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Gemdale Properties and Investment Corporation Limited

金地商置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 535)

CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENT

THE FRAMEWORK AGREEMENT

The Board announces that, on 17 July 2017, Shenzhen Xinjia, a wholly-owned subsidiary of the Company, entered into the Framework Agreement with Gemdale Corporation, the controlling shareholder of the Company, pursuant to which, Gemdale Corporation agreed to engage Shenzhen Xinjia to provide decoration services to certain property projects developed by Gemdale Corporation and its subsidiaries.

LISTING RULES IMPLICATIONS

Shenzhen Xinjia is a wholly-owned subsidiary of the Company. Gemdale Corporation is the controlling shareholder of the Company and therefore is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio in respect of the annual cap under the Continuing Connected Transactions is higher than 0.1% but less than 5% on an annual basis, the Continuing Connected Transactions is subject to reporting, annual review and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

INTRODUCTION

The Board announces that, on 17 July 2017, Shenzhen Xinjia, a wholly-owned subsidiary of the Company, entered into the Framework Agreement with Gemdale Corporation, the controlling shareholder of the Company, pursuant to which, Gemdale Corporation agreed to engage Shenzhen Xinjia to provide decoration services to certain property projects developed by Gemdale Corporation and its subsidiaries.

THE FRAMEWORK AGREEMENT

The principal terms of the Framework Agreement are set out below:

- Date : 17 July 2017
- Parties : (a) Gemdale Corporation (as principal)
(b) Shenzhen Xinjia (as trustee)
- Duration : From the date of Framework Agreement until 31 December 2017.
- Engagement : Gemdale Corporation will engage Shenzhen Xinjia to provide decoration services for certain property projects developed by Gemdale Corporation and its subsidiaries through tendering, invited tendering or direct engagement.
- Ancillary engagement agreement(s) : In relation to any property project of Gemdale Corporation and its subsidiaries which requires the services under the Framework Agreement, Shenzhen Xinjia will enter into a separate ancillary engagement agreement with Gemdale Corporation or its subsidiaries respectively, setting out the specific details, schedule and scale of the construction project and the construction fee receivable should be in conformity with the principles set out in the Framework Agreement (including the pricing principle mentioned below).

All transactions contemplated under the Framework Agreement shall be conducted on normal commercial terms and negotiated on arm's length basis.

Construction fee receivable and the pricing principle : The aggregate construction fee receivable for the period ending 31 December 2017 shall not exceed RMB70 million. Gemdale Corporation and its subsidiaries will pay construction fee to Shenzhen Xinjia progressively in accordance with the construction progress pursuant to the terms of the Framework Agreement.

The construction fee receivable under the Framework Agreement has been determined after arm's length negotiations between Shenzhen Xinjia and Gemdale Corporation with reference to (i) the number of property projects under Gemdale Corporation and its subsidiaries expected to engage Shenzhen Xinjia for rendering decoration services for the period ending 31 December 2017; (ii) the actual costs expected to arise with respect to the provision of services to such projects (including the relevant costs for manpower, construction materials and construction works) ("**Relevant Costs**"); and (iii) plus additional fee equivalent to about 7% to 15% margin to the Relevant Costs, taking into account of a reasonable profit to Shenzhen Xinjia and the expected tax payables on fees thereon, and the prevailing market conditions.

HISTORICAL AMOUNTS

Before entering into the Framework Agreement, neither the Group nor any of its members had entered into any similar agreement for the provision of decoration services to Gemdale Corporation or any of its subsidiaries. Therefore, there was no historical amount for the fee receivable under the Framework Agreement.

THE PROPOSED ANNUAL CAP AND THE BASIS OF DETERMINATION

The proposed annual cap for the construction fee receivable under the Framework Agreement for the period ending 31 December 2017 is RMB70 million.

The proposed annual cap has been determined with reference to the number of property projects of Gemdale Corporation and its subsidiaries engaging Shenzhen Xinjia to provide decoration services for the period ending 31 December 2017; the actual costs expected to be incurred under the provision of relevant decoration works; plus additional fee equivalent to about 7% to 15% margin to the Relevant Costs, representing a reasonable profit to Shenzhen Xinjia and the expected tax payables thereon.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT

Having considered the quotation offered by Shenzhen Xinjia to Gemdale Corporation for the provision of decoration services which is no less favourable than those offered by the Group to other independent third parties for the provision of similar services, the Board believes that the provision of decoration services by Shenzhen Xinjia for the property projects of Gemdale Corporation and its subsidiaries would increase the profits of the Group. Besides, as the Group is familiar with the business of Gemdale Corporation and has good internal communication with Gemdale Corporation, it is expected that the decoration works can be completed more efficiently.

