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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Glorious Property Holdings Limited, you should at once hand this circular and the accompanying form of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



**恒盛地產**  
GLORIOUS PROPERTY

**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**  
**REDUCTION OF PROPOSED ANNUAL CAPS**  
**UNDER THE NEW CONSTRUCTION SERVICES AGREEMENT**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**

**SUNWAH KINGSWAY**  
**新華滙富**

A letter from the Board is set out on pages 5 to 12 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 13 of this circular. A letter from Kingsway Capital Limited, the independent financial adviser, containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 27 of this circular.

A notice convening the EGM to be held at the Falcon Room, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Monday, 12 November 2018 at 2:30 p.m. is set out on pages 33 to 34 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

19 October 2018

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## DEFINITIONS

*In this circular, the following terms and expressions shall have the following meanings unless the context otherwise requires:*

|                                    |  |
|------------------------------------|--|
| “Adjusted Annual Caps”             | the further adjusted annual caps for the transactions contemplated under the New Construction Services Agreement for each of the three years ending 31 December 2020 as set out in the Announcement and this circular  |
| “Announcement”                     | the announcement of the Company dated 21 September 2018 in respect of the Adjusted Annual Caps (as further reduced to the Reduced Annual Caps) under the New Construction Services Agreement   |
| “associate(s)”                     | has the meaning ascribed to it under the Listing Rules   |
| “Best Era”                         | Best Era International Limited (美年國際有限公司), a company incorporated under the laws of the British Virgin Islands with limited liability  |
| “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 the 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   |
| “connected transaction(s)”         | has the meaning ascribed to it under the Listing Rules   |
| “Construction Services Agreements” | the Previous Construction Services Agreement and the New Construction Services Agreement   |
| “Director(s)”                      | the director(s) of the Company   |
| “EGM”                              | the extraordinary general meeting of the Company to be held at the Falcon Room, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Monday, 12 November 2018 at 2:30 p.m. for the purpose of considering and, if thought fit, approving the entering into of the New Construction Services Agreement, the transactions contemplated under the New Construction Services Agreement and the Reduced Annual Caps |

## DEFINITIONS

|   |  |
|---|--|
| “Existing Contracts”  | the existing construction contracts entered into by the Group and Shanghai Ditong in respect of the construction of the Group’s property development projects  |
| “Further Announcement”  | the announcement of the Company dated 5 October 2018 in respect of the Reduced Annual Caps under the New Construction Services Agreement and delay in despatch of circular   |
| “Government Tender Office”                                    | Office of tenders and bids for construction projects under the local government regarding to the related project   |
| “Group”   | the Company and its subsidiaries   |
| “Hong Kong”   | the Hong Kong Special Administrative Region of the PRC   |
| “Independent Board Committee”                                 | the independent board committee of the Board consisting of all the independent non-executive Directors   |
| “Independent Financial Adviser” or “Kingsway Capital Limited” | Kingsway Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to, the entering into of the New Construction Services Agreement, the transactions contemplated under the New Construction Services Agreement and the Reduced Annual Caps                                       |
| “Independent Shareholder(s)”                                  | the shareholders of the Company, save for Best Era, Island Century Limited, Market Victor Limited, Novel Ventures Limited and Well Advantage Limited (all of which are directly or indirectly wholly-owned by Mr. Zhang Zhi Rong) which are required to abstain from voting under the Listing Rules to approve the resolution in relation to the entering into of the New Construction Services Agreement, the transactions contemplated under the New Construction Services Agreement and the Reduced Annual Caps |

## DEFINITIONS

|  |   |
|--|---|
| “Latest Practicable Date”                  | 16 October 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular  |
| “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 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 |
| “PRC”                                      | the People’s Republic of China, which for the purpose of this circular, excluding Hong Kong, the Macao Special Administration of the People’s Republic of China and Taiwan  |
| “Previous Construction Services Agreement” | the framework construction services agreement dated 10 June 2014 entered into by the Company and Shanghai Ditong for a term of three years from 1 January 2015 to 31 December 2017 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     |
| “Previous EGM”                             | the extraordinary general meeting of the Company held on 21 March 2018 for the purpose of considering and, if thought fit, approving the entering into of the New Construction Services Agreement, the transactions contemplated under the New Construction Services Agreement and the Revised Annual Caps  |
| “Reduced Annual Caps”                      | the proposed annual caps for the transactions contemplated under the New Construction Services Agreement for each of the three years ending 31 December 2020 as further reduced from the Adjusted Annual Caps   |

## DEFINITIONS

|                       |  |
|-----------------------|--|
| “Revised Annual Caps” | the proposed annual caps for the transactions contemplated under the New Construction Services Agreement for each of the three years ending 31 December 2020 as set out in the announcement of the Company dated 14 February 2018 and the circular of the Company dated 28 February 2018 |
| “RMB”                 | Renminbi, the lawful currency of the PRC   |
| “SFO”                 | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)  |
| “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 95.20% by Mr. Zhang De Huang and 4.80% by Ms. Zhang Cui Lan, the spouse of Mr. Zhang De Huang                                |
| “Share(s)”            | ordinary share(s) of a nominal value of HK\$0.01 each in the share capital of the Company  |
| “Shareholder(s)”      | holder(s) of the Shares  |
| “Stock Exchange”      | The Stock Exchange of Hong Kong Limited  |

\* For identification purpose only



恒盛地產  
GLORIOUS PROPERTY

**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)**

*Executive Directors*

Mr. Ding Xiang Yang (Chairman and  
Chief Executive Officer)  
Mr. Xia Jing Hua (Chief Financial Officer)  
Mr. Yan Zhi Rong

*Independent Non-executive Directors*

Prof. Liu Tao  
Mr. Wo Rui Fang  
Mr. Han Ping

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Principal place of business  
in Hong Kong:*

Room 2202, 22/F  
China Evergrande Centre  
38 Gloucester Road  
Wanchai  
Hong Kong

19 October 2018

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
REDUCTION OF PROPOSED ANNUAL CAPS  
UNDER THE NEW CONSTRUCTION SERVICES AGREEMENT**

**BACKGROUND**

Reference is made to the Announcement and the Further Announcement. As disclosed in the poll results announcement of the Company dated 21 March 2018, the resolution on the approval of the entering into of the New Construction Services Agreement, the transactions contemplated under the New Construction Services Agreement and the Revised Annual Caps for each of the three years ending 31 December 2020 as set out in the announcement of the Company dated 14 February 2018 and the

## LETTER FROM THE BOARD

circular of the Company dated 28 February 2018 was proposed but not passed at the Previous EGM. In light of the business needs of the Group and the benefits of continuing the existing transactions with Shanghai Ditong, the Board proposes to further adjust the Revised Annual Caps to the Reduced Annual Caps and to seek the approval of the Independent Shareholders for the entering into of the New Construction Services Agreement, the transactions contemplated under the New Construction Services Agreement and the Reduced Annual Caps.

