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GREENTOWN CHINA HOLDINGS LIMITED

綠城中國控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03900)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
THE ACQUISITION OF SHARES IN SHANGHAI XINHU**

On 17 December 2019, the Purchaser (a wholly-owned subsidiary of the Company), the Vendors, the Target Company and the Vendors' Parent Company entered into the Share Transfer and Cooperation Agreement, pursuant to which the Purchaser agreed to acquire the Target Shares, representing 35% of the total shares of the Target Company as at the date of the Share Transfer and Cooperation Agreement, for an aggregate amount of RMB3,600,000,000 payable by the Purchaser in accordance with the Share Transfer and Cooperation Agreement, including a share transfer consideration of RMB550,000,000 and a financial assistance of RMB3,050,000,000. The purpose of the Share Transfer and Cooperation Agreement is mainly to set out the terms of cooperation among the Vendors, the Purchaser and Shenzhen Donghaichao for the development of the Target Project, namely Section 4 of Phase Three of the Pearl City Project.

As one or more of the applicable percentage ratio(s) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition (based on the Share Transfer Consideration and Financial Assistance contemplated thereunder) is more than 5% but less than 25%, the transaction constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements.

INTRODUCTION

The Board announces that on 17 December 2019, the Purchaser (a wholly-owned subsidiary of the Company), the Vendors, the Target Company and the Vendors' Parent Company entered into the Share Transfer and Cooperation Agreement, pursuant to which the Purchaser agreed to acquire the Target Shares, representing 35% of the total shares of the Target Company as at the date of the Share Transfer and Cooperation Agreement, for an aggregate amount of RMB3,600,000,000 payable by the Purchaser in accordance with the Share Transfer and Cooperation Agreement, including a share transfer consideration of RMB550,000,000 and a financial assistance of RMB3,050,000,000.

SHARE TRANSFER AND COOPERATION AGREEMENT

Principal terms of the Share Transfer and Cooperation Agreement are set out below:

- Date** : 17 December 2019
- Parties** : (1) the Purchaser;
- (2) the Vendors;
- (3) the Target Company; and
- (4) the Vendors' Parent Company.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Vendors, the Target Company and the Vendors' Parent Company and their respective ultimate beneficial owners are not connected persons of the Company.

- Subject matter** : The Purchaser agreed to purchase, and the Vendors as legal and beneficial owners of the Target Shares agreed to sell (by transfer of 28% and 7% of the total shares of the Target Company held by Zhejiang Yunsheng and Xihu Real Estate, respectively), the Target Shares. The Target Shares represent 35% of the total shares of the Target Company.

The purpose of the Share Transfer and Cooperation Agreement is mainly to set out the terms of cooperation for the development of the Target Project, namely Section 4 of Phase Three of the Pearl City Project, pursuant to which such parties shall share the benefits and bear the risks of the Target Project as to 35% by the Purchaser and 65% by the Original Shareholders of the Target Company. The parties to the Share Transfer and Cooperation Agreement intend that the Purchaser will not participate in the Non-Target Projects.

Pursuant to the Share Transfer and Cooperation Agreement, the benefits and risks arising from the Non-Target Projects (namely the assets and liabilities and projects of the Target Company other than the Target Project, including Phase 1, Phase 2 and Section 1-3 of Phase 3 of the Pearl City Project (the development of which has been completed), other assets, long term equity investments etc.) shall be shared and borne by the Original Shareholders of the Target Company. Accordingly, the Purchaser shall not enjoy such benefits or bear such risks.

The parties to the Share Transfer and Cooperation Agreement acknowledge that, save as otherwise provided, the shareholders' rights and interests attributable to the Target Shares shall be limited to:

- (a) the amount of paid-up capital contribution corresponding to the Target Shares (i.e. 35% of RMB200,000,000, equivalent to RMB70,000,000) and the paid-up capital, capital reserve and surplus to be generated from the Target Project; and
- (b) 35% of all existing assets of the Target Project, 35% of the assets and income to be generated upon completion of the Target Project and 35% of all obligations, risks and responsibilities of investing and developing such assets.

