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Zhongliang Holdings Group Company Limited

中梁控股集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2772)

CONTINUING CONNECTED TRANSACTION SALES AGENCY SERVICES AGREEMENT

CONTINUING CONNECTED TRANSACTION

The Board is pleased to announce that, on 18 November 2020 (after trading hours), the Company and Zhongliang Property Services entered into the Sales Agency Services Agreement pursuant to which Zhongliang Property Services Group has agreed to provide sales agency services and other ancillary services to the Group for unsold properties and carparks developed by the Group for a period commencing from 18 November 2020 and ending on 31 December 2022.

LISTING RULES IMPLICATION

As at the date of this announcement, Mr. Yang, an executive Director and the controlling shareholder of the Company, together with Ms. Xu holds the entire equity interest in Zhongliang Property Services. Accordingly, Zhongliang Property Services is an associate of Mr. Yang and a connected person of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Sales Agency Services Agreement shall constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the highest amount of the annual caps under the Sales Agency Services Agreement exceed 0.1% but all of which are less than 5%, the Sales Agency Services Agreement and the transactions contemplated respectively thereunder are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

The Board is pleased to announce that, on 18 November 2020 (after trading hours), the Company and Zhongliang Property Services entered into the Sales Agency Services Agreement pursuant to which Zhongliang Property Services Group has agreed to provide sales agency services and other ancillary services to the Group for unsold properties and carparks developed by the Group for a period commencing from 18 November 2020 and ending on 31 December 2022. Principal terms of the Sales Agency Services Agreement are set out below.

SALES AGENCY SERVICES AGREEMENT

- Date:** 18 November 2020 (after trading hours)
- Parties:** (1) the Company
(2) Zhongliang Property Services
- Scope of services:** Pursuant to the Sales Agency Services Agreement, Zhongliang Property Services Group has agreed to provide sales agency services and other ancillary services to facilitate the sales of properties and car parking spaces including but not limited to conducting market research and analysis, formulation of sales strategy and marketing plan, design of sale program and promotional materials, review of legal documents and provision of documentation services to facilitate completion of sales and delivery of properties and car parking spaces to the Group, in respect of unsold properties and carparks developed by the Group after the mass sales period of the Group's property development projects
- Term:** For the period commencing from 18 November 2020 and ending on 31 December 2022 (both days inclusive)
- Pricing policy:** The Group will pay a commission calculated as a percentage of the contract price of the sales of the subject properties and car parking spaces, and will be determined after arm's length negotiation between the Group and Zhongliang Property Services Group with reference to the prevailing market conditions and the terms offered to Independent Third Parties by the Group for similar services. The terms offered to Zhongliang Property Services Group shall not be more favourable to Zhongliang Property Services Group than those offered to Independent Third Parties by the Group for similar services

Annual caps: Pursuant to the Sales Agency Services Agreement, it is proposed that the annual caps for the transactions contemplated thereunder for the three years ending 31 December 2022 are expected not to exceed the following:

	For the year ending 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Annual caps	35,000	120,000	160,000

The proposed annual caps for the transactions contemplated under the Sales Agency Services Agreement were determined after considering the following factors:

- (i) the historical transaction amount for the sales agency services to the Group by Zhongliang Property Services Group of approximately RMB2,000,000 for the ten months ended 31 October 2020;
- (ii) the estimated contract price of the subject properties and car parking spaces successfully sold by Zhongliang Property Services Group;
- (iii) the prevailing market rate for the provision of sales agency services in the same industry; and
- (iv) the level of difficulty of sales of the properties and car parking spaces with reference to the locations of the development projects and their sell-through and occupancy rate.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SALES AGENCY SERVICES AGREEMENT

Zhongliang Property Services Group is principally engaged in provision of property management services and it has extensive business coverage and professional knowledge in property management business as well as sales agency business.

Zhongliang Property Services Group has been providing property management services to the Group and thus has better and more efficient communications with the Group and more thorough understanding of the conditions of the Group's property projects and requirements of the services needed. It has sufficient manpower and resources to conduct marketing and sales of the Group's unsold properties and carparks through its extensive business network. By conducting the transactions contemplated under the Sales Agency Services Agreement, the Group would be able to leverage on Zhongliang Property Services Group's business capabilities, experience and

expertise to bring in revenue to the Group and at the same time, it could reallocate resources of its marketing teams to focus on other newly developed projects which would be more cost efficient to the Group.

INTERNAL CONTROL MEASURES

The Directors are of the view that, in respect of the Sales Agency Services Agreement, the Group will implement adequate internal control procedures and steps in executing the transaction terms of the continuing connected transactions under the Sales Agency Services Agreement.