The purposes of this circular are to provide you with, among other things, (i) further details of the transactions contemplated under the New Construction Services Agreement and the Reduced Annual Caps; (ii) the recommendations from the Independent Board Committee; (iii) the advice from the Independent Financial Adviser; and (iv) the notice of the EGM.

### THE NEW CONSTRUCTION SERVICES AGREEMENT

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

#### **Date**

21 November 2017

#### **Parties**

- (1) The Company
- (2) 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.

#### **Conditions precedent**

The New Construction Services Agreement and its performance are subject to compliance by the Company with any applicable disclosure and/or the 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 2018 to 31 December 2020. 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.



## LETTER FROM THE BOARD

The Company will comply with the Independent Shareholders' approval requirement, if applicable, prior to the renewal of the New Construction Services Agreement.

### 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 five to seven members) comprising of randomly chosen experts from a pool of industry experts (i.e. the experts database, which is administered by the Government Tender Office) and one to two representatives from the Group (where Mr. Zhang Zhi Rong or his connected persons will not be part of them) is formed to review the bids of a minimum of three bidders and to select the successful bidder. The assessment committee will be independent of Shanghai Ditong and its associates. 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 controls

In the event that Shanghai Ditong is selected to provide construction services to the Group, a certified engineering supervisory company which is independent from the Group, Shanghai Ditong and its associates, will be engaged to monitor the construction work to ensure the same is conducted in accordance with the terms of the respective construction agreement, including but not limited to the quality, costs and schedules of the work. In addition, monthly reports on the construction progress will be prepared by the supervisory company and provided to the independent non-executive Directors.

The costs control department of the Company, which is independent from Shanghai Ditong and its associates, is responsible for supervising and controlling the transactions rendered by Shanghai Ditong on a monthly basis by reference to the monthly reports prepared by the supervisory company described above to ensure that the aggregate transaction amounts do not exceed the approved annual caps of the respective year.

### HISTORICAL TRANSACTION AMOUNTS

The table below sets forth the historical transaction amounts between the Group and Shanghai Ditong in relation to the Previous Construction Services Agreement for the three years ended 31 December 2017:

| For the year ended<br>31 December 2015<br><i>(RMB million)</i> | For the year ended<br>31 December 2016<br><i>(RMB million)</i> | For the year ended<br>31 December 2017<br><i>(RMB million)</i> |
|--|--|--|
| 958.5  | 549.0  | 540.0  |

## LETTER FROM THE BOARD

### REDUCED ANNUAL CAPS FOR THE THREE YEARS ENDING 31 DECEMBER 2020

The Revised Annual Caps was proposed but not passed at the Previous EGM. The Board is of opinion that the resolution in relation to the Revised Annual Caps proposed at the Previous EGM was voted against by the Independent Shareholders mainly because the Independent Shareholders wish the Company to consider terminating the existing construction contracts with Shanghai Ditong and/or further reducing the transaction amount with Shanghai Ditong for the three years ending 31 December 2020, so as to reduce the Group's reliance on Shanghai Ditong. Having taken into account of the above, the Board proposes to further adjust the Revised Annual Caps to the Reduced Annual Caps in light of the business needs of the Group and the benefits of continuing the existing transactions with Shanghai Ditong.

The Reduced Annual Caps for the transactions contemplated under the New Construction Services Agreement for the three years ending 31 December 2020 together with the previous Revised Annual Caps, are set out as follows:

|                     | For the year ending<br>31 December 2018<br><i>(RMB million)</i> | For the year ending<br>31 December 2019<br><i>(RMB million)</i> | For the year ending<br>31 December 2020<br><i>(RMB million)</i> |
|---------------------|---|---|---|
| Revised Annual Caps | 700.0   | 500.0   | 200.0   |
| Reduced Annual Caps | 370.0   | 240.0   | 140.0   |

#### Basis for the Reduced Annual Caps

The Reduced Annual Caps were determined with reference to the business strategy of the Group and taking into account factors such as (i) the historical transaction amounts; (ii) the anticipated increase in inflation rate in the costs of construction materials, machineries and labour; and (iii) the estimated annual fees payable pursuant to the Existing Contracts, 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.

When estimating the increase in market cost of construction materials, machineries and labour for the three years ending 31 December 2020 (which may vary in different projects due to factors such as the differences in project nature and location), management has taken into consideration the inflation rate in the cities where the projects locate, such as the historical increase in the costs of construction materials, machineries and labour in Shanghai during the period of August 2017 to August 2018 by up to 48.2%, 13.8% and 16.1% respectively, with reference to the website of the Shanghai Construction Engineering Costs Information (上海建設工程造價訊息網). As the market rates of the above various costs may increase or decrease depending on the market dynamics, the Company therefore considers that it is not relevant to assume a general inflation rate in deriving the Reduced Annual Caps.

## LETTER FROM THE BOARD

The construction period for the construction projects between the Group and Shanghai Ditong varies according to the type of property and scale of the project. The actual transaction amount with Shanghai Ditong varies year by year and at different periods of the year depending on the different stages of construction. The Reduced Annual Caps were determined with reference to the reasonably anticipated aggregate transaction amount of the Existing Contracts between the Group and Shanghai Ditong based on the current construction progress of the projects with Shanghai Ditong, as modified by removing any planned termination of the Existing Contracts. The aggregated amount of the Reduced Annual Caps is lower than the Revised Annual Caps by approximately RMB650 million or 46.4%. The further reduction in the amount was resulted from the following factors: (i) as far as allowed by the relevant laws and regulations, the Group has negotiated and agreed with Shanghai Ditong, to hire other independent third parties to take on certain construction works under the Existing Contracts; (ii) the Group will be responsible for the procurement of certain construction raw materials in order to minimise the amount of transactions with Shanghai Ditong in the future; and (iii) the Group plans to terminate one contract in relation to the projects undertaken by Shanghai Ditong.

Prior to obtaining approval from the Independent Shareholders of the Reduced Annual Caps under the New Construction Services Agreement, the Company will closely monitor the aggregate transaction amount of the transactions under the New Construction Services Agreement to ensure that the applicable percentage ratios in respect of such transactions fall below 5%, which is approximately RMB130 million, for each of the three years ending 31 December 2020 as at the Latest Practicable Date. During the period from 1 January 2018 to 30 September 2018, the Group has incurred transaction amount of RMB110.5 million under the New Construction Services Agreement.

