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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 ZHONGHAN**

On 19 April 2020, the Purchaser (a wholly-owned subsidiary of the Company), the Vendor and the Target 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 RMB1,900,000,000 payable by the Purchaser in accordance with the Share Transfer and Cooperation Agreement, including a share transfer consideration of RMB517,372,740.78 and a financial assistance of RMB1,382,627,259.22. The purpose of the Share Transfer and Cooperation Agreement is mainly to set out the terms of cooperation among the Vendor and the Purchaser for the development of the Target Project, namely Phase Two of the Qinglan International 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 19 April 2020, the Purchaser (a wholly-owned subsidiary of the Company), the Vendor and the Target 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 RMB1,900,000,000 payable by the Purchaser in accordance with the Share Transfer and Cooperation Agreement, including a share transfer consideration of RMB517,372,740.78 and a financial assistance of RMB1,382,627,259.22.

SHARE TRANSFER AND COOPERATION AGREEMENT

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

Date: 19 April 2020

Parties:

- (1) the Purchaser;
- (2) the Vendor; and
- (3) the Target Company.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Vendor and the Target Company and their respective ultimate beneficial owners are not connected persons of the Company as at the date of the Share Transfer and Cooperation Agreement.

Subject matter: The Purchaser agreed to purchase, and the Vendor as legal and beneficial owner of the Target Shares agreed to sell 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 Phase Two of the Qinglan International 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 Vendor. The parties to the Share Transfer and Cooperation Agreement intend that the Purchaser will not participate in the Non-Target Project, and shall not share the benefits and bear the risks of the Non-Target Project. The benefits and risks arising from the Non-Target Project shall be enjoyed and borne by the Vendor.

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 RMB61,064,974, equivalent to RMB21,372,741) 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 RMB1,900,000,000, of which:

- (a) RMB517,372,740.78 as consideration for the transfer of the Target Shares (the “**Share Transfer Consideration**”); and
- (b) RMB1,382,627,259.22 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 RMB1,382,627,259.22 will 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 Company to the Purchaser no later than 28 March 2024 unless otherwise provided.

Payment:	Stage payment	Amount payable
	<p>Within 3 business days upon the satisfaction of all conditions precedent under the Share Transfer and Cooperation Agreement (the “Stage 1 Payment”)</p>	<p>RMB760,000,000, which consists of the follows:</p> <ul style="list-style-type: none"> (i) RMB206,949,096.31 shall be payable by the Purchaser to the Vendor as part of the Share Transfer Consideration; and (ii) RMB553,050,903.69 shall be payable by the Purchaser to the Target Company as part of the Financial Assistance for the repayment of certain liabilities owed by the Target Company within 3 business days (the “Stage 1 Repayment”).
	<p>Within 3 business days after (i) the completion of the share transfer of the Target Shares; and (ii) the completion of the Stage 1 Repayment</p>	<p>RMB1,140,000,000, which consists of the follows:</p> <ul style="list-style-type: none"> (i) RMB310,423,644.47 shall be payable by the Purchaser to the Vendor as part of the Share Transfer Consideration; and (ii) RMB829,576,355.53 shall be payable by the Purchaser to the Target Company as part of the Financial Assistance for (a) the repayment of RMB336,884,968.67 for certain liabilities owed by the Target Company within 3 business days; and (b) further on-lending by the Target Company to the Vendor in the amount of RMB492,691,386.86 for purposes including the operation and management of the Target Project.

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 Vendor 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 party 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 internal approvals from the parties to the Share Transfer and Cooperation Agreement; and (ii) all necessary consents have 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 its board and its independent shareholders (if required);
- (f) the entry into and performance of all transaction documents in relation to the transaction 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 Project.

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 unanimous approval of both the Vendor and the Purchaser at the general meetings of the Target Company. 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 Vendor and the Purchaser.

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

The general manager shall be responsible for the management of the Target Company. Such general manager shall be nominated by the Vendor.