Amount payable : The Share Transfer and Cooperation Agreement states that the Purchaser shall contribute a total of RMB3,600,000,000, of which:

- (a) RMB550,000,000 as consideration for the transfer of the Target Shares (the “**Share Transfer Consideration**”); and
- (b) RMB3,050,000,000 as loan to be provided by the Purchaser (or its designated entity) to the Target Company (the “**Financial Assistance**”).

The amount of the Share Transfer Consideration and Financial Assistance was agreed after arm's length negotiations among the parties to the Share Transfer and Cooperation Agreement having considered, among other things, the development potential of the Target Project with reference to the prevailing market conditions.

The Group intends to finance the aforesaid amount by the Group's internal financial resources.

Financial Assistance

The Financial Assistance in the amount of RMB3,050,000,000 shall be provided by the Purchaser to the Target Company at an interest rate of 10% per annum. All the principal and interests of the Financial Assistance shall be payable by the Target Project via the Target Company no later than 28 December 2023 unless otherwise provided.

The Target Company will on-lend such amount of RMB3,050,000,000 to the Vendors, for them to contribute to the operation and management of the Target Project and to settle certain liabilities owed by the Target Company.

Payment:	Stage payment	Amount payable
	Within 3 business days upon the satisfaction of all conditions precedent under the Share Transfer and Cooperation Agreement (the “ Stage 1 Payment ”)	RMB1,800,000,000, which consists of the follows: (i) RMB220,000,000 shall be payable by the Purchaser to Zhejiang Yunsheng as part of the Share Transfer Consideration; (ii) RMB55,000,000 shall be payable by the Purchaser to Xihu Real Estate as part of the Share Transfer Consideration; and (iii) RMB1,525,000,000 shall be payable by the Purchaser to the Target Company as part of the Financial Assistance.

- Within 3 business days after (i) the completion of the share transfer of the Target Shares; and (ii) the completion of settling the Stage 1 Payment by the Vendors for the agreed purposes
- RMB1,800,000,000, which consists of the follows:
- (i) RMB220,000,000 shall be payable by the Purchaser to Zhejiang Yunsheng as part of the Share Transfer Consideration;
 - (ii) RMB55,000,000 shall be payable by the Purchaser to Xihu Real Estate as part of the Share Transfer Consideration; and
 - (iii) RMB1,525,000,000 shall be payable by the Purchaser to the Target Company as part of the Financial Assistance.

- Conditions precedent** : Completion of the transactions contemplated under the Share Transfer and Cooperation Agreement is conditional upon the satisfaction of certain conditions precedent. A summary of the conditions precedent is as follows:
- (a) the representations and warranties given by the Vendors under the Share Transfer and Cooperation Agreement remaining true, accurate, complete and not misleading in all material respects;
 - (b) absence of laws or government orders passed by any government departments that would make the transactions contemplated under the Share Transfer and Cooperation Agreement illegal or otherwise restrict or prohibit such transactions;
 - (c) absence of claims or potential claims initiated against any parties to the Share Transfer and Cooperation Agreement which may restrict the transactions contemplated under the Share Transfer and Cooperation Agreement, materially and adversely affect the terms of such transactions or which may, in the reasonable opinion of the Purchaser, render completion of the Share Transfer and Cooperation Agreement impossible or illegal;

- (d) all necessary approval, permits, consents and authorisations having been obtained and maintained by the parties to the Share Transfer and Cooperation Agreement pursuant to applicable rules and regulations;
- (e) (i) all necessary authorisations, approvals, consents, registrations and filings from relevant government departments; (ii) all necessary internal approvals from the parties to the Share Transfer and Cooperation Agreement; and (iii) all necessary third party consents having been obtained to execute the Share Transfer and Cooperation Agreement and complete the transactions contemplated under the Share Transfer and Cooperation Agreement, which include (among other things), in respect of the Purchaser, the Company having obtained the approval from the Board and its independent Shareholders (if required);
- (f) the entry into and performance of all transaction documents in relation to the transactions contemplated under the Share Transfer and Cooperation Agreement; and
- (g) absence of event that, singly or jointly, causes any material adverse effect, and based on the reasonable expectation, there would not incur an event that would, singly or jointly, cause any material adverse effect.