### **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 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 to both the Company and Shanghai Ditong. As the Previous Construction Services Agreement expired on 31 December 2017, it is necessary for the Company to enter into the New Construction Services Agreement with Shanghai Ditong so that the construction works undertaken by Shanghai Ditong according to the Existing Contracts can proceed.

The New Construction Services Agreement was negotiated and agreed on an arm's length basis between the Company and Shanghai Ditong. The resolution on the approval of the entering into of the New Construction Services Agreement, the transactions contemplated under the New Construction Services Agreement and the Revised Annual Caps was proposed but not passed at the Previous EGM. For the purpose of further

## LETTER FROM THE BOARD

reducing the reliance on Shanghai Ditong, by taking the measures as set out in the above “Basis for the Reduced Annual Caps” session, the Directors further reduced the expected transactions to the Reduced Annual Caps, which is RMB650 million or 46.4% lower than the Revised Annual Caps. The Board proposes again the New Construction Services Agreement to the Independent Shareholders because it is reasonable and desirable for Shanghai Ditong to continue to complete the construction contracts which have been undertaken by Shanghai Ditong for the Group. The Board believes that in the event that the existing on-going contracts being undertaken by Shanghai Ditong are terminated, the Company has to seek other construction companies to continue the construction contracts, which may take additional time and cost for the Group to complete the projects and eventually the progress of related projects will be affected adversely. Furthermore, the termination of the transactions with Shanghai Ditong will also affect the timely completion and delivery of the properties to the property purchasers. The Board, therefore, believes that the completion of the Existing Contracts is in the best interests of the Company and its Shareholders as a whole. The 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 Reduced Annual Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole. In the event that the New Construction Services Agreement and the Reduced Annual Caps are voted down by the Independent Shareholders, the Company will abide by the Listing Rules to closely monitor the aggregate transaction amount of the transactions under the New Construction Services Agreement to ensure that the applicable percentage ratios in respect of such transactions fall below 5%, which is approximately RMB130 million, for each of the three years ending 31 December 2020, as at the Latest Practicable Date. Besides taking various measures by the Company to reduce the amount of transactions with Shanghai Ditong in the future as disclosed under the above section headed “Basis for the Reduced Annual Caps”, the Company will seek other independent construction companies to take on the related construction works to complete the existing property development projects and to minimise the disruption or delay of those projects.

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 resolution of the Board approving the entering into of the New Construction Services Agreement, the transactions contemplated under the New Construction Services Agreement and the Reduced Annual Caps, 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 at the Latest Practicable Date, the Group had development projects in various PRC cities including Beijing, Tianjin, Shanghai, Wuxi, Nanjing, Nantong, Hefei, Harbin, Changchun, Shenyang and Dalian.

## LETTER FROM THE BOARD

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.

### IMPLICATIONS UNDER THE LISTING RULES

Mr. Zhang De Huang (the father of Mr. Zhang Zhi Rong, the indirect ultimate controlling Shareholder, and the father-in-law of Mr. Ding Xiang Yang, an executive Director) together with his spouse hold the entire equity interest 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 Construction Services Agreements constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios of the Reduced Annual Caps exceed 5%, the entering into of the New Construction Services Agreement, the transactions contemplated under the New Construction Services Agreement and the Reduced Annual Caps are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### THE EGM

The EGM will be held for the Independent Shareholders to consider and, if thought fit, approve the New Construction Services Agreement and the transactions contemplated thereunder and the Reduced Annual Caps. In accordance with the Listing Rules, Mr. Zhang Zhi Rong and his associates (including Best Era, Island Century Limited, Market Victor Limited, Novel Ventures Limited and Well Advantage Limited, all of which are directly or indirectly wholly-owned by Mr. Zhang Zhi Rong), being connected persons of the Company and having material interests in the Construction Services Agreements (which are different from those of the Independent Shareholders), will abstain from voting at the EGM in respect of the resolution.

The votes of the Independent Shareholders will be taken by way of poll at the EGM. As at the Latest Practicable Date, Mr. Zhang Zhi Rong and his associates held 5,311,022,436 Shares, representing approximately 68.15% of the issued share capital in the Company, and Mr. Zhang Zhi Rong was also interested in share options to subscribe for 15,000,000 Shares, representing approximately 0.19% of the total issued share capital of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, other than Mr. Zhang Zhi Rong and his associates (including Best Era, Island Century Limited, Market Victor Limited, Novel Ventures Limited and Well Advantage Limited (all of which are directly or indirectly wholly-owned by Mr. Zhang Zhi Rong)), there is no connected person of the Company, any Shareholder or their respective associates who has a material interest in the relevant resolution and is required to abstain from voting at the EGM.

## LETTER FROM THE BOARD

A notice to convene the EGM is set out on pages 33 to 34 of this circular. The EGM will be held at the Falcon Room, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Monday, 12 November 2018 at 2:30 p.m. The form of proxy for use by the Shareholders at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

### RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 13 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 14 to 27 of this circular in connection with the continuing connected transactions contemplated under the New Construction Services Agreement, the Reduced Annual Caps and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the New Construction Services Agreement and the Reduced Annual Caps are fair and reasonable, on normal commercial terms and the New Construction Services Agreement was entered into in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the entering into of the New Construction Services Agreement, the transactions contemplated under the New Construction Services Agreement and the Reduced Annual Caps at the EGM.

Accordingly, the Board (including the independent non-executive Directors) also recommends the Independent Shareholders to vote in favour of the resolution to approve the entering into of the New Construction Services Agreement, the transactions contemplated under the New Construction Services Agreement and the Reduced Annual Caps at the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,  
By order of the Board  
**Glorious Property Holdings Limited**  
**Ding Xiang Yang**  
*Chairman*





**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)**

19 October 2018

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
REDUCTION OF PROPOSED ANNUAL CAPS  
UNDER THE NEW CONSTRUCTION SERVICES AGREEMENT**

We refer to the circular of the Company dated 19 October 2018 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the entering into of the New Construction Services Agreement, the transactions contemplated under the New Construction Services Agreement and the Reduced Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the New Construction Services Agreement and the advice of the Independent Financial Adviser in relation thereto as set out on pages 14 to 27 of the Circular, we are of the opinion that the entering into of the New Construction Services Agreement, the transactions contemplated under the New Construction Services Agreement and the Reduced Annual Caps are fair and reasonable, on normal commercial terms and the New Construction Services Agreement was entered into in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to approve the entering into of the New Construction Services Agreement, the transactions contemplated under the New Construction Services Agreement and the Reduced Annual Caps at the EGM.

