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新明中国控股

XINMING CHINA

Xinming China Holdings Limited

新明中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2699)

**CONTINUING CONNECTED TRANSACTION
ENGINEERING SERVICES FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 20 January 2017 in relation to, inter alia, the continuing connected transaction pursuant to Rule 14A.60 of the Listing Rules.

After the Company's review on the construction progress of the Construction Contracts and the further negotiation with Yuanyang Holdings, on 7 March 2017, the Company entered into the Engineering Services Framework Agreement with Yuanyang Holdings to supplement the arrangement of outstanding works under the Construction Contracts in 2017 and 2018.

As of the date of this announcement, 51% equity interest in Yuanyang Holdings was held by Zhejiang Xinming Trading, a company which Mr. Zheng Xiangtian, the elder brother of Mr. Chen Chengshou (an executive Director of the Company) owned 90% of its equity interest. Therefore, Yuanyang Holdings is a connected person of the Company pursuant to the requirements of the Listing Rules. Accordingly, the transactions under the Engineering Services Framework Agreement constitute continuing connected transactions of the Company.

As the respective applicable percentage ratios calculated on an annual basis in respect of the aggregate amount of the transactions contemplated under the Engineering Services Framework Agreement exceed 5%, the transactions contemplated under the Engineering Services Framework Agreement constitute non-exempt continuing connected transactions under the Listing Rules, and are subject to the reporting, announcement, independent shareholders' approval and annual review requirements under the Listing Rules.

Pursuant to Chapter 14A of the Listing Rules, a circular containing, among other things, details of the Engineering Services Framework Agreement (including the annual caps) and the transactions contemplated thereunder, a letter of recommendation from the Independent Board Committee, a letter of advice from the independent financial advisor to the Independent Board Committee and

the independent shareholders and a notice to convene an extraordinary general meeting in order to approve, among other things, the Engineering Services Framework Agreement (including the annual caps) and the transactions contemplated thereunder, is expected to be despatched to the shareholders by the Company on or before 28 March 2017.

ENGINEERING SERVICES FRAMEWORK AGREEMENT

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Major Terms of the Engineering Services Framework Agreement

a. *Date*

7 March 2017

b. *Parties*

- (1) the Company, and
- (2) Yuanyang Holdings.

c. *Subject matter*

Pursuant to the Construction Contracts, Yuanyang Holdings undertook the following construction projects of the Group:

Location of the project

China South-western City,
No. 229, Five Star Avenue,
Dazu District, Chongqing

Subject matters

Yuanyang Holdings undertook all construction, installation, construction of specific subcontracting projects and completion warranty within the construction plan of the main body of Building No. 1 of China South-western City (except for independent subcontracting works), as well as the general contracting management of Chongqing Xinming's independent subcontracting works.

China South-western City, No. 229, Five Star Avenue, Dazu District, Chongqing	Yuanyang Holdings undertook all construction, installation, construction of specific subcontracting projects and completion warranty within the construction plan of the main body of Buildings No. 3 and No. 5 of China South-western City (except for independent subcontracting works), as well as the general contracting management of Chongqing Xinming's independent subcontracting works.
China South-western City, No. 229, Five Star Avenue, Dazu District, Chongqing	Yuanyang Holdings undertook all construction, installation, construction of specific subcontracting projects and completion warranty within the construction plan of the main body of Buildings No. 2 and No. 7 of China South-western City (except for independent subcontracting works), as well as the general contracting management of Chongqing Xinming's independent subcontracting works.
Hang Zheng Chu Chu [2013] No. 97 Plot	Yuanyang Holdings undertook all construction (including fine decoration of public areas, which includes public passages, stairs, restrooms and elevator lobby), installation, construction of specific subcontracting projects and completion warranty within the construction plan of the bracing of foundation pit, foundation (including basements) and main body of the Business and Commercial Buildings Project of Hang Zheng Chu Chu [2013] No. 97 Plot (except for independent subcontracting works), as well as the general contracting management of Party A's independent subcontracting works.
Hang Zheng Chu Chu [2013] No. 97 Plot	Yuanyang Holdings undertook the waterproofing works (the adhesive layer and the waterproof layer) for the basements (including bottom floors, side walls and top floors), roofs and restrooms of the Business and Commercial Buildings Project of Hang Zheng Chu Chu [2013] No. 97 Plot. The construction part shall be based on the construction plans and relevant information provided by Hangzhou Xinming to Yuanyang Holdings and the technical matters correspondence forms confirmed by Hangzhou Xinming.