Completion : Subject to satisfaction of the conditions precedent and completion of the Stage 1 Payment, completion of the Acquisition shall take place upon completion of the registration with the relevant governmental authorities of change of shareholder in the Target Company.

Rights and obligations of the Purchaser Upon completion of the Acquisition, the rights and obligations of the Purchaser shall be governed by the provisions set forth in the Share Transfer and Cooperation Agreement. The parties to the Share Transfer and Cooperation Agreement agree that upon completion of the Acquisition, the Purchaser shall, among other things, enjoy and assume 35% of the rights and obligations (including profit distribution rights and assumption of loss) attributable to the Target Project but no other rights or obligations arising from the Non-Target Projects.

Management of the Target Company : Significant matters of the Target Company (including but not limited to increase or reduction in capital, amendments to the memorandum and articles of association, mergers, demergers and liquidation) shall require the approval of the shareholders of the Target Company at the general meetings and shall be voted in proportion to the shares held by each shareholder.

Certain matters set forth in the Share Transfer and Cooperation Agreement that are unrelated to the Target Project or unrelated to the benefits of the Purchaser under the Target Project shall be approved by shareholders representing more than one half of voting rights of the Target Company at the general meetings. Save as aforesaid or unless otherwise provided in the Share Transfer and Cooperation Agreement, other matters to be approved by shareholders' resolution shall require the approval of both the Vendors and the Purchaser.

The board of directors of the Target Company will consist of three directors, of which two will be nominated by the Vendors and one will be nominated by the Purchaser. The chairman of the board of directors shall be one of the directors nominated by the Vendors.

The general manager shall be responsible for the management of the Target Company and shall be nominated by the Vendors. The executive general Manager shall be nominated by the Purchaser, and shall assist the general manager in developing and managing projects of the Target Company.

- Use of fundings by the Target Project** : In the event that the Target Company, after deducting the Required Fund (as defined below), has surplus cash in its accounts, such cash shall be:
- (i) applied for the repayment of the Financial Assistance;
 - (ii) upon full repayment of the Financial Assistance, provided to the Purchaser as interest bearing loan until the cash flow returned to the Purchaser and the Original Shareholders of the Target Company reaches the ratio of 35:65;
 - (iii) provided to the Purchaser and the Original Shareholders of the Target Company as interest bearing loan on a 35:65 basis;
 - (iv) when the surplus cash returned to the Purchaser and the Original Shareholders of the Target Company reaches the ratio of 35:65 and the Purchaser's capital returned reaches 35% of the estimated profit, the use of subsequent surplus cash shall be unanimously determined by the board of directors of the Target Company; and
 - (v) distributed as dividends to the shareholders of the Target Company in accordance with the Share Transfer and Cooperation Agreement.

The "Required Fund" refers to the funding needs of the Target Project for the development and construction, daily operation and management, payment of taxes and levies, bank loan repayment and the principal and interests of the Financial Assistance that shall be repaid to the Purchaser accordingly, each in the forthcoming 90 days.

For the purpose of "cash flow returned" as referred to in (ii) above, the loan from the Target Project to the Non-Target Projects/Vendors shall be deemed to be the cash flow returned from the Target Project to the Original Shareholders of the Target Company.

- Other provisions** : The Share Transfer and Cooperation Agreement also sets forth other provisions regulating the parties' relationship in relation to the Target Company, including, amongst others, deadlock arrangements, profit distribution and termination arrangements.