Yours faithfully,  
For and on behalf of the  
**Independent Board Committee**

**Prof. Liu Tao**

**Mr. Wo Rui Fang**  
*Independent non-executive Directors*

**Mr. Han Ping**

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the full text of a letter received from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under the New Construction Services Agreement and the Reduced Annual Caps for each of the three years ending 31 December 2020, for inclusion in this Circular.*

**SUNWAH KINGSWAY**  
**新華滙富**

19 October 2018

*To the Independent Board Committee and the Independent Shareholders of  
Glorious Property Holdings Limited*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS REDUCTION OF PROPOSED ANNUAL CAPS UNDER THE NEW CONSTRUCTION SERVICES AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the entering into of the New Construction Services Agreement, the transactions contemplated under the New Construction Services Agreement and the Reduced Annual Caps, details of which are set out in the circular (the “**Circular**”) of the Company to the Shareholders dated 19 October 2018, of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

Reference is made to the circular of the Company dated 2 July 2014 (the “**2014 Circular**”) in respect of the continuing connected transactions contemplated under the Previous Construction Services Agreement entered into between the Company and Shanghai Ditong for a term of three years from 1 January 2015 to 31 December 2017 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. The Previous Construction Services Agreement expired on 31 December 2017.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reference is also made to the circular of the Company dated 6 December 2017, the circular of the Company dated 28 February 2018, the poll results announcement dated 21 March 2018, the Announcement and the Further Announcement. The resolution in relation to the continuing connected transactions contemplated under the New Construction Services Agreement and the Revised Annual Caps for each of the three years ending 31 December 2020 was proposed but was not passed by the Shareholders at the Previous EGM. In light of the business needs of the Group, the Board proposes to further reduce the annual caps for the three years ending 31 December 2020 to the Reduced Annual Caps and to seek the approval of the Independent Shareholders for the entering into of the New Construction Services Agreement, the transaction contemplated under the New Construction Services Agreement and the Reduced Annual Caps.

Mr. Zhang De Huang (the father of Mr. Zhang Zhi Rong, indirect ultimate controlling Shareholder and the father-in-law of Mr. Ding Xiang Yang, an executive Director) together with his spouse hold the entire equity interest 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 Construction Services Agreements constitute continuing connected transactions of the Company. In accordance with the Listing Rules, Mr. Zhang Zhi Rong and his associates (including Best Era International Limited, Market Victor Limited, Novel Ventures Limited, Island Century Limited and Well Advantage Limited (all of which are directly or indirectly wholly-owned by Mr. Zhang Zhi Rong), being connected persons of the Company and having material interests in the Construction Services Agreements (which are different from those of the Independent Shareholders), will abstain from voting at the EGM to approve the relevant resolution in relation to the transaction contemplated under the New Construction Services Agreement and the Reduced Annual Caps.

As one or more of the applicable percentage ratios of the Reduced Annual Caps exceed 5%, the transaction contemplated under the New Construction Services Agreement and the Reduced Annual Caps are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has established the Independent Board Committee to advise the Independent Shareholders in relation to the transactions contemplated under of the New Construction Services Agreement and the Reduced Annual Caps. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any equity interests in any member of the group of the Company, nor have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the group of the Company, nor have any interest in any asset of the any member of the group of the Company. In the last two years, we have acted as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the following transactions:

| <b>Date of the relevant circular and our letter of advice</b> | <b>Nature of the transaction</b>   |
|---|--|
| 6 December 2017   | Continuing connected transactions – Renewal of construction services agreement                                 |
| 28 February 2018  | Continuing connected transactions – Revision of proposed annual caps under New Construction Services Agreement |

Apart from normal advisory fee and expenses payable to us in connection with the previous appointments mentioned above as well as our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company. Accordingly, we consider that the aforementioned previous appointment would not affect our independence, and that we are independent pursuant to Rule 13.84 of the Listing Rules.

### BASIS OF OUR OPINION

In formulating our view and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the information, opinions and representations contained or referred to in the Circular and provided to us by the Company, the Directors and the management of the Company (the “**Management**”), which the Directors consider to be complete, accurate and relevant. We have assumed that all the information, opinions and representations contained or referred to in the Circular were true, accurate and complete at the time they were made and continue to be true and accurate as at the date of the Circular. We have also assumed that all the statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We have no reason to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance, which would render the information provided and representations and opinions made to us by the Company, the Directors and the Management untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view. The Directors have confirmed that no material facts or representations have been withheld or omitted from the information provided and referred to in the Circular. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the Management, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Company, Shanghai Ditong or their respective subsidiaries or associated companies.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### PRINCIPAL REASONS AND FACTORS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the New Construction Services Agreement and the Reduced Annual Caps, we have taken into consideration the following principal factors and reasons:

#### 1. Information on the Group

The Company is an investment holding company. The Group is a property developer and seller of high-quality properties in key economic cities in the PRC. As at the Latest Practicable Date, the Group has development projects in various PRC cities including Beijing, Tianjin, Shanghai, Wuxi, Nanjing, Nantong, Hefei, Harbin, Changchun, Shenyang and Dalian. It is the Group's business model to outsource construction phase of its development project to construction companies which are selected through tender as required by relevant PRC laws and regulations. The table below sets out the summary financial information of the Group as extracted from the Company's annual report for the year ended 31 December 2017 (the "2017 Annual Report"):

|   | <b>For the year ended<br/>31 December</b> |                  |
|---|---|------------------|
|   | <b>2016</b>                               | <b>2017</b>      |
|   | <i>RMB'000</i>                            | <i>RMB'000</i>   |
|   | <i>(audited)</i>                          | <i>(audited)</i> |
| Revenue   | 2,572,542                                 | 3,465,550        |
| Loss for the year attributable to the owners of the Company | (4,021,011)                               | (2,608,618)      |
| <b>As at 31 December</b>                                    |   |                  |
|   | <b>2016</b>                               | <b>2017</b>      |
|   | <i>RMB'000</i>                            | <i>RMB'000</i>   |
|   | <i>(audited)</i>                          | <i>(audited)</i> |
| Total assets  | 55,104,201                                | 51,638,268       |
| Total liabilities   | 46,393,339                                | 45,653,762       |

According to the 2017 Annual Report, the Group recorded revenue and total comprehensive loss for the year attributable to the owners of the Company of approximately RMB3,466 million and approximately RMB2,609 million respectively for the year ended 31 December 2017. It is disclosed in the 2017 Annual Report that such total comprehensive loss for the year attributable to the owners of the Company was mainly due to (i) its revenue recognised remained at a very low level; (ii) the significant amount of provision for impairment made to the Group's properties; (iii) the significant amount of fair value loss recorded for its investment properties; and (iv) the large amount of finance costs not being capitalised but were recorded as current year expenses, in the year ended 31 December 2017. We also

noted from the 2017 Annual Report that the Group recognised revenue for a total of 17 property projects located in various first-tier, second-tier, and third-tier cities in the PRC in the year ended 31 December 2017.