Given that the construction periods under the Construction Contracts have expired, and all the construction projects above are now expected to be completed by December 2018, in order to make proper arrangement for the remaining works, the Company entered into the Engineering Services Framework Agreement with Yuanyang Holdings to confirm that Yuanyang Holdings will continue to undertake the construction projects above in 2017 and 2018. Each of

Chongqing Xinming and Hangzhou Xinming will enter into separate supplemental agreements with Yuanyang Holdings to supplement the arrangement of remaining works (including construction schedule and payment time).

Pricing Basis of the Engineering Services Framework Agreement

The terms of the Engineering Services Framework Agreement are on normal commercial terms and on terms no less favourable than terms available from independent third parties, and are determined after arm's length negotiations. The price will be determined based on the following:

1. the pricing mechanism of engineering projects is based on the fixed price or guidance price in Calculation of Budget for Construction Works and/or Calculation of Construction Cost of Construction Projects issued by the Ministry of Construction of the PRC and adjusted by the cost control department of the Group with reference to the pricing mechanism of the previous works of similar type (if any) and the pricing mechanism of similar works within the same district where the relevant projects are located;
2. after the confirmation of the construction blueprints of the relevant projects, Yuanyang Holdings will calculate the quotation for the works based on the amount of works required and according to the pricing mechanism agreed by both parties. The cost control department of the Group will make reference to the quotation made by independent engineering consulting firm(s) and make adjustments to the quotation for the works when necessary.

Annual Caps and Basis of Determination

In considering the annual caps for the Engineering Services Framework Agreement, the Directors have considered a number of factors including: (i) the progress of construction under the Construction Contracts and (ii) the amount of outstanding works and expected progress.

After considering the above factors, the Directors recommended the annual caps for the Engineering Services Framework Agreement for each of the years ending 31 December 2017 and 31 December 2018 shall be RMB225,488,295 and RMB19,607,678, respectively.

The historical transaction amounts of the Construction Contracts are set out below:

	For the year ended 31 December 2014 <i>(in RMB)</i>	For the year ended 31 December 2015 <i>(in RMB)</i>	For the year ended 31 December 2016 <i>(in RMB)</i>
Building No. 1 of China South-western City in Chongqing	7,500,000	(not applicable)	1,500,000
Buildings No. 3 and No. 5 of China South-western City in Chongqing	52,500,000	15,000,000	3,750,000
Buildings No. 2 and No. 7 of China South-western City in Chongqing	33,600,000	62,400,000	(not applicable)
Business and Commercial Buildings Construction and Installation of Hang Zheng Chu Chu [2013] No. 97 Plot	4,114,305	107,559,688	14,693,946
Business and Commercial Buildings Waterproofing Project of Hang Zheng Chu Chu [2013] No. 97 Plot	(not applicable)	1,545,000	103,000

Reasons for and Benefits of Entering Into the Engineering Services Framework Agreement

As disclosed in the announcement of the Company dated 20 January 2017 in relation to the continuing connected transaction pursuant to Rule 14A.60 of the Listing Rules, Yuanyang Holding Group was awarded the “First Class Qualification” certificate issued by the Ministry of Housing and Urban-Rural Development of China. The Construction Contracts will contribute to the development of the brand and market image of the Company’s Hangzhou Canal Project and the Chongqing China South-western City Project. As the original construction periods under the Construction Contracts were over, the Group entered into the Engineering Services Framework Agreement with Yuanyang Holdings to supplement the arrangement of outstanding works and ensure that the construction will be continued smoothly.

Based on the above reasons, the Directors (including the independent non-executive Directors) considered that the Engineering Services Framework Agreement were entered into after arm’s length negotiations in the ordinary and usual course of business of the Group and the terms and conditions were fair and reasonable. The transactions thereunder were in the interests of the Company and the shareholders as a whole.

Information on the Company

The Company, together with its subsidiaries, is an integrated residential and commercial property developer.

Information on Yuanyang Holdings

Yuanyang Holdings is a modern integrated enterprise engaged in the construction general contracting, industrial investment and real estate development.

INTERNAL CONTROL

The Company has implemented the following measures relating to the internal control system of its connected transactions:

- (a) The finance department of the project companies under the Company will be responsible for regularly collecting the detailed information of the said continuing connected transactions (including but not limited to the pricing terms, payment arrangement and actual transaction amount of respective services agreements under the Engineering Services Framework Agreement) and reporting to the manager of the finance department in such regard regularly; the cost control department and finance department of the Company will assist in reviewing and controlling particular terms and conditions and actual transaction amounts of the continuing connect transactions.
- (b) The project manager of the project companies under the Company will be responsible for supervising whether the transaction terms and prices and other terms of the separate construction contracts are in compliance with the principles set out in the Engineering Services Framework Agreement, assessing the fairness of the transaction terms and pricing terms, and reporting relevant information to the head of cost control department on a timely manner.
- (c) The secretary to the Board will collect the reports from the manager of finance department and report to the Board in such regard on a regular basis. The Board shall be responsible for the inspecting and supervising the control of connected transactions of the Company as well as the implementation of connected transaction control system by the Directors, senior management and connect persons of the Company.
- (d) In addition, the independent non-executive Directors will review the continuing connected transactions under the Engineering Services Framework Agreement to ensure that such agreements are entered into on normal commercial terms, are fair and reasonable and the transactions are conducted pursuant to the terms of such agreements. The auditor of the Company will also conduct annual review on the pricing terms and annual caps of the continuing connected transactions.

