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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)

**CONNECTED TRANSACTION
FORMATION OF A JOINT VENTURE FOR
DEVELOPMENT OF RESIDENTIAL PROPERTIES IN HANGZHOU**

On 11 October 2016, Hangzhou Zhimiao (an indirect wholly-owned subsidiary of the Company) entered into the Framework Agreement with, among others, Zhejiang Lujiu (an indirect non-wholly owned subsidiary of the Company owned by the Group and Wharf Group as to 50% and 50%, respectively and a connected person of the Company) and Longfor Subsidiary (an independent third party) in relation to the proposed joint development of the Land into residential properties by Zhejiang Lujiu and Longfor Subsidiary on a 70:30 basis. The Land is situated in Xiaoshan District of Hangzhou, Zhejiang province of the PRC with a gross site area of approximately 26,893 sqm. The residential properties to be developed on the Land are expected to have a total gross floor area of approximately 72,611 sqm with a floor area ratio of 2.7.

While the purpose of the Framework Agreement is for the Group (through Zhejiang Lujiu, being a non-wholly owned subsidiary of the Company) and Longfor Group (being an independent third party) to jointly develop the Land through a 70:30 ownership in the Project Company, given that Hangzhou Zhimiao (being a wholly-owned subsidiary of the Company) and Zhejiang Lujiu (being a connected person of the Company) are parties to the Framework Agreement, based on the applicable size tests, the entering into of the Framework Agreement and the transactions contemplated thereunder will constitute a connected transaction of the Company subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As (i) the sole purpose of the Project Company is to develop the Land which is of a revenue nature in the ordinary and usual course of business of the Company; (ii) the transactions contemplated under the Framework Agreement are on an arm's length basis and on normal commercial terms; and (iii) the Project Company may not, without unanimous consent from the parties to the Framework Agreement, change the nature or scope of its business or enter into any transactions which are not on an arm's length basis, the transactions contemplated under the Framework Agreement do not constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules.

An independent board committee of the Company comprising all of the independent non-executive Directors has been formed to advise the independent Shareholders, and an independent financial adviser to advise the independent board committee and the independent Shareholders will be appointed as soon as possible. Wharf and its associates are required to abstain from voting at the EGM.

A circular containing, among other things, (i) further details of the Framework Agreement; (ii) a letter from the independent board committee; (iii) a letter from the independent financial adviser; (iv) a notice of the EGM; and (v) other information concerning the Company as required under the Listing Rules is expected to be despatched to the Shareholders on or before 31 December 2016 (i.e. more than 15 business days after the date of this announcement) as the Company will require further time to prepare the contents of the circular. Shareholders and potential investors should note that the Framework Agreement and the transactions contemplated thereunder are subject to the approval by the independent Shareholders at the EGM.

INTRODUCTION

On 11 October 2016, Hangzhou Zhimiao (an indirect wholly-owned subsidiary of the Company) entered into the Framework Agreement with, among others, Zhejiang Lujiu (an indirect non-wholly owned subsidiary of the Company) and Longfor Subsidiary (an independent third party) in relation to the proposed joint development of the Land into residential properties by Zhejiang Lujiu and Longfor Subsidiary on a 70:30 basis. The Land is situated in Xiaoshan District of Hangzhou, Zhejiang province of the PRC with a gross site area of approximately 26,893 sqm. The residential properties to be developed on the Land are expected to have a total gross floor area of approximately 72,611 sqm with a floor area ratio of 2.7.

CONSIDERATION AND PAYMENT TERMS FOR THE LAND

According to the terms of the bid for the Land, the total Land Consideration of RMB1,099,000,000 shall be paid by cash instalments in the manner as follows:

Stage payment	Amount paid/payable
Already paid upon submission of bid	RMB174,400,000 (the " Deposit ") (being the deposit for the bidding, including a deposit of RMB20,000,000 (the " Completion Deposit ") repayable after the completion of the development of the Land)

Stage payment

Amount paid/payable

Already paid as of 27 July 2016

50% of the Land Consideration. The paid Deposit, excluding the Completion Deposit, was applied to the partial settlement of such amount.

