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寶新置地集團有限公司
GLORY SUN LAND GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 299)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Reference is made to (i) the announcement of Glory Sun Land Group Limited (the “**Company**”) dated 26 April 2018 (the “**Announcement**”) in relation to the Investment Agreement entered into among SBIL, an indirect non-wholly owned subsidiary of the Company, Shenzhen Jinshan and Mr. Xie in respect of the acquisition of 51% equity interest in the Target Company; and (ii) the annual report of the Company for the year ended 31 December 2022 (the “**FY2022 Annual Report**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

SUPPLEMENTAL INFORMATION IN RELATION TO THE PROFIT GUARANTEE

Pursuant to the Investment Agreement, Shenzhen Jinshan and Mr. Xie (collectively, the “**Guarantors**”) jointly and severally guaranteed that within three (3) years from the date of completion of the Industrial and Commercial Registration for the changes in relation to the Investment (the “**Guaranteed Period**”), the Target Company shall distribute profit by way of dividend to SBIL in a sum not less than RMB200,000,000 (the “**Profit Guarantee**”).

Under the Profit Guarantee, (i) each of Shenzhen Jinshan and Mr. Xie shall be jointly and severally liable to SBIL for the Profit Guarantee and each of their obligations to SBIL in respect of the Profit Guarantee shall be based on their 49% equity interest in the Target Company in aggregate; (ii) in the event the profit to be distributed by the Target Company to SBIL falls below RMB200,000,000 (the “**Shortfall**”), Shenzhen Jinshan and Mr. Xie agree to re-allocate the dividend to be distributed to them by the Target Company to SBIL so as to make up any Shortfall in fulfilling the Profit Guarantee; (iii) in the event the amount of dividend to be distributed by the Target Company to Shenzhen Jinshan and Mr. Xie in aggregate is still not sufficient to make up the Shortfall in fulfilling the Profit Guarantee, Shenzhen Jinshan and Mr. Xie shall jointly and severally pay any remaining shortfall under the Profit Guarantee in cash to SBIL; (iv) in the event the Target Company records accumulated loss or does not generate profit during the Guarantee Period, the parties to the Investment Agreement unanimously agree that no profit distribution or cash dividends shall be made for that year and the parties to the Investment Agreement shall separately enter into negotiation and agree on a revised and more practical timetable for the fulfilment of the Profit Guarantee in writing; and (v) in the event of any force majeure events such as public health emergencies or changes in the external business

environment of the Target Company which result in significant impact on its business operations, the Guaranteed Period shall be extended to a time separately agreed upon in writing by SBIL, Shenzhen Jinshan and Mr. Xie (the “**Force Majeure Clause**”).

Factors taken into consideration in determining the Profit Guarantee

In determining the Profit Guarantee, the parties to the Investment Agreement had taken into account, among other factors:

- (i) *the valuation of the property developments and expected payback period of Phase 5 and Phase 6 of the property development projects on the Target Land:* In determining the expected return to be generated from Phase 5 and Phase 6 of the property development projects on the Target Land, the Company had mainly taken into consideration various factors, mainly including (a) the market value of Phase 5 and Phase 6 of the property development projects on the Target Land according to a property valuation report issued by an independent professional valuer; (b) the general payback periods of other similar property development projects; and (c) the returns for phases 1 to 4 of the property development projects on the Target Land; and
- (ii) *the then expected timeframe for the completion of the planned property development projects on the Target Land:* At the time SBIL, Shenzhen Jinshan and Mr. Xie entered into the Investment Agreement in April 2018, it was then anticipated that the planned property development projects on the Target Land would have been completed within the next three (3) years. In light of the then expected timeframe for the completion of the planned property development projects on the Target Land, it was agreed among the parties to the Investment Agreement that the Profit Guarantee shall fall due three (3) years from the date of completion of the Industrial and Commercial Registration for the changes in relation to the Investment.

FAILURE TO FULFILL THE PROFIT GUARANTEE AND PROPOSED AGREEMENT ON A REVISED TIMETABLE IN FULFILLING THE PROFIT GUARANTEE

As at the date of this announcement, the Profit Guarantee has not been fulfilled since the business operations of the Target Company was severely disrupted by the outbreak of the COVID-19 pandemic in late 2019. On 30 January 2020, the World Health Organisation declared that COVID-19 pandemic was a public health emergency of international concern. The business operations of the Target Company which included building construction, pre-sales of property units, handing over of completed property units to customers, and projects financing, were severely disrupted by the outbreak of the COVID-19 pandemic in late 2019 and resulted in delay to the originally expected timeframe for the completion of the planned property development projects on the Target Land. Delay in delivery of completed property units to customers has resulted in delay in payment collection by the Target Company, thereby tightening the operating cash flow of the Target Company and posed a constraint on the ability of the Target Company in distributing profit by way of dividend to its shareholders.

In addition to the disruption brought by the outbreak of COVID-19 pandemic, the financial performance of the Target Company was also materially adversely affected by other unforeseen factors such as the PRC regulatory policies for limiting over-expansion in the real estate industry, downward pressure on housing prices, tightening of credit environment and financing channels, depressed property sales market, intensification of debt repayment pressure and the wait-and-see sentiment of property buyers, capital market participants and other market participants.