To safeguard the interest of the Group, the Group will adopt the following internal control measures:

1. before the Group enters into an individual agreement contemplated under the Sales Agency Services Agreement, it would invite at least two independent service providers to submit quotations for the Group's consideration. The relevant department(s) of the Group shall review the quotations and select service providers based on the various factors including but not limited to experience, capabilities, track record and reputation of the parties, price and payment terms. If Zhongliang Property Services Group is selected, the terms of any individual agreement entered into under the Sales Agency Services Agreement will be reviewed by the relevant department(s) of the Group prior to the execution to ensure that the relevant general principles contained in the Sales Agency Services Agreement are being complied with and agreed upon as arm's length basis and the terms are no less favourable than those offered by Independent Third Parties.
2. the Group's relevant department(s) will closely monitor the aggregate transactions of the individual agreements of the Group entered under the Sales Agency Services Agreement to ensure that the total consideration does not exceed the stipulated annual caps;
3. the Group's relevant department(s) will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with the terms set out in the Sales Agency Services Agreement and whether the terms for the transactions are fair and reasonable and in accordance with the pricing policies set out in the Sales Agency Services Agreement;
4. the Company's external auditors will conduct an annual review of the transactions under the Sales Agency Services Agreement to ensure the transactions amount are within the annual caps and the transactions are conducted in accordance with the terms set out in the Sales Agency Services Agreement; and
5. the Company's independent non-executive Directors will conduct an annual review of the status of the transactions under the Sales Agency Services Agreement to ensure the Group has complied with its internal approval process, the terms of the Sales Agency Services Agreement and the relevant Listing Rules.

INFORMATION ON THE PARTIES TO THE SALES AGENCY SERVICES AGREEMENT

The Group is a real estate developer in the PRC.

Zhongliang Property Services is a company established in the PRC with limited liability and Zhongliang Property Services Group is principally engaged in the provision of property management services and other value-added services.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Zhongliang Property Services is ultimately and beneficially owned as to 98% and 2% by Mr. Yang and Ms. Xu respectively.

LISTING RULES IMPLICATION

As at the date of this announcement, Mr. Yang, an executive Director and the controlling shareholder of the Company, together with Ms. Xu holds the entire equity interest in Zhongliang Property Services. Accordingly, Zhongliang Property Services is an associate of Mr. Yang and a connected person of the Company under Chapter 14A of the Listing Rules.

As such, the transactions contemplated under the Sales Agency Services Agreement shall constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Directors (including the independent non-executive Directors) are of the view that the terms of the Sales Agency Services Agreement and the transactions contemplated thereunder (including the proposed annual caps therefor) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the highest amount of the annual caps under the Sales Agency Services Agreement exceed 0.1% but all of which are less than 5%, the Sales Agency Services Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Yang is considered as having a material interest in the transactions contemplated under the Sales Agency Services Agreement. Accordingly, Mr. Yang had abstained from voting on the Board resolutions for approving the Sales Agency Services Agreement and the transactions contemplated thereunder (including the proposed annual caps therefor).

Save as disclosed above, none of the Directors has a material interest in the Sales Agency Services Agreement and is required to abstain from voting on the relevant Board resolutions.

DEFINITIONS

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

“associate(s)”	shall have the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Zhongliang Holdings Group Company Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	shall have the meaning as ascribed to it under the Listing Rules
“controlling shareholders”	shall have the meaning as ascribed to it under the Listing Rules
“Sales Agency Services Agreement”	the sales agency services agreement entered into between the Company and Zhongliang Property Services on 18 November 2020, details of which are set out under the section headed “Sales Agency Services Agreement” of this announcement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Yang”	Mr. Yang Jian (楊劍), the founder and chairman of the Group, and the Company’s controlling shareholder
“Ms. Xu”	Ms. Xu Xiaoqun (徐曉群), the spouse of Mr. Yang and the Company’s controlling shareholder

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	shall have the same meaning as ascribed to it under the Listing Rules
“substantial shareholder”	shall have the same meaning as ascribed to it under the Listing Rules
“Zhongliang Property Services”	Shanghai Zhongliang Property Development Co., Ltd* (上海中梁物業發展有限公司), a company established in the PRC with limited liability and is ultimately and beneficially owned as to 98% by Mr. Yang and 2% by Ms. Xu
“Zhongliang Property Services Group”	Zhongliang Property Services, its subsidiaries and their respective associates
“%”	per cent.

By order of the Board
Zhongliang Holdings Group Company Limited
Yang Jian
Chairman

Hong Kong, 18 November 2020

As at the date of this announcement, Mr. Yang Jian, Mr. Chen Hongliang, Mr. Li Heli and Mr. Yau Sze Ka (Albert) are executive Directors; and Mr. Wang Kaiguo, Mr. Wu Xiaobo and Mr. Au Yeung Po Fung are independent non-executive Directors.

* *For identification purpose only*