By 27 June 2017

The remaining 50% of the Land Consideration (the “**Second Instalment**”)

Among such amount, RMB569,500,000 (being 50% of the Land Consideration, together with the Completion Deposit) have been paid as at the date of this announcement, funded by way of shareholders’ loan. The remaining RMB549,500,000 (being the Second Instalment) shall be contributed by Zhejiang Lujiu and Longfor Subsidiary to the Project Company by way of shareholders’ loan in accordance with their respective shareholding percentage in the Project Company.

Such consideration amount was the outcome of a public bidding announced by Xiaoshan Branch of Hangzhou Municipal Bureau of Land Resources* (杭州市國土資源局蕭山分局).

PROPERTY DEVELOPMENT THROUGH THE PROJECT COMPANY

The Framework Agreement was entered into between, among others, Zhejiang Lujiu, Hangzhou Zhimiao and Longfor Subsidiary in order to facilitate the development of the Land. Pursuant to the terms of the Framework Agreement, the Project Company will be owned by Zhejiang Lujiu and Longfor Subsidiary on a 70:30 basis for the joint development of the Land into residential properties.

It is currently expected that the Project Company will be established solely for the purpose of developing the Land and will become an indirect non-wholly owned subsidiary of the Company.

PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT

A summary of the major terms and conditions of the Framework Agreement is set out below:

Purpose : To own and develop the Land through the Project Company.

It is currently expected that the sole purpose of the Project Company is to develop the Land.

Parties : (1) Zhejiang Lujiu (an indirect non-wholly owned subsidiary of the Company owned by the Group and Wharf Group as to 50% and 50%, respectively)
(2) Hangzhou Zhimiao (an indirect wholly-owned subsidiary of the Company)

(3) Hangzhou Greentown Zhizhen Investment Co., Ltd* (杭州綠城致臻投資有限公司), the sole shareholder of Hangzhou Zhimiao and an indirect wholly-owned subsidiary of the Company

(4) Longfor Subsidiary

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of the Framework Agreement, Longfor Subsidiary and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Shareholding of the
Project Company

: Pursuant to the terms of the Framework Agreement, the Project Company will be owned by Zhejiang Lujiu and Longfor Subsidiary on a 70:30 basis.

For the purpose of establishing the Project Company, Zhejiang Lujiu and Hangzhou Zhimiao shall first establish it on a 50:50 basis at a registered capital of RMB60,000,000. Within 30 business days from the date of obtaining the land use permit, the registered capital of the Project Company shall be increased from RMB60,000,000 to RMB100,000,000. Such increase in registered capital shall be contributed by Zhejiang Lujiu in full, to be paid by Zhejiang Lujiu at least 10 business days before the latest date for the payment of the Second Instalment according to the terms of the bid for the Land. Subsequent to the increase in registered capital, the Project Company shall be owned as to 70% by Zhejiang Lujiu and 30% by Hangzhou Zhimiao, respectively. Concurrent to the capital increase of the Project Company, Hangzhou Zhimiao shall transfer 30% equity interest in the Project Company to Longfor Subsidiary, at a consideration calculated based on the actual capital contribution made to the Project Company by Hangzhou Zhimiao.

Upon completion of the aforesaid, the Project Company will be owned by Zhejiang Lujiu and Longfor Subsidiary on a 70:30 basis.

Capital requirement : The parties currently expect that the Land Consideration (plus an amount equivalent to the aggregate of the relevant land tax amount and the preliminary stage development funds) shall be ultimately financed on a 70:30 basis by Zhejiang Lujiu and Longfor Subsidiary through contribution to the registered capital of the Project Company and shareholders' loan.

Save as aforesaid, all other funding needs shall be arranged by the Project Company itself.

As a general principle, in the event that any security is required for future external financing of the Project Company, Zhejiang Lujiu and Longfor Subsidiary shall provide such security or guarantee according to their respective shareholding percentages in the Project Company. In the event that either party (the “**Contributing Party**”) agrees to provide guarantee and/or security in respect of such financing which is more than its pro-rated portion, (i) the other party (the “**Non-contributing Party**”) agrees to provide a counter-guarantee to the Contributing Party for the Non-contributing Party's pro-rated portion of the obligations under such financing; and (ii) the Contributing Party has a right to receive from the Non-contributing Party a guarantee fee to be agreed by the parties.

