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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**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1253)**

### **DISCLOSEABLE TRANSACTION FORMATION OF JOINT VENTURE**

#### **THE JV AGREEMENT**

On 23 July 2018, the Private Parties and Gushi Investment entered into the JV Agreement, pursuant to which the parties agreed to (i) form the JV Company for the purpose of constructing the PPP Project; and (ii) regulate their respective rights and obligations in the JV Company.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios exceeds 5% and all of the percentage ratios are less than 25%, the investment in the JV Company pursuant to the JV Agreement constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 26 March 2018 in relation to the successful tender for the PPP Project. Pursuant to the Tender, the Private Parties and Gushi County Water Conservancy Bureau\* (固始縣水利局) will establish the JV Company to develop the PPP Project.

On 23 July 2018, the Private Parties and Gushi Investment entered into the JV Agreement, pursuant to which the parties agree to (i) form the JV Company for the purpose of constructing the PPP Project; and (ii) regulate their respective rights and obligations in the JV Company.

## JV AGREEMENT

### Date

23 July 2018

### Parties

- (1) Broad Greenstate Ecological Construction Group Company Limited\* (博大綠澤生態建設集團有限公司) (“**Broad Greenstate Ecological**”), formerly known as Shanghai Broad Landscape Construction and Development Company Limited\* (上海博大園林建設發展有限公司), an indirect wholly-owned subsidiary of the Company
- (2) Yellow River Construction Engineering Group Co Ltd.\* (黃河建工集團有限公司) (“**Yellow River**”), an independent third party
- (3) Gushi County Construction and Investment Company\* (固始縣建設投資公司) (“**Gushi Investment**”), an independent third party

### Proposed name of the JV Company

Pursuant to the JV Agreement, the proposed name of the JV Company shall be Gushi Greenland Broad Greenstate South Lake Culture Co., Ltd.\* (固始綠地博大綠澤南湖文化有限公司).

### Subject matter

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

### Registered capital

The JV Company shall have a registered capital of RMB320 million, which shall be contributed by the parties in cash as follows:

<b>Equity Holder Names</b>	<b>Amount (RMB)</b>	<b>Proportion (%)</b>
Gushi Investment	100 million	31.25
Broad Greenstate Ecological	204 million	63.75
Yellow River	<u>16 million</u>	<u>5.00</u>
Total	<u>320 million</u>	<u>100</u>

Each of the Private Parties and Gushi Investment shall pay their respective contribution of the registered capital into the JV Company within 10 days since establishment of the JV Company.

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 in the JV Company.

### **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 the county government except when such transfer of equity interest is required by law or ruled and executed by judiciary authorities.

### **Board composition**

The board of directors of the JV Company shall be comprised of five directors, of which two directors shall be nominated by Gushi Investment, the other three directors shall be nominated by the Private Parties. The chairman of the board shall be nominated by the Private Parties and elected by the board. The vice chairman of the board shall be nominated by the government party and elected by the board. Decisions of the board of directors of the JV Company shall be resolved by three fifths of the directors, save for certain reserved matters (including but not limited to approval of the decrease or increase in the registered capital, split-up or dissolution; connected transactions with shareholders of the JV Company; engagement or dismiss of accounting firms; use of funds in the joint account of the JV Company and etc.) which shall be resolved by four fifths of the directors.

### **Supervisory committee composition**

The supervisory committee of the JV Company shall be comprised of three members, of which one shall be nominated by Gushi Investment (who shall be the chairman of the supervisory committee), one shall be nominated by the Private Parties and one shall be the representative of the employees.

### **Management**

The senior management of the JV Company shall consist of one general manger nominated by the Private Parties and appointed by the board, two deputy general managers (one of which shall be appointed by the government party), and one financial director. The general manager shall be responsible for the daily management of the JV Company and shall report to the board of directors.

### **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, Gushi Investment is not entitled to any profit distribution except when there is a excess profit (profit margin exceeds 6.98% plus inflation rate), and the excess part shall be distributed according to equity contribution of the shareholders of the JV Company.

## **INFORMATION OF THE PPP PROJECT**

The PPP Project is for the construction of Nanhu Ecological and Cultural Garden of Gushi County\* (固始縣南湖生態文化園建設). The total land area consists of approximately 4,007 mu. The estimated amount of investment is approximately RMB1,059.48 million. The PPP Project has a concessionary period of 23 years (including 3 years of construction and 20 years of operation).

## **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.

In light of the above, the Directors (including the independent non-executive Directors) are 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 interest of the Company and its Shareholders as a whole.

## **INFORMATION ON THE GROUP AND THE PARTIES TO THE JV AGREEMENT**

### **The Group**

The Company is an investing holding company incorporated in the Cayman Islands with limited liability. The Company's subsidiaries were principally engaged in the services of landscape design and gardening and the related services.

### **Broad Greenstate Ecological**

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

### **Yellow River**

Yellow River, an independent third party, is a company incorporated under the laws of the PRC. Yellow River is principally engaged in construction of water conservancy and hydropower project, building construction, highway engineering and municipal engineering and other relevant area.

## **Gushi Investment**

Gushi Investment is an agency of the Gushi County Government\* (固始縣政府), 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, Gushi Investment is an independent third party independent of the Company and its connected persons (as defined in the Listing Rules).

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios exceeds 5% and all of the percentage ratios are less than 25%, the investment in the JV Company pursuant to the JV Agreement constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

None of the Directors has any material interest in the JV Agreement, thus none of the Directors had abstained from voting on the Board resolutions 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
“Broad Greenstate Ecological”	Broad Greenstate Ecological Construction Group Company Limited* (博大綠澤生態建設集團有限公司), formerly known as Shanghai Broad Landscape Construction and Development Company Limited* (上海博大園林建設發展有限公司), incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“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
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Gushi Investment”	Gushi County Construction and Investment Company* (固始縣建設投資公司), an agency of the Gushi County Government* (固始縣政府) responsible for the government’s investment in the PPP Project
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Agreement”	the agreement entered into between the Private Parties and Gushi Investment on 23 July 2018 for the establishment of the JV Company
“JV Company”	the joint venture company to be established by the Private Parties and Gushi Investment pursuant to the JV Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PPP Project”	the project for the construction of Nanhu Ecological and Cultural Garden of Gushi County* (固始縣南湖生態文化園建設)
“Private Parties”	Broad Greenstate Ecological and Yellow River
“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
“Tender”	the successful bid of the Public-Private-Partnership project on 13 February 2018 for the construction of Nanhu Ecological and Cultural Garden of Gushi County* (固始縣南湖生態文化園建設)

“Yellow River”

Yellow River Construction Engineering Group Co Ltd.\* (黃河建工集團有限公司), a company incorporated under the laws of the PRC and an independent third party of the Company

By order of the Board  
**China Greenland Broad Greenstate Group Company Limited**  
**WU Zhengping**  
*Chairman and Executive Director*

\* *for identification purpose only*

Shanghai, the People’s Republic of China  
23 July 2018

*As at the date of this announcement, our executive Directors are Mr. Wu Zhengping, Ms. Xiao Li, Ms. Zhu Wen and Ms. Chen Min and our independent non-executive Directors are Mr. Dai Guoqiang, Dr. Jin Hexian and Dr. Chan Wing Bun.*