The business operations and financial performance of the Target Company was materially and adversely affected by the aforementioned unforeseen external circumstances, which altogether contributed to its failure in generating profit for the financial year ended 31 December 2021, being the financial year ended three (3) years from the date of completion of the Industrial and Commercial Registration for the changes in relation to the Investment. Given the Target Company failed to generate profit for the year ended 31 December 2021, the parties to the Investment Agreement agreed that no dividend distribution shall be made by the Target Company and they shall separately agree an extended Guaranteed Period in writing. As at the date of this announcement, the parties to the Investment Agreement are in the course of assessing the impact and extent of delay to the completion of the planned property development projects on the Target Land. Based on the current negotiation among the parties to the Investment Agreement, it is contemplated that the expected commencement date of Phase 6 of the property development project on the Target Land shall form the basis for the parties to devise a more feasible timetable for the fulfilment of the Profit Guarantee, and the Company has been actively liaising with the Target Company on the status of Phase 6 of the property development project on the Target Land. The Company did not record any direct impairment losses attributable to the Investment within its consolidated financial statements for the two years ended 31 December 2021 and 2022.

Based on preliminary advice obtained and after internal assessment by the Directors, the Company understands it is not advisable for SBIL to enforce the Profit Guarantee under the Investment Agreement because (i) the inclusion of the Force Majeure Clause in the Investment Agreement is in line with the general practice in the PRC real estate development industry, and in view of the scale and duration of the impact of COVID-19 pandemic in the PRC since late 2019 on the business operations of the Target Company, constitutes a force majeure event under the Investment Agreement and therefore the likelihood of SBIL in successfully enforcing the compensation clause is remote and highly uncertain; (ii) it may not be entirely justifiable in light of the prospects of success for the enforcement action as it will inevitably result in additional legal and professional costs incurred by the Group; and (iii) the construction works and overall implementation of the planned property development projects on the Target Land is largely carried out by the counterparties to the Investment Agreement and hence any enforcement of the Profit Guarantee under the Investment Agreement by SBIL will inevitably result in irreversible damages to the business relationship between SBIL and the counterparties to the Investment Agreement and would in turn pose difficulties for SBIL to carry out the planned property development projects on the Target Land going forward.

As a result, the Company aims at maintaining an amicable relationship with the counterparties to the Investment Agreement in order to ensure the planned property development projects on the Target Land will be carried out in a smooth and tranquil manner, thereby safeguarding the Company's return of investment on the Target Company.

Based on the above, the Directors consider that it is in the best interests of the Company and its shareholders to agree on a revised and more practical timetable for the fulfilment of the Profit Guarantee. The Company has been monitoring the business operations and financial performance of the Target Company and has been working closely with Shenzhen Jinshan and Mr. Xie to agree on a revised and more practical timetable for the fulfilment of the Profit Guarantee. The Company will disclose update on the Profit Guarantee in future announcement(s) and the forthcoming annual report(s) as and when appropriate.

INTERNAL CONTROL IN MONITORING THE FULFILMENT OF THE PROFIT GUARANTEE

The Group's local management personnel of the respective business unit is generally responsible for monitoring the fulfilment of profit guarantee for the Group's transactions by conducting periodic review of the financial performance of the subject in concern and assessing whether the profit guarantees can be fulfilled. In the event the local management personnel identifies any material risks which may result in the non-fulfilment of the profit guarantees, the local management personnel will report in the risks register according to their materiality and report to the Directors on a quarterly basis.

The Board, through the Company's audit committee and risk management committee, oversees the Group's risk management and internal control systems on an ongoing basis. The risk management committee of the Company holds regular meetings to review risks recognised in the risks register based on information from various stakeholders or risk owners. The Directors are kept regularly apprised of significant risks that may impact the Group's performance.

REASONS FOR NON-DISCLOSURE OF THE FAILURE IN FULFILLING THE PROFIT GUARANTEE IN THE FY2022 ANNUAL REPORT

The non-disclosure of the failure in fulfilling the Profit Guarantee in the Company's annual report for the financial years ended 31 December 2021 and 2022 (the "Omission") was primarily due to the inadvertent oversight of the relevant personnel. The Omission was entirely non-wilful and unintentional. In light of the Omission, the Company has implemented appropriate corrective control measures such as more frequent update of the risks register by the local management personnel for preventing the recurrence of such omission in timely reporting and complying with the

disclosure requirements under Rule 14.36B of the Listing Rules. In addition, the Company has instructed its Hong Kong legal adviser to enhance the coverage of the relevant topics in the forthcoming training session for the Directors.

By Order of the Board of
Glory Sun Land Group Limited
Yao Jianhui
Chairman

Hong Kong, 4 August 2023

As at the date of this announcement, the Company's executive directors are Mr. Yao Jianhui and Ms. Xia Lingjie; the non-executive director is Ms. Zhan Yushan; and the independent non-executive directors are Ms. He Suying, Dr. Tang Lai Wah and Mr. Shi Fazhen.