Distribution of profit : The Project Company shall distribute any net profits after taxation in compliance with all applicable laws, rules and regulations to Zhejiang Lujiu and Longfor Subsidiary according to their respective shareholding percentages in the Project Company.

Board representation : It is currently expected that the board of directors of the Project Company will comprise seven directors of which five will be nominated by Zhejiang Lujiu and two will be nominated by Longfor Subsidiary. Zhejiang Lujiu will have the right to appoint the chairman of the board of directors (who will also be the legal representative) of the Project Company.

Management and operation : General manager of the Project Company, which shall be nominated by Zhejiang Lujiu and appointed by the board of directors of the Project Company, will be responsible for the project management.

Finance director shall be appointed by Zhejiang Lujiu who shall be responsible for financial management. A deputy finance director shall be appointed by Longfor Subsidiary.

Two supervisors, of which each of Zhejiang Lujiu and Longfor Subsidiary shall nominate one, will be responsible for supervision of the Project Company according to the applicable laws and regulations.

Others : The joint venture contemplated under the Framework Agreement shall be subject to compliance with the requirements under the Listing Rules and the applicable laws and regulations in the PRC.

According to the Framework Agreement, the agreement will become effective upon, among other things, the Company having obtained approval in its Shareholders' meeting (if required). In the event that the approval (if required) for the transactions contemplated under the Framework Agreement is not obtained in the Shareholders' meeting of the Company in accordance with the Listing Rules and its articles of association, the parties to the Framework Agreement shall discuss in good faith to adjust the shareholding percentage and funding contribution of the parties to the Framework Agreement in the Project Company, such that the investment by the Group will not exceed the threshold that requires independent Shareholders' approval under the Listing Rules. The parties to the Framework Agreement shall provide all reasonable assistance in relation to the above (if required).

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Directors (excluding the independent non-executive Directors, whose views will be set out in the letter from the independent board committee to be included in the circular to be despatched to the Shareholders) believe that the co-development of the Land pursuant to the Framework Agreement will broaden the asset and earnings base of the Company and further strengthen the Company's position as a premier properties developer in the PRC. Further, both the Group and the Longfor Group are experienced and professional property developers and their strategic cooperation will benefit the Project Company through their respective strengths and synergies in property development strategies, marketing, management, human resources, branding and other areas, and will complement each other to promote mutual benefit.

The Directors (excluding the independent non-executive Directors, whose views will be set out in the letter from the independent board committee to be included in the circular to be despatched to the Shareholders) consider that the Framework Agreement has been made on normal commercial terms and in the ordinary and usual course of business of the Group; and that its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Wharf and its subsidiaries are holding 540,589,293 Shares, representing approximately 25% of the issued share capital of the Company, and therefore is a substantial shareholder of the Company under the Listing Rules. Accordingly, Wharf and its associates (including Zhejiang Lujiu, being an associate (as defined under the Listing Rules) of Wharf) are connected persons of the Company.

While the purpose of the Framework Agreement is for the Group (through Zhejiang Lujiu, being a non-wholly owned subsidiary of the Company) and Longfor Group (being an independent third party) to jointly develop the Land through the ownership in the Project Company on a 70:30 basis, given that Hangzhou Zhimiao (being a wholly-owned subsidiary of the Company) and Zhejiang Lujiu (being a connected person of the Company) are parties to the Framework Agreement, based on the applicable size tests, the entering into of the Framework Agreement and the transactions contemplated thereunder will constitute a connected transaction of the Company subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As (i) the sole purpose of the Project Company is to develop the Land which is of a revenue nature in the ordinary and usual course of business of the Company; (ii) the transactions contemplated under the Framework Agreement are on an arm's length basis and on normal commercial terms; and (iii) the Project Company may not, without unanimous consent from the parties to the Framework Agreement, change the nature or scope of its business or enter into any transactions which are not on an arm's length basis, the transactions contemplated under the Framework Agreement do not constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules.

