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China Greenland Broad Greenstate Group Company Limited

中國綠地博大綠澤集團有限公司

(formerly known as *Broad Greenstate International Company Limited* 博大綠澤國際有限公司)
(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1253)

CONNECTED TRANSACTION — THE FORMATION OF THE JV COMPANY

On 30 December 2016, the Private Parties and Changning Development Company entered into the JV Agreement, pursuant to which the parties agreed to (i) form the JV Company for the purposes of constructing the PPP Project; and (ii) regulate their respective rights and obligations in the JV Company.

As all of the applicable percentage ratios (as defined in the Listing Rules) in respect of the establishment of the JV Company are less than 5%, the establishment of the JV Company is not subject to any notification and announcement requirement as set out in Chapter 14 of the Listing Rules.

Greenland Metro Investment is an associate of Greenland Financial (a substantial shareholder of the Company), thus is a connected person of the Company under the Listing Rules. As such, the establishment of the JV Company constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all applicable percentage ratios (other than profits ratio) are less than 5% but the total consideration is higher than HK\$3,000,000, the establishment of the JV Company is subject to the reporting and announcement requirements and is exempted from the circular and independent shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules. As no Director has material interest in the JV Agreement and the transactions contemplated thereunder, none of the Directors is required to abstain from voting on the resolution approving the JV Agreement and the transactions contemplated thereunder.

INTRODUCTION

Reference is made to the announcement of the Company dated 1 November 2016 in relation to the successful tender for the PPP Project. Pursuant to the Tender, the Private Parties and Changning Development Company will establish the JV Company to develop the PPP Project.

On 30 December 2016, the Private Parties and Changning Development Company entered into the JV Agreement, pursuant to which the parties agreed to (i) form the JV Company for the purposes of constructing the PPP Project; and (ii) regulate their respective rights and obligations in the JV Company.

JV AGREEMENT

Date

30 December 2016

Parties

- (1) Shanghai Broad Landscape, an indirect wholly owned subsidiary of the Company;
- (2) Greenland Metro Investment, an indirect wholly owned subsidiary of Greenland; and
- (3) Changning Development Company.

Proposed name of the JV Company

Pursuant to the JV Agreement, the name of the JV Company shall be Xi'an Greenland Jue River Wetland Park Development Company Limited* (西安綠地灤河濕地公園開發有限公司).

Subject matter

Pursuant to the JV Agreement, the Private Parties and Changning Development Company shall establish the JV Company for the investment, construction, operation and maintenance of the PPP Project. The JV Company shall have an operation period of 11 years, commencing from the date of the operation licence of the JV Company.

Registered capital

The JV Company shall have a registered capital of RMB300 million, which shall be contributed by the parties in cash as follows:

Equity Holder Name	Amount (RMB)	Proportion (%)
Changning Development Company	30 million	10
Shanghai Broad Landscape	15 million	5
Greenland Metro Investment	<u>255 million</u>	<u>85</u>
Total	<u><u>300 million</u></u>	<u><u>100</u></u>

Each of the Private Parties and Changning Development Company shall pay their respective contribution of the registered capital into the JV Company before 30 December 2018. In the event that any party fails to pay its registered capital contribution prior to such payment date, there shall be a default interest of 0.02% per week and the breaching party shall pay all losses, direct or indirectly, incurred by the non-breaching party(ies). If any party fails to pay its registered capital contribution within 30 days of the date of payment request from a non-breaching party, the non-breaching party shall be entitled to request termination of the JV Agreement.

The respective contribution to the registered capital of the JV Company is determined after arm's length negotiations between the parties with reference to the proposed capital requirements of the PPP Project and the parties' interests the JV Company.

Board composition

The board of directors of the JV Company shall be comprised of five directors, of which two directors shall be nominated by Changning Development Company, one shall be nominated by Shanghai Broad Landscape and the other two shall be nominated by Greenland Metro Investment. The chairman of the board, who shall also be the legal representative of the JV Company, shall be a director nominated by Greenland Metro Investment and consented by Changning Development Company. The vice chairman of the board shall be a director nominated by Changning Development Company. Decisions of the board of directors of the JV Company shall be resolved by three fifths of the directors, which must include the approval by at least one director nominated by Changning Development Company, save for certain reserved matters (including but not limited to approval of the pledging of assets and provision of guarantee; expansion of operation and/or extension of operation period; establishment or winding up of subsidiaries or branches; determination of remuneration of senior management and etc.) which shall be resolved by all the directors unanimously.

Management

The senior management of the JV Company shall consist of one general manger (nominated by the Private Parties), several deputy general managers, one financial director, one deputy financial director (nominated by Changning Development Company) and one chief engineer. Save for the general manager and the deputy financial director, all member of senior management shall be nominated by the general manager or the chairman of the board. The general manager shall be responsible for the daily management of the JV Company and shall report to the board of directors. The financial director shall be responsible for the finance of the JV Company including auditing and monitoring the finance and accounting, and shall report to the board of directors.

