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Yuanda China Holdings Limited
遠大中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2789)

CONTINUING CONNECTED TRANSACTIONS

YUANDA ENVIRONMENT PURCHASE AGREEMENT AND PROCESSING AGREEMENT

On 24 December 2014, Shenyang Yuanda, a wholly-owned subsidiary of the Company, entered into:

- (1) the Yuanda Environment Purchase Agreement with Yuanda Environment pursuant to which Shenyang Yuanda and/or its subsidiaries will purchase metal materials and parts from Yuanda Environment for a term commencing from the date of the Yuanda Environment Purchase Agreement and ending on 31 December 2016; and
- (2) the Processing Agreement with Shenyang BLT pursuant to which Shenyang BLT agreed to provide processing services to Shenyang Yuanda and/or its subsidiaries for a term commencing from the date of the Processing Agreement and ending on 31 December 2016.

LISTING RULES IMPLICATIONS

Yuanda Environment is a wholly-owned subsidiary of Yuanda Group, which is in turn beneficially owned by Mr. Kang, an executive Director and the controlling shareholder of the Company. Accordingly, Yuanda Environment is an associate of a connected person of the Company and the transactions contemplated under the Yuanda Environment Purchase Agreement constitutes continuing connected transactions for the Company for the purpose of the Listing Rules.

The actual purchases of metal materials and part by the Shenyang Yuanda in 2014 for period up till the entering of the Yuanda Environment Purchase Agreement is less than 0.1%, accordingly the historical transactions between Shenyang Yuanda and Yuanda Environment in relation to purchase of metal materials and parts by Shenyang Yuanda and its subsidiaries is exempted from reporting, announcement and independent shareholders' approval requirements. As the aggregate purchases by Shenyang Yuanda from Yuanda Environment for the year ending 31 December 2014 is expected to be over 0.1% but less than 5% on an annual basis, the transactions contemplated under the Yuanda Environment Purchase Agreement will be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

Shenyang BLT is a subsidiary of Yuanda Group, which is in turn beneficially owned by Mr. Kang, an executive Director and the controlling shareholder of the Company. Accordingly, Shenyang BLT is an associate of a connected person of the Company and the transactions contemplated under the Processing Agreement constitutes continuing connected transactions for the Company for the purpose of the Listing Rules.

As the the applicable ratios under the Listing Rules in respect of the processing fee under the Processing Agreement is expected to be over 0.1% but less than 5% on an annual basis, the transactions contemplated under the Processing Agreement will be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

On 24 December 2014, Shenyang Yuanda, a wholly-owned subsidiary of the Company, entered into:

- (1) the Yuanda Environment Purchase Agreement with Yuanda Environment pursuant to which Shenyang Yuanda and/or its subsidiaries will purchase metal materials and parts from Yuanda Environment for a term commencing from the date of the Yuanda Environment Purchase Agreement and ending on 31 December 2016; and
- (2) the Processing Agreement with Shenyang BLT pursuant to which Shenyang BLT agreed to provide processing services to Shenyang Yuanda and/or its subsidiaries for a term commencing from the date of the Processing Agreement and ending on 31 December 2016.

1. YUANDA ENVIRONMENT PURCHASE AGREEMENT

Date: 24 December 2014

Parties: (1) Shenyang Yuanda; and

(2) Yuanda Environment, a company established in the PRC and is principally engaged in environmental engineering construction services. It is a wholly-owned subsidiary of Yuanda Group, which is in turn beneficially owned by Mr. Kang, an executive Director and the controlling shareholder of the

Company. Accordingly, Yuanda Environment is an associate of a connected person of the Company and the transactions contemplated under the Yuanda Environment Purchase Agreement constitutes continuing connected transactions for the Company for the purpose of the Listing Rules.

Subject matter: Pursuant to terms of the Yuanda Environment Purchase Agreement, Shenyang Yuanda and/or its subsidiaries will purchase metal materials and parts from Yuanda Environment.

Term: The Yuanda Environment Purchase Agreement has a term commencing from the date of the Yuanda Environment Purchase Agreement and ending on the year ending on 31 December 2016.

Price: The term of supply of metal materials and parts by Yuanda Environment to Shenyang Yuanda and its subsidiaries under the Yuanda Environment Purchase Agreement will be based on the prevailing market prices of metal materials and parts of the Group or on terms which are no less favorable to the Group than that available to independent third parties, after taking into account of the quantity, the specifications and the expected date of delivery of metal materials and parts ordered by Shenyang Yuanda and its subsidiaries.

Payment of the products supplied will be made in accordance with the normal market terms of supply of such products and the payment will be financed by internal resources of the Group.

Cap amount: Pursuant to the Yuanda Environment Purchase Agreement, Yuanda Environment has agreed to supply metal materials and parts to Shenyang Yuanda and its subsidiaries during the term of the Yuanda Environment Purchase Agreement subject to the following annual caps:

	Year ending 31 December 2014 RMB	Year ending 31 December 2015 RMB	Year ending 31 December 2016 RMB
Transaction amount under the Yuanda Environment Purchase Agreement	6,000,000	6,050,000	6,352,500

The above expected annual caps for the purchases under the Yuanda Environment Purchase Agreement were determined based on fluctuation of metal price and the historical transaction amount as well as taking into account the projected

continuing increase in the sales volume of products which require metal materials and parts for manufacturing, the demand of the Company and the current market prices for such products.