An independent board committee of the Company comprising all of the independent non-executive Directors has been formed to advise the independent Shareholders, and an independent financial adviser to advise the independent board committee and the independent Shareholders will be appointed as soon as possible. Wharf and its associates are required to abstain from voting at the EGM.

A circular containing, among other things, (i) further details of the Framework Agreement; (ii) a letter from the independent board committee; (iii) a letter from the independent financial adviser; (iv) a notice of the EGM; and (v) other information concerning the Company as required under the Listing Rules is expected to be despatched to the Shareholders on or before 31 December 2016 (i.e. more than 15 business days after the date of this announcement) as the Company will require further time to prepare the contents of the circular. Shareholders and potential investors should note that the Framework Agreement and the transactions contemplated thereunder are subject to the approval by the independent Shareholders at the EGM.

GENERAL

The Group

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 PRC cities and is primarily engaged in developing quality properties targeting mainly middle and high income residents in the PRC.

Hangzhou Zhimiao is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company whose principal business is property development in the PRC.

Zhejiang Lujiu is a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company which is held by the Group and the Wharf Group as to 50% and 50%, respectively.

The Wharf Group

Wharf is a company incorporated in Hong Kong with limited liability, whose shares are listed on the main board of the Stock Exchange. The principal business activities of the Wharf Group are ownership of properties for development and letting, investment holding, container terminals as well as communications, media and entertainment.

The Longfor Group

Longfor is a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the main board of the Stock Exchange. The Longfor Group is principally engaged in the property development, property investment and property management businesses in the PRC.

Longfor Subsidiary is a company established in the PRC with limited liability. It is principally engaged in property investment. It is an indirect wholly-owned subsidiary of Longfor.

DEFINITIONS

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

“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 Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting to be held by the Company to consider and, if thought fit, approve the Framework Agreement and the transactions contemplated thereunder
“Framework Agreement”	the framework agreement (as supplemented and amended) entered into between, among others, Zhejiang Lujiu, Hangzhou Zhimiao and Longfor Subsidiary dated 11 October 2016 in relation to proposed formation of the Project Company for the development of the Land
“Group”	the Company together with its subsidiaries
“Hangzhou Zhimiao”	Hangzhou Zhimiao Investment Co., Ltd* (杭州致淼投資有限公司), a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	a piece of land in the Xiaoshan District of Hangzhou, Zhejiang province of the PRC with a gross site area of approximately 26,893 sqm
“Land Consideration”	the total consideration of RMB1,099,000,000 for acquiring the land use rights of the Land from Xiaoshan Branch of Hangzhou Municipal Bureau of Land Resources* (杭州市國土資源局蕭山分局) pursuant to the bid successfully made by Hangzhou Zhimiao for the Land from Xiaoshan Branch of Hangzhou Municipal Bureau of Land Resources* (杭州市國土資源局蕭山分局)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Longfor”	Longfor Properties Co. Ltd. (stock code: 00960), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Longfor Group”	Longfor together with its subsidiaries
“Longfor Subsidiary”	Hangzhou Xujing Investment Co., Ltd* (杭州旭景投資有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Longfor
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)

“Project Company”	a company established in the PRC for the purpose of developing the Land
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sqm”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“Wharf”	The Wharf (Holdings) Limited (stock code: 00004), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Wharf Group”	Wharf together with its subsidiaries
“Zhejiang Lujiu”	Zhejiang Lujiu Real Estate Co., Ltd.* (浙江綠九置業有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company which is held by the Group and the Wharf Group as to 50% and 50%, respectively

By order of the Board
Greentown China Holdings Limited
Fung Ching, Simon
Company Secretary

Hangzhou, the PRC
11 October 2016

As at the date of this announcement, the Board comprises seven executive directors, namely Mr Song Weiping, Mr Liu Wensheng, Mr Sun Guoqiang, Mr Shou Bainian, Mr Cao Zhounan, Mr Li Qingan, and Mr Li Yongqian, and four independent non-executive directors, namely Mr Jia Shenghua, Mr Ke Huanzhang, Mr Sze Tsai Ping, Michael and Mr Hui Wan Fai.

* *For identification purposes only*