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Glorious Property Holdings Limited

恒盛地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00845)

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF CONSTRUCTION SERVICES AGREEMENT

BACKGROUND

Reference is made to the circular of the Company dated 19 October 2018 in respect of the continuing connected transactions contemplated under the Existing Construction Services Agreement entered into between the Company and Shanghai Ditong for a term of three years from 1 January 2018 to 31 December 2020 in relation to the provision of construction and related services by Shanghai Ditong to the Group according to the tender documents and the construction contracts signed or to be signed between Shanghai Ditong and the Group from time to time.

As the term of the Existing Construction Services Agreement will expire on 31 December 2020, on 30 December 2020 the Company has entered into the New Construction Services Agreement with Shanghai Ditong for a term of three years from 1 January 2021 to 31 December 2023 in relation to the provision of construction and related services by Shanghai Ditong to the Group according to the tender documents and the construction contracts signed or to be signed between Shanghai Ditong and the Group from time to time. Accordingly, the Board has resolved to set the new annual caps of the New Construction Services Agreement for the continuing connected transactions for each of the three years ending 31 December 2023.

IMPLICATIONS UNDER THE LISTING RULES

Mr. Zhang De Huang (the father of Mr. Zhang Zhi Rong, the indirect ultimate controlling shareholder of the Company, and the father-in-law of Mr. Ding Xiang Yang, an executive Director) holds a controlling stake in Shanghai Ditong. Therefore, Shanghai Ditong is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the New Construction Services Agreement constitute continuing connected transactions of the Company. One or more of the applicable percentage ratios of the new annual caps for each of the three years ending 31 December 2023 in respect of the transactions contemplated under the New Construction Services Agreement are more than 0.1% but all of them are less than 5% under the applicable percentage ratios (other than the profits ratio). Accordingly, pursuant to Rule 14A.76 of the Listing Rules, the entering into of the New Construction Services Agreement and the new annual caps for each of the three years ending 31 December 2023 are only subject to the announcement, reporting and annual review requirements set out in Chapter 14A of the Listing Rules. The contemplated transactions are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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THE NEW CONSTRUCTION SERVICES AGREEMENT

The principal terms of the New Construction Services Agreement are set out below:

Date

30 December 2020

Parties

The Company and Shanghai Ditong

Nature of transactions

Shanghai Ditong will provide construction and related services (including but not limited to foundation engineering, fitting, decoration, door and window installation and construction raw material procurement) to the Group.

Shanghai Ditong shall be required to participate in the tender process required under the rules and regulations in the PRC for the construction projects of the Group. The provision of the above construction and related services by Shanghai Ditong to the Group shall be subject to and in accordance with the tender documents and the construction contracts signed or to be signed between Shanghai Ditong and the Group from time to time.

Conditions precedent

The New Construction Services Agreement and its performance are subject to compliance by the Company with any applicable disclosure and/or independent shareholders' approval in relation to the New Construction Services Agreement and its annual caps in accordance with the Listing Rules.

Term and renewal

The New Construction Services Agreement is for a term of three years from 1 January 2021 to 31 December 2023. Subject to compliance with the applicable rules and regulations (including the Listing Rules), the term can be renewed for another three years upon the mutual consent of the parties.

Pricing basis

The fees payable by the Group to Shanghai Ditong will either be at market rates or at rates similar to those offered by independent third parties according to the tender documents and the construction contracts signed or to be signed between the Group and Shanghai Ditong. In accordance with the PRC Tendering and Bidding Law, the bidders will submit their tender bids to the Group. An assessment committee (consisting of 5 to 7 members) comprising of randomly chosen experts from a pool of industry experts and one to two representatives from the Group is formed to review the bids and to select the successful bidder. Selection criteria include but are not limited to industry experience of the bidders, quality and management of the proposed work, fee quote as well as safety measures employed.

