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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 PURSUANT TO RULE 14A.60
OF THE LISTING RULES
AND
CONSTRUCTION SERVICES FRAMEWORK AGREEMENT**

The Company holds 60% equity interest in Chongqing Xinming and 100% equity interest in Hangzhou Xinming. Chongqing Xinming and Hangzhou Xinming entered into Construction Contracts with Yuanyang Holdings in respect of the Company's Chongqing China South-western City Project and Hangzhou Canal Project, respectively. Yuanyang Holdings was an independent third party not connected with the Company at the time of entering into the Construction Contracts. In mid-December 2016, the Company was informed that the shareholding structure of Yuanyang Holdings has been changed, and 51% equity interest in Yuanyang Holdings was acquired by Zhejiang Xinming Trading, a company which Mr. Zheng Xiangtian owned 90% of its equity interest. Mr. Zheng Xiangtian is the elder brother of Mr. Chen Chengshou, an executive Director of the Company, and is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, Yuanyang Holdings has become a connected person of the Company after the change of its shareholding structure. Accordingly, the transactions under the Construction Contracts constitute continuing connected transactions of the Company.

Pursuant to Rule 14A.60 of the Listing Rules, the Company is required to comply with the applicable reporting and disclosure requirements under Chapter 14A of the Listing Rules regarding the Construction Contracts. The Company will fully comply with all applicable reporting, disclosure and, if applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of the Construction Contracts.

On 20 January 2017, the Company and Yuanyang Holdings have entered into the Construction Services Framework Agreement, pursuant to which Yuanyang Holdings Group agreed to provide construction services to the Group in 2017 and 2018. Yuanyang Holdings is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions under the

Framework Agreement constitute continuing connected transactions of the Company. As the highest applicable percentage ratios calculated pursuant to Chapter 14A of the Listing Rules in respect of the annual caps for the Framework Agreement will exceed 0.1% but will not exceed 5%, such transactions are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. CONSTRUCTION CONTRACTS

Chongqing Xinming and Hangzhou Xinming have entered into the Construction Contracts with Yuanyang Holdings before Yuanyang Holdings became a connected person of the Company.

Major Terms of the Construction Contracts

(I) Contract of Building No. 1 of China South-western City in Chongqing

The Contract of Building No. 1 of China South-western City in Chongqing was entered into between Chongqing Xinming and Yuanyang Holdings. The major terms of such contract are summarized as follows:

Date:	23 July 2013
Parties:	(i) Chongqing Xinming; (ii) Yuanyang Holdings
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.
Location of the project:	China South-western City, No. 229, Five Star Avenue, Dazu District, Chongqing
Construction period:	Commencing from 5 March 2013 to 30 August 2013. The completion date shall be subject to the acceptance by the quality supervision station. Construction is still being carried out based on the contract.

Total contract price: RMB30 million tentatively, and to be confirmed by review of tenders and tender confirmation

Payment arrangements: By installments according to the progress of the project

(II) Contract of Buildings No. 3 and No. 5 of China South-western City in Chongqing

The Contract of Buildings No. 3 and No. 5 of China South-western City in Chongqing was entered into between Chongqing Xinming and Yuanyang Holdings. The major terms of such contract are summarized as follows:

Date: 27 December 2013

Parties: (i) Chongqing Xinming;
(ii) Yuanyang Holdings

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 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.

Location of the project: China South-western City, No. 229, Five Star Avenue, Dazu District, Chongqing

Construction period: Commencing from 10 October 2013 to 30 December 2014. The completion date shall be subject to the acceptance by the quality supervision station. Construction is still being carried out based on the contract.

Total contract price: RMB75 million tentatively, and to be confirmed by review of tenders and tender confirmation

Payment arrangements: By installments according to the progress of the project

(III) Contract of Buildings No. 2 and No. 7 of China South-western City in Chongqing

The Contract of Buildings No. 2 and No. 7 of China South-western City in Chongqing was entered into between Chongqing Xinming and Yuanyang Holdings. The major terms of such contract are summarized as follows:

Date:	2 July 2014
Parties:	(i) Chongqing Xinming; (ii) Yuanyang Holdings
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 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.
Location of the project:	China South-western City, No. 229, Five Star Avenue, Dazu District, Chongqing
Construction period:	Commencing from 10 April 2014 to 10 November 2015. The completion date shall be subject to the acceptance by the quality supervision station. Construction is still being carried out based on the contract.
Total contract price:	RMB96 million tentatively, and to be confirmed by review of tenders and tender confirmation
Payment arrangements:	By installments according to the progress of the project

(IV) Business and Commercial Buildings Construction and Installation Contract of Hang Zheng Chu Chu [2013] No. 97 Plot

The Business and Commercial Buildings Construction and Installation Contract of Hang Zheng Chu Chu [2013] No. 97 Plot was entered into between Hangzhou Xinming and Yuanyang Holdings. The major terms of such contract are summarized as follows:

Date:	8 December 2014
Parties:	(i) Hangzhou Xinming; (ii) Yuanyang Holdings

Subject matters: 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.