## **2. Information on Shanghai Ditong**

As disclosed in the Letter from the Board, Shanghai Ditong is a company established under the laws of the PRC with limited liability. Shanghai Ditong principally engages in provision of construction and related services such as foundation engineering, fitting, decoration, door and window installation in the PRC. It holds a Class I Qualification for General Contracting of Building Construction Works and has obtained all relevant licenses as a construction contractor. Shanghai Ditong has won tenders for some of the Group's construction projects and has provided relevant services to the Group since 1999.

## **3. Reasons for and benefits of the New Construction Services Agreement**

Reference is made to the 2014 Circular in respect of the continuing connected transactions contemplated under the Previous Construction Services Agreement entered into between the Company and Shanghai Ditong in relation to the provision of construction and related services by Shanghai Ditong to the Group, 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 from 1 January 2015 to 31 December 2017. Relevant resolutions for approving the Previous Construction Services Agreement and the related annual caps for the three years ended 31 December 2017 were passed by the independent shareholders of the Company at the extraordinary general meeting held on 7 August 2014. The Previous Construction Services Agreement expired on 31 December 2017.

Majority of the Existing Contracts will continue in the three years ending 31 December 2020, which would require the continued payment of construction fees by the Group to Shanghai Ditong according to the development stages of the construction projects. As the Previous Construction Services Agreement expired on 31 December 2017, it is necessary for the Company to enter into the New Construction Services Agreement with Shanghai Ditong so that the construction works undertaken by Shanghai Ditong according to the Existing Contracts can proceed. We noted from the 2017 Annual Report that, as the Group's continuing connected transactions with Shanghai Ditong were not approved by the independent Shareholders in the Company's extraordinary general meeting on 28 December 2017 and the Previous EGM, the Group had to revisit the relevant construction plans by revising or cancelling the existing construction services agreements with Shanghai Ditong in order to comply with the Listing Rules. Although an agreement has been reached with Shanghai Ditong under which no penalty will result from the revision and cancellation of the existing construction services agreements, such changes in the development plan could result in disruption or delay in those projects which might adversely affect the future net cash inflows of the Group.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors are generally satisfied with the quality of the construction and related services rendered by Shanghai Ditong and believe that the long relationship between the Group and Shanghai Ditong since its provision of service in 1999 and Shanghai Ditong's familiarisation with the Company's development projects and business operations could bring synergy to both the Company and Shanghai Ditong. We understood from the Management that, if Shanghai Ditong is selected to provide construction services to the Group after the tender process in any case required by the relevant PRC laws and regulations and selection procedures, a certified engineering supervisory company which is independent from the Group, Shanghai Ditong and their associates will be engaged by the Group in respect of each of the Group's projects with Shanghai Ditong, in order to monitor the construction progress and quality of the construction services provided by Shanghai Ditong. Such engineering supervisory companies possess the necessary qualifications in construction supervision and are responsible for monitoring the quality of construction, construction schedules and costs of the projects. We have reviewed three samples of monthly report prepared by engineering supervisory companies for the Group's project for which Shanghai Ditong was selected as the contractor and noted that those engineering supervisory companies have monitored the quality of construction, construction schedule and safety control of the project.

Taking into consideration of the above, in particular, (i) it is necessary for the Company to enter into the New Construction Services Agreement with Shanghai Ditong so that the construction works undertaken by Shanghai Ditong according to the Existing Contracts can proceed, as the Previous Construction Services Agreement expired on 31 December 2017; and (ii) an independent certified engineering supervisory company is engaged to monitor the construction progress and quality of the construction services provided by Shanghai Ditong for each of the Group's projects, we concur with the Directors view that the entering into of the New Construction Services Agreement are in the ordinary and usual course of business of the Group and are in the interest of the Group and the Shareholders as a whole.

#### **4. Principal terms of the New Construction Services Agreement**

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

|          |  |
|----------|--|
| Date:    | 21 November 2017 (after trading hours) |
| Parties: | (1) The Company                        |
|          | (2) Shanghai Ditong                    |

As set out in the Letter from the Board, the terms of the New Construction Services Agreement were negotiated and agreed on an arm's length basis between the Group and Shanghai Ditong. Pursuant to the New Construction Services Agreement, Shanghai Ditong will provide construction and related services (including but not limited to foundation engineering, fitting, decoration, door and

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

window installment and construction raw material procurement) to the Group, subject to its winning the relevant tenders. Further, we have obtained and reviewed the New Construction Services Agreement and noted that the terms of construction contracts to be signed pursuant to the New Construction Services Agreement shall be agreed on an arm's length basis between the Group and Shanghai Ditong, and on normal and commercial terms, or terms that will be no less favourable to the Group as compared to that offered by independent third parties of the Company.

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 (中華人民共和國招標投標法), the bidders will submit their tender bids to the Group. An assessment committee (consisting of five to seven members) comprising of randomly chosen experts from a pool of industry experts (i.e. the experts database, which is administered by the Government Tender Office) and one to two representatives from the Group (where Mr. Zhang Zhi Rong or his connected persons will not be part of them) is formed to review the bids of a minimum of three bidders and to select the successful bidder. The assessment committee will be independent of Shanghai Ditong and its associates. 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. We have reviewed the selected sample of score sheets prepared by an assessment committee for a construction project of the Group awarded to Shanghai Ditong in October 2015 and noted that Shanghai Ditong was selected as the contractor following the tender process as it got the highest score in total.

As disclosed in the 2017 Annual Report, The Group has adopted the Guidelines on Tendering Procedures for Construction Services (工程類招投標工作指引) (the "Guidelines") on 15 April 2010, for the selection of potential bidders for the property projects carried out by the Group and review of construction services provided by Shanghai Ditong. According to the 2017 Annual Report, the Board has confirmed that the Group has complied with the independent mechanism contained in the Guidelines and has carried out the independent review procedures set out in the Guidelines to monitor the quality of the construction work completed by Shanghai Ditong, and that the Group had followed the pricing policies and guidelines when determining the price and terms of the continuing connected transactions conducted during the year ended 31 December 2017. Further details of the internal control measures adopted by the Group are disclosed under the section headed "6. Internal Controls".

