xiwang Finance in relation to provision of financial services by Xiwang Finance to the Company and the Qualified Entities
“Group”	the Company and its subsidiaries
“Guarantee”	a guarantee dated 27 October 2016 executed by Xiwang Group Company in favour of the Company to secure the due performance of obligations of Xiwang Finance under the Financial Services Framework Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors
“Independent Financial Adviser”	First Shanghai Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	Shareholders other than Xiwang Investment and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	the Company and Xiwang Finance, and “Party” means any one of them
“PBOC”	People’s Bank of China
“PRC”	the People’s Republic of China

“Proposed Annual Caps”	the proposed maximum daily outstanding balance of deposits placed by the Group with Xiwang Finance during the term of the Financial Services Framework Agreement
“Qualified Entities”	companies which are owned as to (i) 51% or above by the Company, (ii) 20% or above by the Company and its subsidiaries, individually or collectively, or (iii) less than 20% by the Company and its subsidiaries, individually or collectively, and as the largest shareholder
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the deposit services contemplated under the Financial Services Framework Agreement and the transactions contemplated thereunder, including the Proposed Annual Caps
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xiwang Finance”	Xiwang Group Finance Company Limited* (西王集團財務有限公司), a company established in the PRC with limited liability, which was at the date of this announcement, a subsidiary of Xiwang Group Company
“Xiwang Group”	Xiwang Group Company and its subsidiaries
“Xiwang Group Company”	Xiwang Group Company Limited* (西王集團有限公司), a company established in the PRC with limited liability, which was as at the date of this announcement, the ultimate holding company of the Company

“Xiwang Hong Kong”	Xiwang Hong Kong Limited (西王香港有限公司), a company incorporated in Hong Kong with limited liability, which was at the date of this announcement, a wholly-owned subsidiary of Xiwang Group Company
“Xiwang Holdings”	Xiwang Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which was at the date of this announcement, held as to 95% by Xiwang Hong Kong and directly held as to 5% by Mr. Wang Yong and 22 individuals
“Xiwang Investment”	Xiwang Investment Company Limited, a company incorporated in the British Virgin Islands with limited liability, which was as at the date of this announcement, the controlling shareholder of the Company and a wholly-owned subsidiary of Xiwang Holdings

By Order of the Board  
**Xiwang Property Holdings Company Limited**  
**WANG DI**  
*Chairman*

Hong Kong, 27 October 2016

As at the date of this announcement, the Board comprises the following Directors:

*Executive Directors:*

Mr. WANG Jin Tao  
Mr. WANG Wei Min  
Mr. CHENG Gang

*Independent non-executive Directors:*

Mr. WONG Kai Ming  
Mr. WANG An  
Mr. WANG Zhen

*Non-executive Directors:*

Mr. WANG Di  
Mr. WANG Yong  
Mr. SUN Xihu

\* For identification purpose only