Location of the project: Hang Zheng Chu Chu [2013] No. 97 Plot

Construction period: Commencing from 20 December 2014 to 20 December 2016. The completion date shall be subject to the acceptance by the quality supervision station. Construction is still being carried out based on the contract.

Total contract price: RMB293,878,928 tentatively, and to be confirmed by second tender confirmation

Payment arrangements: By installments according to the progress of the project

(V) *Business and Commercial Buildings Waterproofing Project Contract of Hang Zheng Chu Chu [2013] No. 97 Plot*

The Business and Commercial Buildings Waterproofing Project Contract of Hang Zheng Chu Chu [2013] No. 97 Plot was entered into between Hangzhou Xinming and Yuanyang Holdings. The major terms of such contract are summarized as follows:

Date: 10 September 2015

Parties: (i) Hangzhou Xinming;

(ii) Yuanyang Holdings

Subject matters:	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.
Location of the project:	Hang Zheng Chu Chu [2013] No. 97 Plot
Construction period :	Commencing from 10 August 2015 to 20 September 2016. Construction is based on the specific requirements of the construction progress of the main construction, and can be extended according to the number of days confirmed by Hangzhou Xinming. Construction is still being carried out based on the contract.
Total contract price:	RMB5,150,000 tentatively
Payment arrangements:	By installments according to the progress of the project

Pricing Basis of the Construction Contracts

The terms of the Construction Contracts are determined after arm's length negotiations on normal commercial terms and the price will be determined with reference to the following benchmarks:

- (1) the price stipulated or approved by state or local price control department;
- (2) the reasonable price prescribed by the industry guidance price or self-regulatory price;
- (3) where there is no price stipulated by state or local price control department, nor industry guidance price or self-regulatory price, the price shall be determined after making market inquiry of at least two independent third parties about pricing standards for similar services;
- (4) where there is no comparable local market price, the price shall be estimated (estimated price refers to the price comprising of the actual cost determined by relevant PRC accounting standards applicable from time to time plus a certain profit at the material time);

- (5) where the above-mentioned price determination methods do not apply, the price shall be determined by agreement.

Reasons for and Benefits of Entering Into the Construction Contracts

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.

The Directors (including the independent non-executive Directors) considered that the Construction Contracts 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 Chongqing Xinming

Chongqing Xinming is principally engaged in property development.

Information on Hangzhou Xinming

Hangzhou Xinming is principally engaged in property development and property management.

Information on Yuanyang Holdings

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

Listing Rules Implications

In mid-December 2016, the Company was informed that the shareholding structure of Yuanyang Holdings has been changed, and 51% equity interest in Yuanyang Holdings was acquired by Zhejiang Xinming Trading, a company which Mr. Zheng Xiangtian owned 90% of its equity interest. Mr. Zheng Xiangtian is the elder brother of Mr. Chen Chengshou, an executive Director of the Company, and is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, Yuanyang Holdings has become a connected person of the Company after the change of its shareholding structure. Accordingly, the transactions under the Construction Contracts constitute continuing connected transactions of the Company.

Pursuant to Rule 14A.60 of the Listing Rules, the Company is required to comply with the applicable reporting and disclosure requirements under Chapter 14A of the Listing Rules regarding the Construction Contracts. The Company will fully comply with all applicable reporting, disclosure and, if applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of the Construction Contracts.

II. CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

The Board is pleased to announce that the Company and Yuanyang Holdings entered into the Construction Services Framework Agreement on 20 January 2017, pursuant to which Yuanyang Holdings agreed to provide construction services to the Group in 2017 and 2018. The principal terms of the Construction Services Framework Agreement are set out below.

