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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 20 June 2019, the Private Parties and Zhenping Water Conservancy 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 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 6 May 2019 in relation to the Tender for the PPP Project. Pursuant to the Tender, the Private Parties and the government will establish the JV Company to develop the PPP Project.

On 20 June 2019, the Private Parties and Zhenping Water Conservancy 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**

20 June 2019

### **Parties**

- (1) Broad Greenstate Ecological Construction Group Company Limited\* (博大綠澤生態建設集團有限公司), an indirect wholly-owned subsidiary of the Company
- (2) Zhongbo Construction Engineering Group Co., Ltd\* (中博建設工程集團有限公司), an indirect non-wholly-owned subsidiary of the Company
- (3) Shanghai Zhuchen Business Management Consulting Center (LLP)\* (上海祝琛企業管理諮詢中心(有限合夥)), an indirectly-owned subsidiary of the Company
- (4) Heilongjiang Province Hualong Construction Co., Ltd.\* (黑龍江省華龍建設有限公司), an independent third party
- (5) Zhenping County Water Conservancy Construction Investment Co., Ltd.\* (鎮平縣水利建設投資有限公司), an independent third party

### **Proposed name of the JV Company**

Pursuant to the JV Agreement, the proposed name of the JV Company shall be Zhenping County Broad Greenstate Ecological Development Co., Ltd.\* (鎮平縣博大綠澤生態發展有限公司).

### **Subject matter**

Pursuant to the JV Agreement, the Private Parties and Zhenping Water Conservancy shall establish the JV Company for the investment, financing, construction, operation, maintenance and transfer of hydraulic engineering and ecological landscaping projects. The JV Company shall have an operation period commencing from the date of obtaining the business licence by the JV Company and ending on the expiry of the cooperation period.

## Registered capital

The JV Company shall have a registered capital of RMB111,296,600, which shall be contributed by the parties in cash as follows:

<b>Equity Holder Names</b>	<b>Amount (RMB)</b>	<b>Proportion (%)</b>
Zhenping Water Conservancy	11,129,660.00	10
Broad Greenstate Ecological	27,824,150.00	25
Zhongbo Construction	556,483.00	0.5
Shanghai Zhuchen	71,675,010.40	64.4
Heilongjiang Hualong	<u>111,296.60</u>	<u>0.1</u>
Total	<u><u>111,296,600.00</u></u>	<u><u>100</u></u>

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 Zhenping County government.

## Board composition

The board of directors of the JV Company (the "**JV Board**") shall be comprised of five directors, of which two directors shall be appointed by Zhenping Water Conservancy, the other three directors shall be appointed by the Private Parties, and two-thirds of the directors (including at least one director from the Zhenping Water Conservancy and one director from the Private Parties) shall constitute the quorum of the JV Board. The chairman of the JV Board shall be nominated by the Private Parties and elected by the JV Board. Decisions of the JV Board shall be resolved by more than half of the directors of the JV Board, save for certain reserved matters (including but not limited to approval of the decrease or increase in the registered capital; mergers, split-up or dissolution; connected transactions with shareholders of the JV Company; engagement or dismissal of accounting firms; payment and use of funds in the joint account of the JV Company and etc.) which shall be resolved by over four-fifths of the directors of the JV Board.

## **Supervisory committee composition**

The supervisory committee of the JV Company shall be comprised of three members, of which one shall be recommended by Zhenping Water Conservancy, one shall be recommended by the Private Parties and one shall be the representative of the employees and elected by employees representative meeting or similar circumstance. The chairman of the supervisory committee of the JV Company shall be recommended by Zhenping Water Conservancy.

## **Management**

The senior management of the JV Company shall consist of a general manager nominated by the Private Parties and appointed by the JV Board, two deputy general managers (one of which shall be appointed by Zhenping Water Conservancy) and a chief financial officer. The general manager shall be responsible for the execution of all matters resolved in the JV Board and organization and management of daily operations of the JV Company and shall report to the JV Board.