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

GENERAL PRICING MECHANISM FOR THE FRAMEWORK AGREEMENT

The sales and marketing team of the Company possesses the market intelligence regarding the pricing of different types of decoration services in the market, and is responsible for reviewing and determining the pricing of decoration fees prior to the entering into any agreement. It would submitting a service tender to the management of Shenzhen Xinjia for assessment on the reasonableness of the pricing and approval.

In respect of the services provided by the Group to Gemdale Corporation, the Group will make comparisons with respect to the service fees received under the simliar transactions by referencing to independent third parties providing simliar services in the market. After determining the construction fees to be charged to Gemdale Corporation, the sales and marketing team of the Group will then assess the reasonableness of the pricing of the terms of services offered by the Group to Gemdale Corporation as to ensure that Gemdale Corporation is no more favourable than those offered to the independent third parties, and submit to the management of Shenzhen Xinjia for approval. After the aforesaid procedures, Shenzhen Xinjia will proceed to negotiate and agree detailed terms on an arm's length basis with Gemdale Corporation.

The Board considers that with the foregoing procedures in place, the transactions contemplated under the Framework Agreement will be conducted on normal commercial terms and in a manner not prejudicial to the interests of the Company and its minority shareholders.

INTERNAL CONTROL

Appropriate internal control measures are in place to monitor the Continuing Connected Transactions contemplated under the Framework Agreement as to ensure that such transactions are conducted on normal commercial terms. The Audit Committee, which comprises all the independent non-executive Directors, reviews the continuing connected transactions of the Group on an annual basis pursuant to the Listing Rules to confirm if such continuing connected transactions have been entered into according to the relevant contracts on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole. The external auditors of the Company also conduct an annual review on the pricing and annual caps of the Group's continuing connected transactions for each financial year. In addition, the external auditors also assist the Audit Committee in considering whether the continuing connected transactions are entered into under ordinary and usual course of the Group's business, on normal commercial terms or, if applicable, on terms no less favorable to the Group than those available from independent third parties. The Group conducts periodic monitoring and evaluation on whether the procedures of the continuing connected transactions are conformed with the internal control requirements of the Company.

INFORMATION ON THE GROUP AND THE CONNECTED PERSON`

The Group is principally engaged in property investment, development and management of residential, commercial and business park projects. Shenzhen Xinjia is principally engaged in Internet and electronic technology development and consultation as well as decoration design and construction in the PRC.

Gemdale Corporation is primarily focused on the development of residential property (its traditional business segment) and the development of, and investment in, commercial real estate, either on a stand-alone basis or in conjunction with its residential property projects.

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Each of the executive Directors is also a director of Gemdale Corporation. Pursuant to the bye-laws of the Company, each of the executive Directors is materially interested in the Continuing Connected Transactions and has abstained from voting on the relevant Board resolutions approving the Framework Agreement. Save as disclosed above, none of the Directors has a material interest in the Continuing Connected Transactions and is required to abstain from voting in the relevant Board resolutions.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite to them below:

“Board”	the board of Directors
“Company”	Gemdale Properties and Investment Corporation Limited, a company incorporated in Bermuda with limited liability, the issued 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
“Continuing Connected Transactions”	the transactions contemplated under the Framework Agreement
“Director(s)”	the director(s) of the Company
“Framework Agreement”	the Framework Agreement dated 17 July 2017 entered into between Gemdale Corporation and Shenzhen Xinjia, pursuant to which, Gemdale Corporation will engage Shenzhen Xinjia to provide decoration services for certain property projects developed by Gemdale Corporation and its subsidiaries through tendering, invited tendering or direct engagement, particulars of which are set out in this announcement
“Gemdale Corporation”	金地(集團)股份有限公司 (Gemdale Corporation*), a company established in the PRC which is listed on the Shanghai Stock Exchange, which is a connected person of the Company under the Listing Rules by virtue of it being the ultimate controlling shareholder of the Company holding approximately 42% interest in the issued shares of the Company through its subsidiary as at the date of this announcement

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Shenzhen Xinjia”	深圳新家生活科技服務有限公司 (Shenzhen Xinjia Living Technology Service Co., Ltd*), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

By Order of the Board
Gemdale Properties and Investment Corporation Limited
Huang Juncan
Chairman and Executive Director

Hong Kong, 17 July 2017

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Ling Ke, Mr. Huang Juncan, Mr. Xu Jiajun and Mr. Wei Chuanjun; two non-executive Directors, namely Mr. Loh Lian Huat and Ms. Zhang Feiyun and three independent non-executive Directors, namely Mr. Hui Chiu Chung, Mr. Chiang Sheung Yee, Anthony and Mr. Hu Chunyuan.

** For identification purpose only*