Framework Agreement

a. Date

20 January 2017

b. Parties

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

c. Subject matter

- (1) Yuanyang Holdings Group will undertake the Group's buildings construction works, municipal public works, water conservancy and hydropower works, construction and decoration works, foundation and infrastructure works, fire facilities works, mechanical and electrical installation works, etc.
- (2) Yuanyang Holding Group will sell construction materials and provide services such as research and development as well as technical application of building materials, etc. to the Group.

d. Price

The terms of the Framework Agreement are determined after arm's length negotiations and on normal commercial terms, and the price will be determined with reference to the following benchmarks:

- (1) the price stipulated or approved by state or local price control department;

- (2) the reasonable price prescribed by the industry guidance price or self-regulatory price;
- (3) where there is no price stipulated by state or local price control department, nor industry guidance price or self-regulatory price, the price shall be determined after making market inquiry of at least two independent third parties about pricing standards for similar services;
- (4) where there is no comparable local market price, the price shall be estimated (estimated price refers to the price comprising of the actual cost determined by relevant PRC accounting standards applicable from time to time plus a certain profit at the material time);
- (5) where the above-mentioned price determination methods do not apply, the price shall be determined by agreement.

The payment schedule shall be executed in accordance with the arrangement under the separate contracts to be signed by both parties.

e. Annual Caps for Continuing Connected Transactions under the Framework Agreement

Pursuant to the Framework Agreement, the aggregate consideration to be paid by the Group to Yuanyang Holdings for each financial year ending 2017 and 2018 will not exceed the respective annual cap amounts set out in the following table:

	For the year ended 31 December 2017 (in RMB)	For the year ended 31 December 2018 (in RMB)
Yuanyang Holdings Group undertaking the Group's buildings construction works, municipal public works, water conservancy and hydropower works, construction and decoration works, foundation and infrastructure works, fire facilities works, mechanical and electrical installation works, etc.;		
Yuanyang Holding Group selling construction materials and providing services such as research and development as well as technical application of building materials, etc. to the Group	13,800,000	1,300,000

The annual caps are determined by taking into account following factors:

- (i) the basic volume of the contracts under negotiation and anticipated to be entered into between the Group and Yuanyang Holdings Group; and
- (ii) the market price with respect to the provision of similar services.

Information on the Company

The Company, together with its subsidiaries, is a 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.

Reasons for and Benefits of Entering Into the Framework Agreement

Prior to the change in the shareholding of Yuanyang Holdings Group, the Company has signed a number of Construction and Installation Contracts regarding the Hangzhou Canal Project and the Chongqing China South-western City Project in 2013 with Yuanyang Holdings Group respectively. Yuanyang Holdings was selected as the service provider of the Company's projects through the Company's tender procedures and because of meeting the market price standard.

Yuanyang Holding Group was awarded the "First Class Qualification" certificate issued by the Ministry of Housing and Urban-Rural Development of China. The Framework Agreement 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.

The Directors (including the independent non-executive Directors) consider that the Framework Agreement and the transactions contemplated thereunder are entered into after arm's length negotiations in the ordinary and usual course of business of the Company and the terms of the Framework Agreement (including the annual caps) are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

INTERNAL CONTROL

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

- (i) the Company has a dedicated team and personnel to monitor and manage the connected transactions;

- (ii) a department has been assigned to have monthly review on the implementation of the annual caps and the execution of pricing terms of the connected transactions to ensure full compliance of the annual caps and pricing standards; and
- (iii) The Company's audit committee will review the implementation of the connected transactions every six months.

BOARD OF DIRECTORS CONSIDERATIONS

On 20 January 2017, the resolutions on the transactions under the Framework Agreement were unanimously approved 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 Framework Agreement by the Board. None of the Directors except the connected Directors has material interests in the transactions under the Framework Agreement.

IMPLICATIONS OF THE LISTING RULES

Yuanyang Holdings is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions under the Framework Agreement constitute continuing connected transactions of the Company. As the highest applicable percentage ratios calculated pursuant to Rule 14A of the Listing Rules in respect of the annual caps for the Framework Agreement will exceed 0.1% but will not exceed 5%, such transactions are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Chongqing China South-western City Project”	Chongqing Xinming, China South-western City Phase 1 as defined in the Annual Report for year 2015.
“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 joint stock 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
“Construction Services Framework Agreement” or “Framework Agreement”	Construction Services Framework Agreement entered into by the Company and Yuanyang Holdings on 20 January 2017
“Director(s)”	Director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Hangzhou Canal Project”	Hangzhou Xinming • Children's World as as defined in the Annual Report for year 2015
“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
“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”	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, 20 January 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*