BOARD OF DIRECTORS CONSIDERATIONS

On 7 March 2017, the resolutions on the transactions under the Engineering Services Framework Agreement were passed by the Board of the Company on unanimous approval by all the non-connected Directors (including independent non-executive Directors). The connected Directors,

namely Mr. Chen Chengshou and Ms. Gao Qiaoqin, had abstained from voting on the resolutions on the transactions under the Engineering Services Framework Agreement by the Board. None of the Directors except the connected Directors has material interests in the transactions under the Engineering Services Framework Agreement.

HONG KONG LISTING RULES IMPLICATIONS

As of the date of this announcement, 51% equity interest in Yuanyang Holdings was held by Zhejiang Xinming Trading, a company which Mr. Zheng Xiangtian, the elder brother of Mr. Chen Chengshou (an executive Director of the Company) owned 90% of its equity interest. Therefore, Yuanyang Holdings is a connected person of the Company pursuant to the requirements of the Listing Rules. Accordingly, the transactions under the Engineering Services Framework Agreement constitute continuing connected transactions of the Company.

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Pursuant to Chapter 14A of the Listing Rules, a circular containing, among other things, details of the Engineering Services Framework Agreement (including the annual caps) and the transactions contemplated thereunder, a letter of recommendation from the Independent Board Committee, a letter of advice from the independent financial advisor to the Independent Board Committee and the independent shareholders and a notice to convene an extraordinary general meeting in order to approve, among other things, the Engineering Services Framework Agreement (including the annual caps) and the transactions contemplated thereunder, is expected to be despatched to the shareholders by the Company on or before 28 March 2017.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors of the Company
“Chongqing Xinming”	重慶新明置業股份有限公司 (Chongqing Xinming Property Company Limited*), a limited liability company established in accordance with PRC laws, which is owned as to 60% by the Company

“Company”	Xinming China Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange (Stock Code: 2699)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Contracts”	Contract of Building No. 1 of China South-western City in Chongqing, Contract of Building No. 3 and No. 5 of China South-western City in Chongqing and Contract of Building No. 2 and No. 7 of China South-western City in Chongqing entered into between Chongqing Xinming and Yuanyang Holdings, as well as Business and Commercial Buildings Construction and Installation Contract of Hang Zheng Chu Chu [2013] No. 97 Plot and Business and Commercial Buildings Waterproofing Project Contract of Hang Zheng Chu Chu [2013] No. 97 Plot entered into between Hangzhou Xinming and Yuanyang Holdings
“Director(s)”	Director(s) of the Company
“Engineering Services Framework Agreement”	the engineering services framework agreement entered into between the Company and Yuanyang Holdings on 7 March 2017
“Group”	the Company and its subsidiaries
“Hangzhou Xinming”	杭州新明置業投資有限公司 (Hangzhou Xinming Property Investment Limited*), a limited liability company established in accordance with PRC laws, which is wholly-owned by the Company
“Independent Board Committee”	a board committee comprising three independent non-executive Directors, Mr. Gu Jiong, Mr. Lo Wa Kei, Roy and Mr. Fong Wo, Felix
“Listing Rules”	the 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

“Yuanyang Holdings”	遠揚控股集團有限公司 (Yuanyang Holdings Group Limited*) (formerly known as 遠揚控股集團股份有限公司 (Yuanyang Holdings Group Share Limited Company*)), a limited liability company established in accordance with PRC laws
“Yuanyang Holdings Group”	Yuanyang Holdings and its subsidiaries
“%”	percent
“Zhejiang Xinming Trading”	浙江新明貿易有限公司(Zhejiang Xinming Trading Limited*), a limited liability company established in accordance with PRC laws

By order of the Board
Xinming China Holdings Limited
Chen Chengshou
Chairman and Chief Executive Officer

Hong Kong, 7 March 2017

As at the date of this announcement, the Executive Directors are Mr. Chen Chengshou, Mr. Feng Cizhao and Mr. Wong Thian Tsu Michael; the Non-executive Director is Ms. Gao Qiaoqin; and the Independent Non-executive Directors are Mr. Gu Jiong, Mr. Lo Wa Kei, Roy and Mr. Fong Wo, Felix.

* *For identification purpose only*