We have also reviewed five samples of the Existing Contracts, three samples of construction contracts of similar nature and scale of the Existing Contracts entered into between the Group and independent construction companies. Pursuant to those contracts, the transaction fees payable by the Group to Shanghai Ditong or independent construction companies have been stipulated in the relevant contracts. In respect of any additional or revised construction works of which the fee has not been stipulated in the relevant contracts, the amount payable by the Group will be



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

determined with reference to market rates or rates similar to those offered to other independent third parties of the Company. Based on the documents obtained as aforementioned, it is noted that the terms offered by Shanghai Ditong to the Group was no less favourable to the Group as compared to that offered by independent third parties of the Company.

Taking into account of the factors above, in particular, (i) the terms of the New Construction Services Agreement are agreed on arm's length basis between the Company and Shanghai Ditong; (ii) the Group will not be obliged to engage Shanghai Ditong as its contractor under the New Construction Services Agreement; (iii) according to the relevant PRC laws and regulation, Shanghai Ditong will have to participate in tender for the Group's construction projects to compete with two or more bidders and two-third of members in the assessment committee formed to select successful bidders shall be industry experts independent from the Group; and (iv) the fees payable by the Group to Shanghai Ditong for any new or revised construction works which has not been fixed in the relevant tender documents or construction contracts will be fixed either at market rates or rates similar to those offered to independent third parties of the Company, we concur with the Directors and are of the view that the terms under the New Construction Services Agreement is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### 5. Reduced Annual Caps

After the Previous EGM at which the resolution on the approval of the New Construction Services Agreement and the Revised Annual Caps for each of the three years ending 31 December 2020 was not passed by the Shareholders, the Board proposes to further adjust the annual caps for the three years ending 31 December 2020 to the Reduced Annual Caps, and to seek the approval of the Independent Shareholders for the transaction contemplated under the New Construction Services Agreement and the Reduced Annual Caps, in light of the business needs of the Group.

Set out below are the differences between the Revised Annual Caps and the Reduced Annual Caps:

|                     | For the year ending<br>31 December 2018<br><i>(RMB million)</i> | For the year ending<br>31 December 2019<br><i>(RMB million)</i> | For the year ending<br>31 December 2020<br><i>(RMB million)</i> |
|---------------------|---|---|---|
| Revised Annual Caps | 700   | 500   | 200   |
| Reduced Annual Caps | 370   | 240   | 140   |

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparing the Revised Annual Caps and the Reduced Annual Caps, the Reduced Annual Caps are lower than the Revised Annual Caps by approximately RMB650 million or 46.4%. We have reviewed and compared the preceding projection prepared by the Company which sets out the estimated contract values on a project-by-project basis entered into with Shanghai Ditong during the period from 1 January 2018 to 31 December 2020 in determining the Revised Annual Caps (the “**Preceding Projection**”), and the projection prepared by the Company which sets out the estimated contract values on a project-by-project basis entered into with Shanghai Ditong during the period from 1 January 2018 to 31 December 2020 in determining the Reduced Annual Caps (the “**Reduced Projection**”).

We noted from the Reduced Projection that the estimated annual fees payable pursuant to the Existing Contracts are reduced and a project with Shanghai Ditong, which is currently at an early stage of the construction cycle, is removed. We noted from 2017 Annual Report that the Group was actively negotiating with Shanghai Ditong to revise or cancel the existing construction services agreements and seeking other independent third parties to take on the related construction works to ensure timely completion of the existing property development projects and to minimise the disruption or delay of those projects. We are given to understand from the Management that, as also disclosed in the Letter from the Board, as far as allowed by the relevant laws and regulations, the Group (i) has negotiated and agreed with Shanghai Ditong, to hire other independent third parties to take on certain construction works under the Existing Contracts; and (ii) will be responsible for the procurement of certain construction raw materials in order to minimise the amount of transactions with Shanghai Ditong in the future.

The Reduced Annual Caps were determined with reference to the business strategy of the Group and taking into account of factors such as (i) the historical transaction amounts; (ii) the anticipated increase in inflation in the costs of construction materials, machineries and labour costs; and (iii) the estimated annual fees payable pursuant to the Existing Contracts 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.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In order to assess the fairness and reasonableness of the Reduced Annual Caps, we have obtained and reviewed its underlying calculations and the Reduced Projection, discussed the basis and assumptions adopted in such calculations with the Management, and obtained supporting documents where appropriate. Our findings are as follows:

- (i) In respect of the historical transaction amounts in relation to the Previous Construction Services Agreement, they are set out in the below table with the respective annual caps for the three years ended 31 December 2017:

|                               | For the year ended<br>31 December 2015<br><i>(RMB million)</i> | For the year ended<br>31 December 2016<br><i>(RMB million)</i> | For the year ended<br>31 December 2017<br><i>(RMB million)</i> |
|-------------------------------|--|--|--|
| Annual cap                    | 1,590  | 1,190  | 540  |
| Historical transaction amount | 958.5  | 549.0  | 540.0  |

As set out in the table above, the historical transaction amounts were approximately RMB958.5 million, RMB549.0 million, and RMB540.0 million for the years ended 31 December 2015, 2016, and 2017 respectively, representing the utilisation rates of the approved annual caps of approximately 60.3%, 46.1%, and 100.0% respectively.

In connection with the historical utilisation rates, we noted from the 2014 Circular that the annual caps of the Previous Construction Services Agreement were determined based on the then existing construction contracts between the Company and Shanghai Ditong as at the latest practicable date of the said circular. As disclosed in the Letter from the Board, the actual transaction amount varies year by year depending on different stages of construction. We have discussed with the Management and are given to understand that in practice the provision of construction and related services from Shanghai Ditong was subject to the actual development of the projects and/or result of tender. Any unsuccessful bidding by Shanghai Ditong in the tender and delay in the development stages of the projects would affect the utilisation rate;

- (ii) In respect of the anticipated increase in inflation in the costs of construction materials, machineries and labour, we have discussed with the Management and understand that the said inflation represents the estimated increase in market rate of cost of construction materials, machineries and labour in the cities where the projects locate from 1 January 2018 to 31 December 2020. The Management expects the said increase during the three years ending 31 December 2020 in view of the fluctuation in the cost of construction materials, machineries and labour in the cities where the projects locate from August 2017 to August 2018, while the expected increase in the cost of construction materials,

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

machineries and labour varies in different projects depending on factors such as the location, historical cost data, and the costs incurred in comparable projects of each of the projects. As per discussion with Management, as the market rates of the various costs may increase or decrease depending on the market dynamics, they considered it is not relevant to assume a general inflation rate in deriving the annual caps for the three years ending 31 December 2020.