The table below summarises the actual purchases of metal materials and part by the Shenyang Yuanda for the two years ended 31 December 2013 and the eleven months ended 30 November 2014:

	Year ended 31 December 2012 RMB	Year ended 31 December 2013 RMB	Eleven months ended 30 November 2014 RMB
Actual transaction amount between Shenyang Yuanda and Yuanda Environment in relation to purchase of metal materials and parts by Shenyang Yuanda and its subsidiaries	0	192,496.2	1,565,557.17

REASONS FOR ENTERING INTO THE YUANDA ENVIRONMENT PURCHASE AGREEMENT

Shenyang Yuanda is principally engaged in the design, procurement, production, sale and installation of curtain wall systems and its main production facility is located in Shenyang, the PRC. Yuanda Environment is a company that is principally engaged in environmental engineering construction services. Taking into account the smooth cooperation between Shenyang Yuanda and Yuanda Environment and the terms under the Yuanda Environment Purchase Agreement. The Company believes that the continuing purchase of such products from Yuanda Environment would reduce the administrative burden of the Group, improve the operation efficiency of the Group and save transportation cost of the Group. At the same time, timely delivery and the quality of the metal materials can be guaranteed. As the purchases are made in the usual and ordinary course of business of the Group and in accordance with, or lower than, the prevailing market prices, the Directors (including the independent non-executive Directors) consider that it is beneficial for Shenyang Yuanda to enter into the Yuanda Environment Purchase Agreement.

Further, given that the Yuanda Environment Purchase Agreement was entered into after arm's length negotiations, with the terms being made under normal commercial terms, the Directors (including the independent non-executive Directors) consider that the Yuanda Environment Purchase Agreement was entered into in the normal and ordinary course of business of the Company, the terms of which are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Yuanda Environment is a wholly-owned subsidiary of Yuanda Group, which is in turn beneficially owned by Mr. Kang, an executive Director and the controlling shareholder of the Company. Accordingly, Yuanda Environment is an associate of a connected person of the Company and the transactions contemplated under the Yuanda Environment Purchase Agreement constitutes continuing connected transactions for the Company for the purpose of the Listing Rules.

The actual purchases of metal materials and part by the Shenyang Yuanda in 2014 for period up till the entering of the Yuanda Environment Purchase Agreement is less than 0.1%, accordingly the historical transactions between Shenyang Yuanda and Yuanda Environment in relation to purchase of metal materials and parts by Shenyang Yuanda and its subsidiaries is exempted from reporting, announcement and independent shareholders' approval requirements. As the aggregate purchases by Shenyang Yuanda from Yuanda Environment for the year ending 31 December 2014 is expected to be over 0.1% but less than 5% on an annual basis, the transactions contemplated under the Yuanda Environment Purchase Agreement will be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

2. PROCESSING AGREEMENT

Date: 24 December 2014

Parties: (1) Shenyang Yuanda; and

(2) Shenyang BLT, a company established in the PRC and is principally engaged in the design, production and sale of elevator, escalators and passenger conveyors and the provision of engineering services. It is a subsidiary of Yuanda Group, which is in turn beneficially owned by Mr. Kang, an executive Director and the controlling shareholder of the Company. Accordingly, Shenyang BLT is an associate of a connected person of the Company and the transactions contemplated under the Processing Agreement constitutes continuing connected transactions for the Company for the purpose of the Listing Rules.

Subject matter: Pursuant to terms of the Processing Agreement, Shenyang BLT will provide processing services to the structural steel products of Shenyang Yuanda and/or its subsidiaries.

Term: The Processing Agreement has a term of commencing from the date of the Processing Agreement and ending on 31 December 2016.

Price: The processing fee to be charged by Shenyang BLT under the Processing Agreement will be based on prevailing labor charges (which including employee's wages and bonus, if applicable) of processing services of a similar nature from the third party and cost of the similar service previously supplied by other external partner. Meanwhile, on terms which are no less favorable to the Group than that the Group could procure from independent third party service providers, after taking into account of the technical capability and quality of the services to be provided by Shenyang BLT under the Processing Agreement.

Payment of the service fee will be based on monthly account and is in line with the payment terms of processing services provided by independent third party service providers and is no less favorable to the Group.

Cap amount: The service fee under the Processing Agreement will be subject to the following annual caps:

	Year ending 31 December 2014 RMB	Year ending 31 December 2015 RMB	Year ending 31 December 2016 RMB
Transaction amount under the Processing Agreement	11,000,000	95,300,000	97,800,000

The annual caps above were determined based on the expected demand of structural steel processing services by the Group during the term of the Processing Agreement.