Supervisory committee composition

The supervisory committee of the JV Company shall be comprised of three members, of which one shall be nominated by Changning Development Company, one shall be nominated by Greenland Metro Investment (who shall be the chairman of the supervisory committee) and one shall be the representative of the employees. The chairman of the supervisory committee shall be elected.

Restricted matters

The JV Company must obtain unanimous approval from all equity holders of the JV Company before conducting certain restricted matters, including but not limited to approving the operation and investment plans of the JV Company; the appointment and change of directors and supervisors not representing employees and approving remuneration of the supervisors; annual budget, profit distribution plan and loss recovery plan of the JV Company, the transfer of equity interest in the JV Company, change of registered capital, merger, dissolution or winding-up of the JV Company, amendment of articles of association, and appointment and change of auditors.

Profit Distribution

The profit distribution plan in respect of the JV Company shall be approved by the equity holders meeting of the JV Company. Pursuant to the JV Agreement, Changning Development Company is not entitled to any profit distribution and in the event that Changning Development Company is required to provide guarantees for any debt incurred by the JV Company and the aggregate amount of such guarantees exceeds its agreed registered capital contribution, Changing Development Company is entitled to seek compensation from the Private Parties.

Restrictions on equity transfers

The Private Parties shall not transfer or assign all or any part of their respective equity interest in the JV Company without the written consent from Changning Development Company and the Management Committee while Changning Development Company may, in accordance with the regulations for state-owned assets and under the reasonable request of the Management Committee, transfer any of its equity interest in the JV Company to third parties without prior approval from other equity holders. All existing equity holders of the JV Company shall have the right of first refusal.

Obligations of the Private Parties

Pursuant to the JV Agreement, the Private Parties shall, among other things:

1. assist the JV Company in obtaining the relevant approval, registration permit and certificate for its establishment and operations;
2. procure the JV Company and the Management Committee to enter into contracts for the PPP Project;
3. contribute to the registered capital of the JV Company in accordance with the terms of the JV Agreement;
4. assist the JV Company to obtain financing;
5. procure their nominated directors to approve to the appointment of the senior management members nominated by Changing Development Company in accordance to the terms of the JV Agreement;

6. provide free support to the JV Company in relation to operation, management and technology;
7. assist the JV Company to hire management and technical staffs; and
8. assist in the training of the employees of the JV Company.

Obligations of Changning Development Company

Pursuant to the JV Agreement, Changning Development Company shall, among other things:

1. assist the JV Company in obtaining the relevant approval, registration permit and certificate for its establishment and operations;
2. procure the JV Company and the Management Committee to enter into contracts for the PPP Project;
3. contribute to the registered capital of the JV Company in accordance with the terms of the JV Agreement;
4. assist the JV Company to process relevant procedures in relation to the PPP Project;
5. assist the JV Company to hire management and technical staffs;
6. assist the JV Company in the work and accommodation arrangement for employees; and
7. assist the JV Company to obtain relevant tax benefit available in accordance with the laws.

Termination of the JV Company

Upon the occurrence of the following events (the “**Termination Events**”), one party of the JV Agreement may notify other parties to request termination of the JV Company and all parties shall procure the approval of the termination at the equity holders’ meeting within 30 days of such notification:

1. a party violates the articles of the JV Company or the JV Company which causes material loss to the other party(ies) or causes the JV Company to be unable to operate and the violating party fails to remedy such breach within 30 days of notification;
2. any representation of a party is inaccurate and has material adverse effect to the ability of other party(ies) in performing the JV Agreement;
3. the JV Company fails to enter into a contract with the Management Committee in relation to the PPP Project within seven (7) days of the obtaining the operation licence;
4. either party of the JV Agreement or the JV Company becomes insolvent or has its operation licence revoked;

5. a force majeure event has occurred, and either the JV Company or the Management Committee becomes unable to perform the contract entered for the PPP Project within 90 days of such event;
6. confiscation of all or any material assets of the JV Company;
7. the JV Company has serious loss and becomes unable to operate;
8. all equity holders agree to the termination of the JV Company and the relevant authorities and the Management Committee have approved the termination;
9. the operation period of the JV Company has expired; and
10. the contract entered into for the PPP Project has been terminated.

INFORMATION OF THE PPP PROJECT

The PPP Project is for the construction of Jue River Wetland Park and other ancillary facilities located in the middle reaches of the Jue River in Changning New District, Xi'an. The total land area consists of approximately 2,634 mu. The estimated amount of investment is approximately RMB1,171.13 million. The PPP Project has a concessionary period of 10 years.

REASONS FOR AND BENEFITS OF THE PPP PROJECT AND THE JV COMPANY

The Company believes that future large scale projects in the public sector in the PRC will be mainly developed through PPP cooperation mode and projects using PPP cooperation mode will remain as the focus of the Company's future development. Participation in the PPP Project is a significant attempt of the Company to develop landscaping projects in the public sector and allows the Company to expand its business to the public sector. The JV Company is formed pursuant to the Tender and shall be responsible for the investment, financing, construction, operation and transfer of the PPP Project and other related work.