INFORMATION ABOUT THE PARTIES AND THE TARGET COMPANY

The Company and the Purchaser

The Company is a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange. It is one of the leading property developers in the PRC with business operations in various major cities in the PRC and is primarily engaged in developing quality properties targeting mainly middle and high income residents in the PRC.

The Purchaser is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company and is principally engaged in property development.

The Vendors and the Vendors' Parent Company

Each of Zhejiang Yunsheng and Xihu Real Estate is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Vendors' Parent Company, and is principally engaged in property development in the PRC. The Vendors' Parent Company is a company established in the PRC, whose shares are listed on the Shanghai Stock Exchange. It is primarily engaged in commerce, property and finance in the PRC.

Target Company

The Target Company is a company established in the PRC with limited liability. It was established in 2001 and is primarily engaged in real estate development, property management, building materials and engineering equipment development.

As at the date of this announcement, the Target Company is owned by Zhejiang Yunsheng, Xihu Real Estate and Shenzhen Donghaichao as to 78%, 20% and 2%, respectively. Upon completion of the Acquisition, the Target Company will be owned by Zhejiang Yunsheng, the Purchaser, Xihu Real Estate and Shenzhen Donghaichao as to 50%, 35%, 13% and 2%, respectively. The Target Company will not become a subsidiary of the Company upon completion of the Acquisition. The table below sets out certain audited financial information of the Target Company for the years ended 31 December 2017 and 31 December 2018:

	For the year ended	
	31 December	
	2017	2018
	(RMB)	(RMB)
	'000	'000
Revenue	31,546	77,837
Net profit/loss before taxation	(45,491)	4,412
Net profit/loss after taxation	(36,052)	2,101

The unaudited net asset value of the Target Company as at 31 October 2019 was approximately RMB955,683,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The parties to the Share Transfer and Cooperation Agreement intend that the Acquisition will facilitate the Target Company in furthering development of the Target Project. The Target Project is situated in Putuo District, Shanghai, and forms part of the Pearl City Project that involves the development of residential and commercial buildings and basements. The Target Project is the fourth section of Phase Three of the Pearl City Project that consists of four sections, of which the first to second and third sections were already completed in 2007 and 2015 respectively and have been delivered to the owners. The Board considers that the Acquisition by the Purchaser and the development of the Target Project will offer the Group with the opportunity to further diversify its investment property development business in the PRC and make full use of the advantage of the Vendors' land resources in the Yangtze River Delta as well as its rich development and operation experience in Shanghai. Accordingly, the Board believes that the Acquisition is in line with the Group's long term vision and can broaden the Group's income base and strengthen its financial position.

The terms of the Share Transfer and Cooperation Agreement (including the Share Transfer Consideration and the Financial Assistance contemplated thereunder) were determined by arm's length negotiation among the parties to the Share Transfer and Cooperation Agreement with reference, among other things: (i) fair market value of comparable properties similar to the Target Project in the comparable phase of development; and (ii) the capital requirement for the development, the actual and anticipated project costs and the projected returns of the Target Project.

While pursuant to the Share Transfer and Cooperation Agreement, the Financial Assistance will only be provided by the Purchaser (but not by all shareholders of the Target Company on a pro-rata basis), it is in view of cooperation for the Target Project that the Financial Assistance will be provided to the other shareholders of the Target Company indirectly. The Board considers that, pursuant to the Share Transfer and Cooperation Agreement, the Financial Assistance may also enable the Target Company to settle certain of its liabilities and fund the necessary daily operation and management expenses of the Target Project, thus in the interest of the Group as a shareholder of the Target Company.