REASONS FOR ENTERING INTO THE PROCESSING AGREEMENT

Shenyang Yuanda is principally engaged in the design, procurement, production, sale and installation of curtain wall systems and its main production facility is located in Shenyang, the PRC. Shenyang BLT is principally engaged in the design, production and sale of elevators, escalators and passenger conveyors, and the provision of engineering services. Shenyang Yuanda will require structural steel processing services in its ordinary course of business and Shenyang BLT is capable of providing such services. Given that the facility of Shenyang BLT is within close proximity to the facility of Shenyang Yuanda, engaging Shenyang BLT to carry out the processing services not only provide the Group with the assurance of quality processing services, it will also reduce logistical costs and ensure timely delivery of processed products. As the transactions are being made in the usual and ordinary course of business of the Group and in accordance with the fair value with the arm's length principle, the Directors (including the independent non-executive Directors) consider that it would be beneficial for Shenyang Yuanda to enter into the Processing Agreement.

Further, given that the Processing Agreement was entered into after arm's length negotiations, with the terms being made under normal commercial terms, the Directors (including the independent non-executive Directors) consider that the Processing Agreement was entered into in the normal and ordinary course of business of the Company, the terms of which are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL

Subject to the general principle disclosed above, the pricing policy will be supervised and monitored by the relevant personnel of the Group in charge to ensure each of the Yuanda Environment Purchase Agreement and Processing Agreement is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole. The relevant personnel of the Group will also conduct regular checks to review and assess whether the transactions contemplated under the Yuanda Environment Purchase Agreement and the Processing Agreement are conducted in accordance with the terms of each of the Yuanda Environment Purchase Agreement and Processing Agreement and in accordance with the aforesaid pricing policy. The Company will also engage its auditors to conduct an annual review of the transactions thereunder the Yuanda Environment Purchase Agreement and the Processing Agreement.

LISTING RULES IMPLICATIONS

Shenyang BLT is a subsidiary of Yuanda Group, which is in turn beneficially owned by Mr. Kang, an executive Director and the controlling shareholder of the Company. Accordingly, Shenyang BLT is an associate of a connected person of the Company and the transactions contemplated under the Processing Agreement constitutes continuing connected transactions for the Company for the purpose of the Listing Rules.

As the the applicable ratios under the Listing Rules in respect of the processing fee under the Processing Agreement is expected to be over 0.1% but less than 5% on an annual basis, the transactions contemplated under the Processing Agreement will be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

OTHERS

Mr. Kang, who is the beneficial owner of Yuanda Group and indirectly holds the entire interest in Yuanda Environment and Shenyang BLT, is considered to be interested in the transactions contemplated under each of the Yuanda Environment Purchase Agreement and Processing Agreement. Mr. Kang therefore has abstained from voting for the Board resolution to approve the Yuanda Environment Purchase Agreement and Processing Agreement and the respective transactions contemplated thereunder.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“Company”	Yuanda China Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Kang”	Mr. Kang Baohua, an executive Director and the controlling shareholder of the Company;
“PRC”	the People’s Republic of China;
“Processing Agreement”	the master agreement dated 24 December 2014 between Shenyang Yuanda and Shenyang BLT in relation to the provision of structural steel products processing services by Shenyang BLT to Shenyang Yuanda and/or its subsidiaries;
“RMB”	Renminbi, the lawful currency of the People’s Republic of China;
“Shareholder(s)”	shareholder(s) of the Company;
“Shenyang BLT”	瀋陽博林特電梯集團股份有限公司 (Shenyang Brilliant Elevator Co. Ltd.), a company established in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (002689.SZ), a subsidiary of Yuanda Group;
“Shenyang Yuanda”	瀋陽遠大鋁業工程有限公司 (Shenyang Yuanda Aluminium Industry Engineering Co., Ltd.), a company established in the PRC and a wholly-owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Yuanda Group”	瀋陽遠大鋁業集團有限公司 (Shenyang Yuanda Aluminium Industry Group Ltd.), a company established in the PRC and owned by Mr. Kang;
“Yuanda Environment”	瀋陽遠大環境工程有限公司 (Shenyang Yuanda Environment Engineering Co., Ltd.*), a company established in the PRC and owned as 100% by Yuanda Group; and
“Yuanda Environment Purchase Agreement”	the master agreement dated 24 December 2014 between Shenyang Yuanda and Yuanda Environment in relation to the purchase of metal materials and parts by Shenyang Yuanda and its subsidiaries from Yuanda Environment;

* *For identification purpose only*

In this announcement, translations from RMB to HK\$ is based on an exchange rate of RMB1.00 to HK\$1.25 and is for illustration purpose only.

By order of the Board
Yuanda China Holdings Limited
Tian Shouliang
Executive Director

Hong Kong, 24 December 2014

As at the date of this announcement, the executive Directors are Mr. Kang Baohua (chairman), Mr. Tian Shouliang (chief executive officer), Mr. Guo Zhongshan, Mr. Wang Yijun, Mr. Wang Lihui and Mr. Zhang Lei, and the independent non-executive Directors are Mr. Poon Chiu Kwok, Mr. Woo Kar Tung, Raymond and Mr. Pang Chung Fai, Benny.