In light of the above, the Directors (including the independent non-executive Directors) is of the view that the JV Agreement is entered in the ordinary and usual course of business of the Group, on normal commercial terms or better, and the terms of the JV Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE PARTIES

Shanghai Broad Landscape

Shanghai Broad Landscape is a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company. Shanghai Broad Landscape is principally engaged in landscaping design, construction, maintenance and advisory, municipal work construction and civil engineering projects.

Changning Development Company

Changning Development Company is an agency of the Management Committee, responsible for the government's investment in the PPP Project. To the best knowledge, information and belief of the Board, having made all reasonable enquiry, Changning Development Company is an independent third party independent of the Company and its connected persons (as defined in the Listing Rules).

Greenland Metro Investment

Greenland Metro Investment is a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of Greenland. Greenland Metro Investment is principally engaged in investment and development in the subway area, investment and construction of rail transit, asset operation and management, real estate development and management, industrial investment, corporate management, consulting, supervision of construction projects, consultation of construction cost and construction management services.

Greenland is the ultimate holding company of Greenland Financial (a substantial shareholder of the Company). Greenland is a group listed in the Shanghai Stock Exchange (Stock Code: 600606) with diversified shareholdings (including shareholdings by various state-owned enterprises and with Shanghai Gelinlan Investments (Limited Partnership), a holding entity on behalf of the employees of the group, being the single largest shareholder with shareholding interest of 28.99%) headquartered in Shanghai, China, and a Global Fortune 500 Company with its main businesses in real estate, energy and finance. Greenland has a leading position in the real estate market in China.

LISTING RULES IMPLICATIONS

As all of the applicable percentage ratios (as defined in the Listing Rules) in respect of the establishment of the JV Company are less than 5%, the establishment of the JV Company is not subject to any notification and announcement requirement as set out in Chapter 14 of the Listing Rules.

Greenland Metro Investment is an associate of Greenland Financial (a substantial shareholder of the Company), thus is connected person of the Company under the Listing Rules. As such, the establishment of the JV Company constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all applicable percentage ratios (other than profits ratio) are less than 5% but the total consideration is higher than HK\$3,000,000, the establishment of the JV Company is subject to the reporting and announcement requirements and is exempted from the circular and independent shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules. As no Director has material interest in the JV Agreement and the transactions contemplated thereunder, none of the Directors is required to abstain from voting on the resolution approving the JV Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“Board”	the board of Directors
“Changning Development Company”	Xi’an Changning Development and Construction Company Limited* (西安市常寧開發建設有限公司), an agency of the Management Committee
“China” or the “PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company”	中國綠地博大綠澤集團有限公司 (China Greenland Broad Greenstate Group Company Limited) (stock code: 1253), a limited company incorporated in the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Greenland”	Greenland Holding Group Corporation Limited* (綠地控股集團股份有限公司), a company incorporated under the laws of the PRC
“Greenland Metro Investment”	Greenland Metro Investment & Development Company Limited* (綠地地鐵投資發展有限公司), a company incorporated under the laws of the PRC and a wholly owned subsidiary of Greenland
“Greenland Financial”	Greenland Financial Overseas Investment Group Co., Ltd., a substantial shareholder of the Company
“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
“JV Agreement”	the agreement entered into between the Private Parties and Changing Development Company on 30 December 2016 for the establishment of the JV Company

“JV Company”	the joint venture company to be established by the Private Parties and Changning Development Company pursuant to the JV Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management Committee”	Xi’an Changning New District Management Committee* (西安市常寧新區管理委員會)
“PPP Project”	the project for the construction of Jue River Wetland Park in Changning New District, Xi’an (西安市常寧新區灤河濕地公園) and construction of other ancillary facilities
“Private Parties”	Shanghai Broad Landscape and Greenland Metro Investment
“Shanghai Broad Landscape”	Shanghai Broad Landscape Construction and Development Company Limited* (上海博大園林建設發展有限公司), a company incorporated under the laws of the PRC and a subsidiary of the Company
“Share(s)”	ordinary share(s) of par value of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Tender”	the successful bid of the Public-Private-Partnership project on 1 November 2016 for the construction of Xi’an Greenland Jue River Wetland Park Development Company Limited (西安綠地灤河濕地公園開發有限公司) by the Private Parties

“Termination Events” has the meaning ascribed to it under the paragraph headed “JV AGREEMENT — Termination of the JV Company”

“%” per cent.

* *for identification purposes only*

By Order of the Board
China Greenland Broad Greenstate Group Company Limited
Wu Zhengping
Chairman and Executive Director

Shanghai, the People’s Republic of China

30 December 2016

As at the date of this announcement, our executive Directors are Mr. Wu Zhengping, Ms. Xiao Li, Ms. Zhu Wen and Mr. Wang Lei and our independent non-executive Directors are Mr. Dai Guoqiang, Mr. Zhang Qing and Dr. Jin Hexian.