Among the cities where the projects of the Existing Contracts locate, we have selected and conducted inflation calculation from August 2017 to August 2018 in Shanghai given that most of the Group's projects with Shanghai Ditong are located in Shanghai. We noted from the website of the Shanghai Construction Engineering Costs Information\* (上海建設工程造價訊息網) that the cost of certain construction materials, especially Composite silicate cement P•C32.5R grade (bulk)\* (複合矽酸鹽水泥 P•C32.5R級(散裝)), the cost of certain machineries, especially Internal combustion single-stage centrifugal clean water pump 50mm\* (內燃單級離心清水泵 50mm), and the cost of labour, especially Form fixer\* (模板工) increased by approximately 48.2%, 13.8%, and 16.1%, respectively from August 2017 to August 2018 in Shanghai.

We understand from the Management that such fluctuation in construction materials, machineries, and labour costs during the period from August 2017 to August 2018 are taken into consideration when estimating the rise in market rate of cost of construction materials, machineries and labour for the three years ending 31 December 2020 in Shanghai, and the estimated increase in market rate of cost of construction materials, machineries and labour varies in different projects due to factors such as the difference in project nature and location, and our observation from the said website is in line with the representation of the Company.

The website of Shanghai Construction Engineering Costs Information\* is operated by the Shanghai Building Materials Industry Market Management Station\* (上海市建築建材業市場管理總站) which is under Shanghai Housing and Urban Construction Management Committee\* (上海市住房和城鄉建設管理委員會), a government department of the PRC. The statistics published on the website are provided by the Shanghai Housing and Urban Construction Management Committee\*. We are given to understand from the Company that the operator of the website of Shanghai Construction Engineering Costs Information\*, is independent of the Company and its connected parties and they are official sources of information on the construction engineering costs in Shanghai; and

\* For identification purpose only

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) In respect of the estimated annual fees payable pursuant to the Existing Contracts, according to the Letter from the Board, such estimated annual fees payables are derived based on the development stages of the Existing Contracts, The construction period for the construction projects varies according to the type of property and scale of the project. We have obtained and reviewed the Reduced Projection which sets out the anticipated aggregate transaction amount of the Existing Contracts based on the current construction progress of the projects. We noted from the Reduced Projection that the ongoing development of the Existing Contracts will continue during the three years ending 31 December 2020 and will fall into the New Construction Services Agreement.

Furthermore, we have obtained and reviewed five samples contracts of the Existing Contracts, and we noted that the relevant construction costs are comparable with the estimated construction costs adopted in the calculation of the Reduced Annual Caps.

Taking into consideration of our findings as discussed at (i), (ii) and (iii) above, we concur with the view of the Directors that the assumptions made and the factors used to determine the Reduced Annual Caps are fair and reasonable.

### **6. Internal controls**

We are given to understand from the Management that the Group has implemented the following measures to ensure that (a) individual transactions will be conducted in accordance with the terms of the New Construction Services Agreement, on normal commercial terms (or terms more favourable than terms available to independent parties), and in accordance with the pricing terms; and (b) the annual aggregate transaction amounts will not exceed the annual caps of the respective year:

- (i) engagement of a certified engineering supervisory company which is independent from the Group, Shanghai Ditong and their associates to monitor the construction work conducted by Shanghai Ditong, including but not limited to the quality, cost and schedule. Monthly report will be provided to the Group;
- (ii) the cost control department of the Company, which is independent from Shanghai Ditong and its associates, is and will continue to be responsible for supervising and controlling the transactions conducted by Shanghai Ditong and, by making reference to the monthly report mentioned in (i) above, to ensure that the aggregate transaction amounts will not exceed the annual caps of the respective year;

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) annual review by the independent non-executive Directors on the transactions entered under the New Construction Services Agreement and confirmation given by them as required under Rule 14A.55 under the Listing Rules; and
- (iv) annual report by the auditors on the continuing connected transactions of the Company to the Board as required under Rule 14A.56 under the Listing Rules.

We have obtained and reviewed relevant supporting documents in connection with the abovementioned internal control measures where appropriate and we noted from the annual reports of the Company for the years 2014 to 2017 that the independent non-executive Directors and the auditors have reviewed the transactions conducted between the Group and Shanghai Ditong under the Previous Construction Services Agreement for the years 2014 to 2017. The independent non-executive Directors have confirmed that those transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. Also, the auditors have reported to the Board that the continuing connected transactions for the years 2014 to 2016, which were governed by the Previous Construction Services Agreement, (i) have received the approval of the Board; (ii) have been entered into in accordance with the relevant agreement governing such transactions; and (iii) have not exceeded the relevant cap amount for the years 2014 to 2017 as set out in the circular published by the Company on 2 July 2014.

### OPINION AND RECOMMENDATION

Taking into consideration the factors and reasons as stated above, we are of the opinion that:

- (i) the entering into of the New Construction Services Agreement is in the interests of the Company and the Shareholders as a whole;
- (ii) the terms of the New Construction Services Agreement and the Reduced Annual Caps are fair and reasonable; and
- (iii) the New Construction Services Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to approve the New Construction Services Agreement and the Reduced Annual Caps for each of the three years ending 31 December 2020 at the EGM.

Yours faithfully,  
For and on behalf of  
**Kingsway Capital Limited**  
**Ken Wong**  
*Managing Director*

*Mr. Ken Wong is a licensed person registered with the Securities and Futures Commission and a responsible officer of Kingsway Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance. He has over 14 years of experience in the field of corporate finance advisory in Hong Kong.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO), or are required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules are listed as follows:

| Name of Director    | Personal<br>Interests<br>(Note 1) | Total      | Approximate<br>shareholding<br>percentage<br>in the Company<br>(Note 2) |
|---------------------|-----------------------------------|------------|---|
| Mr. Ding Xiang Yang | 15,000,000                        | 15,000,000 | 0.19%   |
| Mr. Xia Jing Hua    | 5,000,000                         | 5,000,000  | 0.06%   |
| Mr. Yan Zhi Rong    | 5,000,000                         | 5,000,000  | 0.06%   |

Notes:

- (1) This represents interests held by the relevant Directors as beneficial owner in the share options granted to the Directors under the pre-IPO share option scheme of the Company to subscribe for Shares.
- (2) The percentages have been compiled based on the total number of Shares in issue as at the Latest Practicable Date (i.e. 7,792,645,623 Shares).

All of the interests disclosed above represent long positions in the Shares.