Internal Control

The Board believes that, for the purpose of the construction services agreement, the Group has implemented sufficient internal control procedures and steps for the consideration and adoption of transaction terms such as the pricing basis described in the “Pricing basis” section above and the payment policies during the implementation of these continuing connected transactions with Shanghai Ditong and will continue to adopt the pricing basis and payment policies in the future. Meanwhile, in order to protect the interests of the Company and its shareholders as a whole, the Company has taken measures below to monitor the transactions with Shanghai Ditong under the construction services agreement. Relevant internal control procedures and steps and measures taken to protect the interests of the Company and its shareholders as a whole are detailed as follows:

- 1 As stated in the “Nature of transactions” section above, Shanghai Ditong shall be required to participate in the tender process required under the rules and regulations in the PRC for the construction works of the Group. The provision of the above construction and related services by Shanghai Ditong to the Group shall subject to and in accordance with the tender documents and the construction contracts signed or to be signed between Shanghai Ditong and the Group from time to time to ensure a fair and independent bidding process.
- 2 When considering and reviewing different bidding documents, the audit committee of the Company will also review and vote on different bidding companies. Therefore, the above connected transactions will be approved only after the examination of the audit committee.
- 3 In the event that Shanghai Ditong is selected to provide construction services to the Group, the cost control department of the Company, which is independent from Shanghai Ditong and its associates, will monitor relevant construction works to ensure that the same are carried out in accordance with the terms of the respective construction agreement, including but not limited to the quality, cost and progress of the construction works. The department will also supervise and control the services rendered by Shanghai Ditong on a monthly basis based on the cost and progress to ensure that the aggregate transaction amounts do not exceed the annual caps of the respective year. In addition, the cost control department will prepare monthly reports on the construction progress and provide these reports to the independent non-executive Directors on monthly basis.
- 4 The audit committee of the Company will supervise the connected transactions under these continuing connected transaction agreements on a monthly basis in accordance with the above reports to (1) consider the amount of the transactions rendered by Shanghai Ditong and construction progress to ensure that the aggregate transaction amounts do not exceed the annual caps of the respective year; (2) assess the effective implementation of the pricing basis and payment policies and the annual cap balances; (3) identify deficiencies in the monitoring and management of construction works and propose improvement measures to ensure that internal control measures for the continuing connected transactions are complete and effective. If any deficiencies are found, the Company will take measures to resolve them as soon as practicable.

- 5 The independent non-executive Directors and auditors of the Company will conduct annual review of the continuing connected transactions under the construction services agreement and provide annual confirmation to ensure that in accordance with Rules 14A.55 and 14A.56 of the Listing Rules that the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the relevant pricing policies.
- 6 The audit committee of the Company will review the Company's financial controls, risk management and internal control systems. When considering any renewal or revisions to the New Construction Services Agreement, the Company will then comply with the Listing Rules as applicable.

HISTORICAL TRANSACTION AMOUNTS AND EXISTING ANNUAL CAPS

The table below sets out the historical transaction amounts between the Group and Shanghai Ditong and the existing annual caps in relation to the provision of construction and related services by Shanghai Ditong to the Group under the Existing Construction Services Agreement for each of the two years ended 31 December 2019 and for the year ending 31 December 2020:

For the year ended 31 December 2018		For the year ended 31 December 2019		For the year ending 31 December 2020	
Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Actual Amount up to 30 November 2020
<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
130.0	124.9	130.0	128.9	130.0	121.1

NEW ANNUAL CAPS FOR THE THREE YEARS ENDING 31 DECEMBER 2023

The new annual caps for the transactions contemplated under the New Construction Services Agreement for the three years ending 31 December 2023 are set out as follows:

For the year ending 31 December		
2021	2022	2023
<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
85.0	85.0	85.0

BASIS FOR THE NEW ANNUAL CAPS FOR EACH OF THE THREE YEARS ENDING 31 DECEMBER 2023

The above new annual caps for the three years ending 31 December 2023 were determined with reference to the business strategy of the Group and taking into account factors such as the historical transaction amounts as disclosed above, the anticipated increase in inflation rate, costs of construction materials, machineries and labour costs, the estimated annual fees payable pursuant to the existing construction contracts that Shanghai Ditong is currently performing, based on the estimated budgets for the total construction costs and the historical construction costs incurred by the Group for such contracts, as well as the estimated annual fees payable by the Group according to the development stages of the construction projects.

REASONS FOR AND BENEFITS OF THE NEW CONSTRUCTION SERVICES AGREEMENT

Shanghai Ditong holds a Class I Qualification for General Contracting of Building Construction Works and has obtained all relevant licences as a construction contractor.

