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DAFA LAND

DaFa Properties Group Limited
大发地产集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6111)

CONTINUING CONNECTED TRANSACTION

ELEVATOR EQUIPMENT SUPPLY FRAMEWORK AGREEMENT

The Board is pleased to announce that on 15 March 2019, Shanghai Dafa (a wholly-owned subsidiary of the Company) and Dafa Group entered into the Framework Agreement, pursuant to which Shanghai Dafa (for itself and on behalf of its subsidiaries) agreed to purchase, and Dafa Group (for itself and on behalf of its subsidiaries) agreed to supply elevator equipment and the relevant after-sale services for a term from 15 March 2019 to 31 December 2021.

As at the date of this announcement, Mr. Ge Hekai, a controlling Shareholder, is indirectly interested in approximately 72.47% of the total issued share capital of the Company and are therefore a connected person of the Company.

Dafa Group is owned by Mr. Ge Hekai, Mr. Ge Yiyang (the son of Mr. Ge Hekai) and Shanghai Hehong as to 60%, 20% and 20%, respectively. Shanghai Hehong is in turn owned by Mr. Ge Hekai, Mr. Ge Yiyang as to 79% and 21%, respectively. Accordingly, Dafa Group is an associate of Mr. Ge Hekai (as defined under the Listing Rules) and thus a connected person of the Company. Therefore, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps under the Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Framework Agreement are subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 15 March 2019, Shanghai Dafa (a wholly-owned subsidiary of the Company) and Dafa Group entered into the Framework Agreement, pursuant to which Shanghai Dafa (for itself and on behalf of its subsidiaries) agreed to purchase, and Dafa Group (for itself and on behalf of its subsidiaries) agreed to supply elevator equipment and the relevant after-sale services for a term from 15 March 2019 to 31 December 2021.

THE FRAMEWORK AGREEMENT

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

Date

15 March 2019

Parties

- (a) Shanghai Dafa (for itself and on behalf of its subsidiaries); and
- (b) Dafa Group (for itself and on behalf of its subsidiaries)

Term

From 15 March 2019 to 31 December 2021

Subject matters

Shanghai Dafa (for itself and on behalf of its subsidiaries) agreed to appoint Dafa Group (or its subsidiaries) as the supplier to supply all or part of the elevator equipment and the relevant after-sale services required in the property development projects (including projects under construction and projects to be commenced) managed by Shanghai Dafa in the PRC, save as projects otherwise specified by Shanghai Dafa.

The supply of elevator equipment and the relevant after-sale services by Dafa Group (or its subsidiaries) to Shanghai Dafa (or its subsidiaries) shall be on normal commercial terms and based on arms' length negotiation.

Pricing policy

The price of the elevator equipment and the relevant after-sale services to be supplied by Dafa Group (or its subsidiaries) shall be determined with reference to the prevailing market prices, and shall not be higher than the prices of the same or comparable products or services charged by independent third parties of the Company to Shanghai Dafa (or its subsidiaries).

Definitive supply contracts

Shanghai Dafa (or its subsidiaries) and Dafa Group (or its subsidiaries) shall, based on the terms of the Framework Agreement, enter into a definitive supply contract for each actual transaction in respect of the supply of elevator equipment and relevant after-sale services. Each definitive supply contract shall provide specific details including payment terms, product specifications, price, quantity and delivery date in respect of the supply of elevator equipment and the relevant after-sale services and shall be subject to the terms of the Framework Agreement in all material aspects.

The terms of the definitive supply contracts shall be no less favourable than the terms available from independent third parties of the Company to Shanghai Dafa (or its subsidiaries) in respect of the same or comparable products or services.

Effectiveness and termination

The Framework Agreement shall be effective from 15 March 2019 and shall expire on 31 December 2021. Shanghai Dafa and Dafa Group may negotiate and amend the Framework Agreement one month prior to the expiry date. Upon expiry of the Framework Agreement, in respect of definitive supply contracts which are entered into during the term of the Framework Agreement but the obligations under which have not yet been fulfilled, such definitive supply contracts shall remain effective until the obligations thereunder have been duly fulfilled.

Each of Dafa Group and Shanghai Dafa may serve to the other party a prior written notice of one month to terminate the Framework Agreement.

PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION

The proposed annual caps of the transactions contemplated under the Framework Agreement for the three years ending 31 December 2021 are set forth below:

	Annual cap <i>(RMB '000)</i>
For the year ending 31 December 2019	80,000
For the year ending 31 December 2020	120,000
For the year ending 31 December 2021	150,000

The proposed annual caps were determined with reference to (i) the expected demand of the Group for elevator equipment and the relevant after-sale services based on the project development progress, taking into account the expected growth in the business operations of the Group and the expected increase in the number of the development projects; and (ii) the prevailing market prices of the same or comparable products or services.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE FRAMEWORK AGREEMENT

Dafa Group has a long-term cooperative relationship with the Group and has been a valuable strategic business partner of the Group. Given Dafa Group's previous good track record and its experience with the Group, the Directors are of the view that Dafa Group understands the commercial needs of the Group and thus have selected it as a supplier of elevator equipment and the relevant after-sale services. In addition, Dafa Group has maintained a professional team with the relevant expertise to reduce procurement costs when sourcing elevators, which would in turn reduce the procurement costs of elevators and the relevant after-sale services of Shanghai Dafa. The Directors believe that Dafa Group will be able to consistently provide reliable and quality products and services at competitive prices, which is crucial to the quality and timely completion of the various property development projects of the Group.