Save as disclosed above, none of the Directors or the chief executive of the Company has any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he

is taken or deemed to have under such provisions of SFO), or are required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as known to the Directors and the chief executives of the Company, the following persons (other than a Director or a chief executives of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

#### Interests in Shares

| Name of the substantial shareholder     | Capacity  | Number of Shares        | Long position/<br>short position | Approximate shareholding percentage in the Company<br>(Note 2) |
|---|---|-------------------------|----------------------------------|--|
| Mr. Zhang Zhi Rong                      | Interested in controlled corporations/Beneficial owner (Note 3) | 5,326,022,436           | Long position                    | 68.35%   |
| Best Era (Note 1)                       | Beneficial owner  | 4,975,729,436           | Long position                    | 63.85%   |
| China Life Insurance (Overseas) Co. Ltd | Beneficial owner  | 571,210,000<br>(Note 4) | Long position                    | 7.33%  |

Notes:

- (1) Best Era is owned as to 100% by Mr. Zhang Zhi Rong, who is the sole director of Best Era.
- (2) The percentages have been compiled based on the total number of Shares in issue as at the Latest Practicable Date (i.e. 7,792,645,623 Shares).
- (3) As at the Latest Practicable Date, Best Era, Market Victor Limited, Novel Ventures Limited, Island Century Limited and Well Advantage Limited, all of which are wholly-owned directly or indirectly by Mr. Zhang Zhi Rong, held 4,975,729,436 Shares, 81,936,000 Shares, 106,288,000 Shares, 119,313,000 Shares and 27,756,000 Shares respectively, representing in aggregate 5,311,022,436 Shares or approximately 68.15% of the total issued share capital of the Company. Mr. Zhang Zhi Rong is also interested in share options to subscribe for 15,000,000 Shares, representing approximately 0.19% of the total issued share capital of the Company.
- (4) According to the notice of dealing disclosures dated 12 October 2016, submitted to the Securities and Futures Commission by China Life Insurance (Overseas) Co. Ltd., pursuant to Rule 22 of the Code on Takeovers and Mergers of Hong Kong.

Save as disclosed above, so far as known to the Directors and the chief executives of the Company, as at the Latest Practicable Date, no person (other than a Director or a chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

#### **4. INTEREST OF DIRECTORS IN COMPETING BUSINESS**

As at the Latest Practicable Date, the Directors were not aware that any of them or any of their respective close associates had interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

#### **5. DIRECTORS' INTEREST IN ASSET AND CONTRACTS OF THE GROUP**

As at the Latest Practicable Date, none of the Directors had: (i) any direct or indirect interests in any assets which have been since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) any material interest in any contract or arrangement at the Latest Practicable Date which was significant in relation to the business of the Group.

#### **6. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation (other than statutory compensation).

#### **7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.



## 8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice for inclusion in this circular:

| Name                     | Qualifications  |
|--------------------------|---|
| Kingsway Capital Limited | a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |

Kingsway Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter of advice or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Kingsway Capital Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. The aggregate of amounts due to the group of the Independent Financial Adviser from the Company did not exceed 10% of the total assets shown in the latest consolidated financial statements of the Independent Financial Adviser's ultimate holding company.

As at the Latest Practicable Date, Kingsway Capital Limited had no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Group since 31 December 2017 (the date to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be acquired, disposed of or leased to.

## 9. GENERAL

- (a) The Company's registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The company secretary of the Company is Mr. Cheng Ka Hang, Francis. Mr. Cheng is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (c) The Hong Kong share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The English texts of this circular and the accompanying proxy form shall prevail over the Chinese texts.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Room 2202, 22/F, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Previous Construction Services Agreement;
- (b) the New Construction Services Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 13 of this circular;
- (d) the letter from Kingsway Capital Limited, the text of which is set out on pages 14 to 27 of this circular; and
- (e) the letter of consent from Kingsway Capital Limited referred to in the above paragraph headed "Expert and Consent" in the Appendix to this circular.

## NOTICE OF EGM



**恒盛地產**  
GLORIOUS PROPERTY

### 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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Glorious Property Holdings Limited (the “Company”) will be held at the Falcon Room, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Monday, 12 November 2018 at 2:30 p.m. for the purpose of considering and, if thought fit, passing the following resolution:

#### ORDINARY RESOLUTION

THAT

- “1. (i) the execution of the construction services agreement dated 21 November 2017 (the “**New Construction Services Agreement**”) (a copy of which has been produced to the EGM marked “A” and signed by the Chairman of the EGM for identification purpose) entered into between the Company and 上海地通建設(集團)有限公司 (Shanghai Ditong Construction (Group) Co., Ltd.\*) (“**Shanghai Ditong**”) by any director(s) of the Company be and is hereby approved, confirmed and ratified and any director(s) of the Company be and is hereby authorised to sign, execute, perfect and deliver all such documents and to affix the common seal of the Company on any such document as and when necessary and do all such deeds, acts, matters and things as he may in his discretion consider necessary or desirable for the purposes of or in connection with the implementation of the New Construction Services Agreement and the transactions contemplated thereunder; and
- (ii) the further adjusted annual caps for the three years ending 31 December 2020 (the “**Reduced Annual Caps**”) in relation to the purchase of construction and related services from Shanghai Ditong under the New Construction Services Agreement as set out in the circular of the Company dated 19 October 2018 be and are hereby approved.”

By Order of the Board  
**Glorious Property Holdings Limited**  
**Cheng Ka Hang, Francis**  
*Company Secretary*

Hong Kong, 19 October 2018

## NOTICE OF EGM

*Notes:*

1. Any member entitled to attend and vote at the EGM (or any adjournment thereof) is entitled to appoint one or more than one proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company. Shareholders or their proxies shall present proofs of identities when attending the EGM (or any adjournment thereof).
2. Where there are joint holders of share(s), any one of such persons may vote at the above meeting (or at any adjournment thereof), either personally or by proxy, in respect of such share(s) as if he/she were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share(s) will alone be entitled to vote in respect thereof.
3. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of that power or authority), must be deposited at the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of EGM (or any adjournment thereof).
4. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM or any adjournment thereof if he/she so desires. If a member attends the EGM or any adjournment thereof after having deposited the form of proxy, his/her form of proxy will be deemed to have been revoked.
5. The register of members of the Company will be closed from Tuesday, 6 November 2018 to Monday, 12 November 2018, both days inclusive, during which period no transfer of shares in the Company will be effected. In order to qualify for the right to attend and vote at the extraordinary general meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 5 November 2018.
6. The resolution set out in this notice shall be decided by poll.

*As at the date of this notice, the executive directors of the Company are Messrs. Ding Xiang Yang, Xia Jing Hua and Yan Zhi Rong; and the independent non-executive directors of the Company are Prof. Liu Tao, Mr. Wo Rui Fang and Mr. Han Ping.*

\* For identification purpose only