The Directors are generally satisfied with the quality of the construction and related services rendered by Shanghai Ditong and believe that the long term relationship between the Group and Shanghai Ditong since its provision of service in 1999 and Shanghai Ditong's familiarization with the Company's development projects and business operations could bring synergy from both the Company and Shanghai Ditong.

The New Construction Services Agreement was negotiated and agreed on an arm's length basis between the Group and Shanghai Ditong. The Directors (including the independent non-executive Directors) are of the view that the New Construction Services Agreement is on normal commercial terms and that the terms of the New Construction Services Agreement and the new annual caps for each of the three years ending 31 December 2023 are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Mr. Ding Xiang Yang, an executive Director and the son-in-law of Mr. Zhang De Huang (the controlling shareholder of Shanghai Ditong), has abstained from voting on the relevant resolutions of the Board approving the New Construction Services Agreement and the new annual caps for each of the three years ending 31 December 2023, pursuant to the articles of association of the Company and the Listing Rules. Save as disclosed above, none of the Directors has a material interest in the New Construction Services Agreement or is required to abstain from voting from the relevant resolutions of the Board.

INFORMATION ON THE GROUP AND SHANGHAI DITONG

The Group is principally engaged in the development and sale of high quality properties in key economic cities across the PRC. As of the date of this announcement, the Group has development projects in various PRC cities including Beijing, Tianjin, Shanghai, Wuxi, Nanjing, Nantong, Hefei, Harbin, Changchun, Shenyang and Dalian.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shanghai Ditong is a company established under the laws of the PRC with limited liability and is primarily engaged in property construction and engineering work.

As at the date of the announcement, Mr. Zhang De Huang and Ms. Zhang Cui Lan, the spouse of Mr. Zhang De Huang, hold 95.20% and 4.80% of Shanghai Ditong respectively.

IMPLICATIONS UNDER THE LISTING RULES

Mr. Zhang De Huang (the father of Mr. Zhang Zhi Rong, the indirect ultimate controlling shareholder of the Company, and the father-in-law of Mr. Ding Xiang Yang, an executive Director) holds a controlling stake in Shanghai Ditong. Therefore, Shanghai Ditong is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the New Construction Services Agreement constitute continuing connected transactions of the Company. One or more of the applicable percentage ratios of the new annual caps for each of the three years ending 31 December 2023 in respect of the transactions contemplated under the New Construction Services Agreement are more than 0.1% but all of them are less than 5% under the applicable percentage ratios (other than the profits ratio). Accordingly, pursuant to Rule 14A.76 of the Listing Rules, the entering into of the New Construction Services Agreement and the new annual caps for each of the three years ending 31 December 2023 are only subject to the announcement, reporting and annual review requirements set out in Chapter 14A of the Listing Rules. The contemplated transactions are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Glorious Property Holdings Limited (恒盛地產控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Construction Services Agreement”	the framework construction services agreement dated 21 November 2017 entered into by the Company and Shanghai Ditong for a term of three years from 1 January 2018 to 31 December 2020 in relation to the provision of construction and related services to the Group according to the tender documents and the construction contracts signed or to be signed between Shanghai Ditong and the Group from time to time

“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 of Hong Kong Limited
“New Construction Services Agreement”	the framework construction services agreement dated 30 December 2020 entered into by the Company and Shanghai Ditong for a term of three years from 1 January 2021 to 31 December 2023 in relation to the provision of construction and related services to the Group according to the tender documents and the construction contracts signed or to be signed between Shanghai Ditong and the Group from time to time
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excluding Hong Kong, the Macao Special Administration of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Ditong”	上海地通建設(集團)有限公司 (Shanghai Ditong Construction (Group) Co., Ltd.*), a company established under the laws of the PRC with limited liability and is owned as to over 50% by Mr. Zhang De Huang
“Shareholders”	holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
Glorious Property Holdings Limited
Ding Xiang Yang
Chairman

Hong Kong, 30 December 2020

As at the date of this announcement, the executive Directors are Messrs. Ding Xiang Yang, Xia Jing Hua and Yan Zhi Rong; the independent non-executive Directors are Prof. Liu Tao, Dr. Hu Jinxing and Mr. Han Ping.

* *For identification purposes only*