The Directors (including the independent non-executive Directors) are of the view that the Framework Agreement was entered into in the ordinary and usual course of business of the Company on arm's length basis and on normal commercial terms. The terms of the Framework Agreement, the transactions contemplated thereunder and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Ge Yiyang, an executive Director who is also a substantial shareholder of Dafa Group, abstained from voting on the resolution in respect of the Framework Agreement, the transactions contemplated thereunder and the proposed annual caps for each of the three years ending 31 December 2019, 2020 and 2021.

Save as disclosed above, none of the Directors has any material interest in the Framework Agreement and none of them was required to abstain from voting on the relevant resolution of the Board.

INFORMATION OF THE PARTIES TO THE FRAMEWORK AGREEMENT

Shanghai Dafa

Shanghai Dafa is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company. It is principally engaged in property development and the operation of commercial complexes.

Dafa Group

Dafa Group is a limited liability company established in the PRC and is owned by Mr. Ge Hekai, Mr. Ge Yiyang and Shanghai Hehong as to 60%, 20% and 20%, respectively. It is principally engaged in trading, investment office building leasing businesses.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Ge Hekai, a controlling Shareholder, is indirectly interested in approximately 72.47% of the total issued share capital of the Company and are therefore a connected person of the Company.

Dafa Group is owned by Mr. Ge Hekai, Mr. Ge Yiyang (the son of Mr. Ge Hekai) and Shanghai Hehong as to 60%, 20% and 20%, respectively. Shanghai Hehong is in turn owned by Mr. Ge Hekai, Mr. Ge Yiyang as to 79% and 21%, respectively. Accordingly, Dafa Group is an associate of Mr. Ge Hekai (as defined under the Listing Rules) and thus a connected person of the Company. Therefore, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps under the Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Framework Agreement are subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MECHANISM

In addition to the annual review by the auditors and independent non-executive Directors pursuant to the requirements of Chapter 14A of the Listing Rules, the Group has adopted the following internal control procedures to ensure that the transactions contemplated under the Framework Agreement will be conducted on normal commercial terms and in accordance with the pricing policy thereof:

- (i) the Group shall regularly collect market information on the prevailing market prices of the same or similar products or services available from independent third parties;
- (ii) prior to the entering into of the definitive supply contracts with Dafa Group (or its subsidiaries), Shanghai Dafa will make pricing enquiry with not less than three suppliers, who are independent third parties of the Company, to ensure the prices charged by Dafa Group (or its subsidiaries) are not less favourable than the prices of the same or comparable products or services offered by independent third parties;
- (iii) the relevant personnel of the Group will be responsible for conducting regular checks to review and assess whether all transactions contemplated under the Framework Agreement are conducted in accordance with the relevant terms, and will also regularly review whether the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy; and
- (iv) the implementation of the Framework Agreement will also be monitored by the internal audit department of the Group on a regular basis which will report regularly to senior management of the Group such that the transactions can be conducted within the proposed annual caps under the Framework Agreement.

The Directors (including the independent non-executive Directors) consider that the above internal control mechanism of the Company is effective to ensure that the transactions contemplated under the Framework Agreement will be conducted on normal commercial terms and in accordance with the pricing policy thereof and are fair, reasonable and in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	DaFa Properties Group Limited, an exempted company incorporated under the laws of Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6111)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Dafa Group”	Dafa Group Co., Ltd.* (大發集團有限公司), a limited liability company established in the PRC and is owned by Mr. Ge Hekai, Mr. Ge Yiyang and Shanghai Hehong as to 60%, 20% and 20%, respectively
“Director(s)”	director(s) of the Company
“Framework Agreement”	the framework agreement in respect of the supply of elevator equipment and the relevant after-sale services dated 15 March 2019 entered into between Shanghai Dafa and Dafa Group
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Dafa”	Shanghai Dafa Land Group Co., Ltd.* (上海大發房地產集團有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Shanghai Hehong”	Shanghai Hehong Investment Management Co., Ltd.* (上海和鴻投資管理有限公司), a limited liability company established in the PRC and is owned by Mr. Ge Hekai and Mr. Ge Yiyang as to 79% and 21%, respectively, as at the date of this announcement

“Share(s)”	ordinary share(s) in the capital of the Company with a nominal value of HK\$0.001 each
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board
DaFa Properties Group Limited
Ge Yiyang
Chairman

Hong Kong, 15 March 2019

As at the date of this announcement, the Board comprises Mr. Ge Yiyang, Mr. Liao Lujiang, Mr. Chi Jingyong and Mr. Yang Yongwu as the executive Directors, and Mr. Gu Jiong, Mr. Sun Bing and Mr. Fok Ho Yin Thomas as the independent non-executive Directors.

* *For identification purposes only.*