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## **Greentown Service Group Co. Ltd.**

**綠城服務集團有限公司**

*(a company incorporated under the laws of the Cayman Islands with limited liability)*

**(Stock code: 2869)**

### **ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS**

#### **SALES FRAMEWORK AGREEMENT**

The Board announces that on 10 January 2017, Greentown Property Management (a wholly-owned subsidiary of the Company) entered into the Sales Framework Agreement with Lansong Supply Chain, pursuant to which, Lansong Supply Chain agreed to supply various agricultural goods and products, including but not limited to fresh produce and foods, to Greentown Property Management and/or its subsidiaries or branch companies from 10 January 2017 to 31 December 2019.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Lansong Supply Chain is held as to 76% and 24% by Bluetown Agricultural Technology and Greentown Community Service, respectively. Bluetown Agricultural Technology is wholly-owned by Bluetown China Holdings Limited, which is in turn wholly-owned by Delta House Limited, whereas Delta House Limited is wholly-owned by Mr. Song Weiping. Mr. Song Weiping, through his wholly-owned company Osmanthus Garden Investment Company Limited, is indirectly interested in 40% of Orchid Garden Investment Company Limited, a controlling Shareholder which holds approximately 36.72% of the total issued share capital of the Company. Mr. Song Weiping is also the spouse of Ms. Xia Yibo, a non-executive Director. Lansong Supply Chain is therefore an associate of Mr. Song Weiping and hence a connected person (as defined in Chapter 14A of the Listing Rules) of the Company. Accordingly, the transactions contemplated under the Sales Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Sales Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Sales Framework Agreement are subject to the reporting, annual review and announcement requirements, but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

The Board announces that on 10 January 2017, Greentown Property Management (a wholly-owned subsidiary of the Company) entered into the Sales Framework Agreement with Lansong Supply Chain, pursuant to which, Lansong Supply Chain agreed to supply various agricultural goods and products, including but not limited to fresh produce and foods, to Greentown Property Management and/or its subsidiaries or branch companies from 10 January 2017 to 31 December 2019.

## **SALES FRAMEWORK AGREEMENT**

The principal terms of the Sales Framework Agreement are set out below:

### **Date**

10 January 2017

### **Parties**

- (a) Greentown Property Management; and
- (b) Lansong Supply Chain.

### **Term**

The Sales Framework Agreement is for a term commencing from 10 January 2017 and ending on 31 December 2019.

### **Supply of Goods**

Lansong Supply Chain agreed to supply various agricultural goods and products, including but not limited to fresh produce and foods, to Greentown Property Management and/or its subsidiaries or branch companies.

The business departments of the parties will enter into individual supply contracts setting out specific terms of the supply of goods including the goods to be supplied, price, amount, delivery method and payment arrangement.

## **Consideration and Payment**

The price for the goods to be supplied under the Sales Framework Agreement shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to (i) the national agricultural products wholesale market prices published by the Ministry of Agriculture of the PRC from time to time; and (ii) the purchasing costs of such goods from time to time and the operation costs (including packaging, processing and distribution costs) incurred by Lansong Supply Chain for supplying goods to Greentown Property Management and/or its subsidiaries or branch companies under the Sales Framework Agreement. The fee payable under each individual supply contract shall be made according to the terms thereunder. The prices for the goods to be supplied by Lansong Supply Chain to Greentown Property Management and/or its subsidiaries or branch companies will not be less favourable than those available from independent third parties to Greentown Property Management and/or its subsidiaries or branch companies in similar transactions.

## **Historical Amounts**

No transaction was conducted between Lansong Supply Chain and Greentown Property Management in respect of the supply of goods in the past. Therefore, no historical transaction amount is available.

## **Annual Cap**

The maximum annual transaction amount for each of the three years ending 31 December 2019 is RMB62,400,000, RMB82,500,000 and RMB97,300,000, respectively. Such maximum annual transaction amount is determined with reference to, among others, the following factors:

1. the business development plan and sales target of the Group for the years ending 31 December 2017, 2018 and 2019, respectively;
2. the expected portion of transaction amounts between the Group and Lansong Supply Chain as compared to the Group's total purchase amount in respect of agricultural goods and products (including fresh produce and foods) for the years ending 31 December 2017, 2018 and 2019, respectively; and
3. the estimated inflation rate per year.

In view of the above factors, the Directors (including the independent non-executive Directors) are of the view that the above proposed annual caps are fair and reasonable.

## INTERNAL CONTROL AND PRICING POLICY

In order to ensure that the terms for the supply of goods by Lansong Supply Chain to Greentown Property Management and/or its subsidiaries or branch companies are not less favourable than those available from independent third parties, the Company has adopted the following measures:

1. the prices for the goods to be supplied by Lansong Supply Chain to Greentown Property Management and/or its subsidiaries or branch companies will be negotiated on arm's length basis which shall be determined with reference to (i) the national agricultural products wholesale market prices published by the Ministry of Agriculture of the PRC from time to time; and (ii) the purchasing costs of the goods as well as the operation costs (including packaging, processing and distribution costs) to be incurred by Lansong Supply Chain for supplying goods to Greentown Property Management and/or its subsidiaries or branch companies under the Sales Framework Agreement;
2. the Company will make reference to the prevailing market prices of similar goods to be determined through conducting periodic price research by obtaining the prices of goods charged by suppliers in the market for similar goods comparable to the goods to be supplied under the Sales Framework Agreement;
3. Lansong Supply Chain has undertaken that the prices for the goods to be supplied by Lansong Supply Chain to Greentown Property Management and/or its subsidiaries or branch companies will not be less favourable than the prices of similar goods to be supplied by Lansong Supply Chain to independent third parties in similar transactions;
4. the Company will supervise the continuing connected transactions in accordance with the procedures set forth in the Company's internal control manual on continuing connected transactions. The relevant personnel of the business department of the Company 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 of their respective agreements and will also regularly update the market prices for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy;
5. the Company's external auditors will conduct an annual review on the pricing and the annual caps of the continuing connected transactions;
6. the Company will assign a designated supervisor from its business management team to oversee the implementation of the terms and conduct of transactions contemplated under the Sales Framework Agreement;
7. the Company's compliance department will conduct a regular review every three months of the continuing connected transactions of the Company so as to monitor the actual transaction amounts as compared to the corresponding annual caps;
8. the Company's audit committee will review at least twice a year the analysis reports and the improvement measures prepared by the Company's management based on the implementation of the continuing connected transactions by the Company; and

9. the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SALES FRAMEWORK AGREEMENT**

Lansong Supply Chain is principally engaging in the sales of primary agricultural products, pre-packaged food products and health supplements, import and export of goods, agricultural technology development and supply chain management. Lansong Supply Chain has a wide product base and resources, provides high quality goods and products, and possesses an optimized production and processing system. It also has a well-developed distribution network for the distribution of its goods and products. The entering into of the Sales Framework Agreement will allow the Group to secure a reliable and long-term supplier with an efficient distribution network for developing the community value-added services of the Group, thus providing customers with high quality services and experience.

The Directors (including the independent non-executive Directors) consider that the entering into of the Sales Framework Agreement is in the ordinary and usual course of business of the Group and consider that the terms of the Sales Framework Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **GENERAL**

The Group is a leading high-end residential property management service provider in the PRC with a diversified service portfolio comprising various property management and related services.

Greentown Property Management is a wholly-owned subsidiary of the Company and the main operating subsidiary principally engaging in the provision of property management, property consulting and community value-added services.

Lansong Supply Chain is principally engaging in the sales of primary agricultural products, pre-packaged food products and health supplements, import and export of goods, agricultural technology development and supply chain management.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Lansong Supply Chain is held as to 76% and 24% by Bluetown Agricultural Technology and Greentown Community Service, respectively. Bluetown Agricultural Technology is wholly-owned by Bluetown China Holdings Limited, which is in turn wholly-owned by Delta House Limited, whereas Delta House Limited is wholly-owned by Mr. Song Weiping. Mr. Song Weiping, through his wholly-owned company Osmanthus Garden Investment Company Limited, is indirectly interested in 40% of Orchid Garden Investment Company Limited, a controlling Shareholder which holds approximately 36.72% of the total issued share capital of the Company. Mr. Song Weiping is also the spouse of Ms. Xia Yibo, a non-executive Director. Lansong Supply Chain is therefore an associate of Mr. Song Weiping and hence a connected person (as defined in

Chapter 14A of the Listing Rules) of the Company. Accordingly, the transactions contemplated under the Sales Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Sales Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Sales Framework Agreement are subject to the reporting, annual review and announcement requirements, but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mr. Song Weiping is an associate of Ms. Xia Yibo, Ms. Xia Yibo has abstained from voting on the Board resolution to approve the Sales Framework Agreement. Save as disclosed, none of the Directors has any material interest in the transactions contemplated thereunder or is required to abstain from voting on the relevant Board resolution to approve the same.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors
“Bluetown Agricultural Technology”	Bluetown Agricultural Technology Co. Ltd.* (藍城農業科技有限公司), a company established in the PRC with limited liability
“Company”	Greentown Services Group Co., Ltd. (綠城服務集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited
“Director(s)”	the director(s) of the Company
“Greentown Community Service”	Zhejiang Greentown Property Community Service Company Limited* (浙江綠城物業園區生活服務有限公司), subsidiary of the Company
“Greentown Property Management”	Greentown Property Management Group Company Limited* (綠城物業服務集團有限公司), a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Lansong Supply Chain”	Zhejiang Lansong Supply Chain Management Co., Ltd.* (浙江藍頌供應鏈管理有限公司), a company established in the PRC with limited liability
“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
“Sales Framework Agreement”	the sales framework agreement dated 10 January 2017 entered into between Greentown Property Management and Lansong Supply Chain in relation to the supply of goods by Lansong Supply Chain to Greentown Property Management and/or its subsidiaries or branch companies
“Shareholder(s)”	the shareholder(s) of the Company

By Order of the Board  
**Greentown Service Group Co. Ltd.**  
**Li Hairong**  
*Chairlady*

Hong Kong, 10 January, 2017

*As at the date of this announcement, the executive Directors are Ms. LI Hairong, Mr. YANG Zhangfa, Mr. WU Zhihua and Mr. CHEN Hao; the non-executive Directors are Mr. SHOU Bainian and Ms. XIA Yibo; and the independent non-executive Directors are Mr. TIAN Zaiwei, Mr. POON Chiu Kwok and Mr. WONG Ka Yi.*

\* *For identification purposes only*