In view of the above, the Board considers that the Share Transfer and Cooperation Agreement (including the Share Transfer Consideration and Financial Assistance contemplated thereunder) is on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition (based on the Share Transfer Consideration and Financial Assistance contemplated thereunder) is more than 5% but less than 25%, the transaction constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Acquisition”	the acquisition of the Target Shares by the Purchaser in accordance with the terms and conditions of the Share Transfer and Cooperation Agreement
“Board”	the board of Directors
“Company”	Greentown China Holdings Limited (stock code: 03900), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Financial Assistance”	a loan of RMB3,050,000,000 to be provided by the Purchaser to the Target Company in accordance with the terms and conditions of the Share Transfer and Cooperation Agreement
“Group”	the Company together with its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Target Projects”	the assets and liabilities and projects of the Target Company other than the Target Project, including Phase 1, Phase 2 and Section 1-3 of Phase 3 of the Pearl City Project, other assets, long term equity investments etc.
“Original Shareholders of Target Company”	the original shareholders of the Target Company prior to the Purchaser having become a shareholder of the Target Company, namely the Vendors and Shenzhen Donghaichao

“Phase Three of Pearl City Project”	Phase three of the construction project of the Target Company, which is situated in Putuo District, Shanghai in the PRC, with a gross construction area of approximately 464,423.48 sqm
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region of the PRC, the Macao Special Administrative Region of the PRC and Taiwan)
“Purchaser”	Greentown Real Estate Group Company Limited (綠城房地產集團有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share Transfer Consideration”	a consideration of RMB550,000,000 for the acquisition of the Target Shares in accordance with the terms and conditions of the Share Transfer and Cooperation Agreement
“Share Transfer and Cooperation Agreement”	the Share Transfer and Cooperation Agreement dated 17 December 2019 entered into among the Purchaser, the Vendors, the Target Company and the Vendors’ Parent Company
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Shenzhen Donghaichao”	Shenzhen Donghaichao Investment Development Co., Ltd. * (深圳市東海潮投資發展有限公司), a company established in the PRC which holds 2% of the total shares of the Target Company as at the date of the Share Transfer and Cooperation Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company” or “Shanghai Xihu”	Shanghai Xihu Real Estate Development Co.,Ltd.* (上海新湖房地產開發有限公司), a company established in the PRC
“Target Project”	Section 4 of Phase Three of Pearl City Project, with a gross construction area of approximately 202,683.40 sqm
“Target Shares”	35% of the total shares of the Target Company as at the date of the Share Transfer and Cooperation Agreement
“Vendors”	Zhejiang Yunsheng and Xihu Real Estate (or, as the case may be and where applicable, their respective associates)

“Vendors’ Parent Company”	Xinhu Zhongbao Co.,Ltd. (新湖中寶股份有限公司), a company established in the PRC. From public information, Xinhu Zhongbao Co., Ltd. is a company listed on the Shanghai Stock Exchange (Stock Code: 600208) and Mr. Huang Wei is the ultimate controlling shareholder thereof. Both Xinhu Zhongbao Co., Ltd. and Mr. Huang Wei are independent third party of the Company and its connected persons
“Xinhu Real Estate”	Xinhu Real Estate Group Co., Ltd.* (新湖地產集團有限公司), a wholly-owned subsidiary of the Vendors’ Parent Company established in the PRC and an independent third party of the Company and its connected persons
“Zhejiang Yunsheng”	Zhejiang Yunsheng Investment Co., Ltd.* (浙江允升投資集團有限公司), a wholly-owned subsidiary of the Vendors’ Parent Company established in the PRC and an independent third party of the Company and its connected persons

* For identification purposes only

By order of the Board
Greentown China Holdings Limited
Zhang Yadong
Chairman

Hangzhou, the PRC
17 December 2019

As at the date of this announcement, the Board comprises Mr ZHANG Yadong, Mr LIU Wensheng, Mr ZHOU Lianying, Mr GUO Jiafeng, Mr GENG Zhongqiang and Mr. LI Jun as executive directors, Mr. Stephen Tin Hoi NG (Mr Andrew On Kiu CHOW as his alternative) as a non-executive director and Mr JIA Shenghua, Mr KE Huanzhang, Mr SZE Tsai Ping, Michael and Mr HUI Wan Fai as independent non-executive directors.

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