**Use of funds
by the Target
Company:**

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 repayment of the principal amount and interests of the Financial Assistance;
- (ii) upon full repayment of the principal amount and interests of the Financial Assistance, returned to the Vendor until the ratio of cash returned to the Purchaser and the Vendor reached 35:65;
- (iii) returned as cash to the Purchaser and the Vendor or any respective designated entities until the ratio of 35:65 is reached;
- (iv) when the surplus cash returned to the Purchaser and the Vendor reaches the ratio of 35:65 and the capital returned to the Purchaser and the Vendor reaches the estimated profit, the use of subsequent surplus cash shall be unanimously determined by the board 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 interest of the Financial Assistance that shall be repaid to the Purchaser accordingly, each in the forthcoming 90 days.

For the purpose of “cash returned” as referred to in (ii) above, the loan from the Target Project to the Non-Target Project/Vendor shall be deemed to be the cash flow returned from the Target Project to the Vendor.

Other provisions:

The Share Transfer and Cooperation Agreement also set 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 Vendor

The Vendor is a company established in the PRC with limited liability, whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600208) and is a constituent of CSI 300. 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 2002 and is primarily engaged in development and sales of real estate, and in property management, as well as in sales of construction materials, decorative materials, metal materials, woodwork and construction machineries and equipment.

As at the date of the Share Transfer and Cooperation Agreement, the Target Company is wholly-owned by the Vendor. Upon completion of the Acquisition, the Target Company will be owned by the Purchaser and the Vendor as to 35% and 65%, respectively. The Target Company will not become a subsidiary of the Company upon completion of the Acquisition. The table below sets out certain unaudited financial information of the Target Company for the years ended 31 December 2018 and 31 December 2019:

	For the year ended 31 December	
	2018	2019
	<i>(RMB)</i>	<i>(RMB)</i>
	<i>'000</i>	<i>'000</i>
Revenue	581,039	186,355
Net profit before taxation	203,250	75,681
Net profit after taxation	81,325	40,120

The unaudited net asset value of the Target Company as at 31 December 2019 was approximately RMB1,064,386,000.

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 Jing'an District, Shanghai, and forms part of the Qinglan International City Project that involves the development of residential buildings. The Target Project is the second phase of the Qinglan International City Project that consists of two phases, of which the first phase has already been delivered to the owners in 2017. 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 Vendor's rich development and operation experience in Shanghai.

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 in the long run. The Vendor is a company listed on Shanghai Stock Exchange (Stock Code: 600208) principally engaged in commerce, property and finance in the PRC and is a constituent of CSI 300. The Group and the Vendor Group endeavour to explore opportunities for business cooperation in different projects from time to time, notably in the PRC real estate sector in the ordinary and usual course of business of the Group. The Group endeavours to explore further business cooperation with the Vendor Group on various aspects as and when appropriate.

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.

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 RMB1,382,627,259.22 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 Project”	phase one of the Qinglan International City Project, which is situated in Jing’an District, Shanghai in the PRC, with a gross site area of approximately 29,643.7 sqm
“PRC”	the People’s Republic of China
“Purchaser”	Greentown Real Estate Group Company Limited* (綠城房地產集團有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC

“Share Transfer and Cooperation Agreement”	the Share Transfer and Cooperation Agreement dated 19 April 2020 entered into among the Purchaser, the Vendor and the Target Company
“Share Transfer Consideration”	a consideration of RMB517,372,740.78 for the acquisition of the Target Shares in accordance with the terms and conditions of the Share Transfer and Cooperation Agreement
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company” or “Shanghai Zhonghan”	Shanghai Zhonghan Real Estate Co., Ltd.* (上海中瀚置業有限公司), a company established in the PRC with limited liability
“Target Project” or “Phase Two of the Qinglan International City Project”	phase two of the Qinglan International City Project, which is situated in Jing’an District, Shanghai in the PRC, with a gross floor area of approximately 184,826.33 sqm
“Target Shares”	35% of the total shares of the Target Company as at the date of the Share Transfer and Cooperation Agreement
“Vendor”	Xinhu Zhongbao Co., Ltd. (新湖中寶股份有限公司), a company established in the PRC with limited liability
“Vendor Group”	the Vendor and its subsidiaries

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

Hangzhou, the PRC
19 April 2020

As at the date of this announcement, the Board comprises Mr ZHANG Yadong, Mr LIU Wensheng, Mr GUO Jiafeng, Mr ZHOU Lianying, 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 HUI Wan Fai, Mr QIU Dong and Mr ZHU Yuchen as independent non-executive directors.

* For identification purpose only