## **Profit distribution**

The profit distribution plan in respect of the JV Company shall be approved by the shareholders meeting of the JV Company. Pursuant to the JV Agreement, Zhenping Water Conservancy is not entitled to any profit distribution.

## **INFORMATION OF THE PPP PROJECT**

The PPP Project is for the construction of comprehensive treatment of ecological environment of Jiuqu River of Zhenping County (鎮平縣九曲河生態環境綜合治理工程) with an amount of investment of approximately RMB553.3 million. The PPP Project has a cooperation period of 20 years (including 2 years of construction and 18 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 ecological environmental construction 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 operation, municipal work construction and civil engineering projects.

### **Zhongbo Construction**

Zhongbo Construction is a company incorporated under the laws of the PRC and an indirect non-wholly-owned subsidiary of the Company. Zhongbo Construction is principally engaged in EPC projects including (i) architectural engineering, contracting of mechanical and electrical installation engineering, contracting of renovation and decoration project, (ii) municipal public utilities construction, (iii) steel structure engineering, contracting of building foundation construction, design and construction of curtain wall engineering, (iv) mine engineering, (v) railway engineering, (vi) design, production and installation of aluminum alloy windows and plastic windows, and (vii) sales of decoration and building materials.

### **Shanghai Zhuchen**

Shanghai Zhuchen is a limited partnership established under the laws of the PRC and an indirectly-owned subsidiary of the Company. Shanghai Zhuchen is principally engaged in project investment and financing, business management consultation and marketing planning.

### **Heilongjiang Hualong**

Heilongjiang Hualong is a company incorporated under the laws of the PRC and an independent third party independent of the Company and its connected persons (as defined under the Listing Rules). Heilongjiang Hualong is principally engaged in the construction of highways, bridges, tunnels, airports, hydraulic, municipal and property engineering.

### **Zhenping Water Conservancy**

Zhenping Water Conservancy is an agency of the Zhenping County people's government\* (鎮平縣人民政府), 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, Zhenping Water Conservancy is an independent third party independent of the Company and its connected persons (as defined in the Listing Rules).

## LISTING RULES IMPLICATIONS

As one 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 and the transactions contemplated thereunder 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 Director is required to 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), a company 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
“Heilongjiang Hualong”	Heilongjiang Province Hualong Construction Co., Ltd.* (黑龍江省華龍建設有限公司), a company incorporated under the laws of the PRC and an independent third party independent of the Company and its connected persons (as defined under the Listing Rules)

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Agreement”	the agreement entered into between the Private Parties and Zhenping Water Conservancy on 20 June 2019 for the establishment of the JV Company
“JV Company”	the joint venture company to be established by the Private Parties and Zhenping Water Conservancy 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 comprehensive treatment of ecological environment of Jiuqu River of Zhenping County (鎮平縣九曲河生態環境綜合治理工程)
“Private Parties”	Broad Greenstate Ecological, Zhongbo Construction, Shanghai Zhuchen and Heilongjiang Hualong
“Shanghai Zhuchen”	Shanghai Zhuchen Business Management Consulting Center (LLP)* (上海祝琛企業管理諮詢中心(有限合夥)), a limited partnership established under the laws of the PRC, and an indirectly-owned 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
“Tender”	the successful bid of the Public-Private-Partnership project on 20 March 2019 for the construction of comprehensive treatment of ecological environment of Jiuqu River of Zhenping County (鎮平縣九曲河生態環境綜合治理工程)

“Zhenping Water  
Conservancy”

Zhenping County Water Conservancy Construction Investment Co., Ltd.\* (鎮平縣水利建設投資有限公司), an agency of the Zhenping County people’s government\* (鎮平縣人民政府) responsible for the government’s investment in the PPP Project

“Zhongbo Construction”

Zhongbo Construction Engineering Group Co., Ltd.\* (中博建設工程集團有限公司), a company incorporated under the laws of the PRC and an indirect non-wholly-owned subsidiary of the Company, which is owned as to 85% by the Group and 15% by independent third parties

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

20 June 2019

\* *for identification purposes only*

*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.*