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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 10 January 2017 in relation to the continuing connected transactions between Greentown Property Management (a wholly-owned subsidiary of the Company) and Lansong Supply Chain (a non-wholly owned subsidiary and also a connected subsidiary of the Company) under the Sales Framework Agreement.

References are also made to the announcements of the Company dated 6 November 2017 and 13 August 2018, respectively, in relation to, among other things, the continuing connected transactions between Lansong Supply Chain and Bluetown Agricultural Technology under the Supply of Goods Agreement, as supplemented by the Supplemental Supply of Goods Agreement.

NEW SALES FRAMEWORK AGREEMENT

The term of the Sales Framework Agreement will expire on 31 December 2019. Accordingly, Greentown Property Management entered into the New Sales Framework Agreement with Lansong Supply Chain to renew the Sales Framework Agreement for a term of three years commencing from 1 January 2020 and ending on 31 December 2022, pursuant to which Lansong Supply Chain agreed to supply various agricultural goods and products, including but not limited to fresh products and foods to Greentown Property Management and/or its subsidiaries.

NEW SUPPLY OF GOODS FRAMEWORK AGREEMENT

The term of the Supply of Goods Agreement will expire on 31 December 2019. Accordingly, Lansong Supply Chain entered into the New Supply of Goods Framework Agreement with Bluetown Agricultural Technology to renew the Supply of Goods Agreement for a term of three years commencing from 1 January 2020 and ending on 31 December 2022, pursuant to which Lansong Supply Chain agreed to supply various types of agricultural goods and products, including but not limited to fresh products and food to Bluetown Agricultural Technology and/or its subsidiaries.

LISTING RULES IMPLICATIONS

1. New Sales Framework Agreement

As at the date of this announcement, Lansong Supply Chain is held as to 51% and 49% by Greentown Property Community Service and Bluetown Agricultural Technology, 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 36.57% of the total issued share capital of the Company. Mr. Song Weiping is also the spouse of Ms. Xia Yibo, a non-executive Director. Thus, Mr. Song Weiping is a connected person of the Company and Lansong Supply Chain is therefore a connected subsidiary of the Company and hence a connected person (as defined in Chapter 14A of the Listing Rules) of the Company. Accordingly, the transactions contemplated under the New Sales Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

2. New Supply of Goods Framework Agreement

For the reasons as disclosed above, Bluetown Agricultural Technology is 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 New Supply of Goods 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) (other than the profits ratio) in respect of each of the Proposed Annual Caps under the New Sales Framework Agreement and the New Supply of Goods Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the New Sales Framework Agreement and the New Supply of Goods Framework Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review and announcement requirements, but are exempted from the independent Shareholders' approval requirement under Rule 14A.76(2) of Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 10 January 2017 in relation to the continuing connected transactions between Greentown Property Management and Lansong Supply Chain under the Sales Framework Agreement.

References are also made to the announcements of the Company dated 6 November 2017 and 13 August 2018, respectively, in relation to, among other things, the continuing connected transactions between Lansong Supply Chain and Bluetown Agricultural Technology under the Supply of Goods Agreement, as supplemented by the Supplemental Supply of Goods Agreement.

NEW SALES FRAMEWORK AGREEMENT

On 10 January 2017, Greentown Property Management (a wholly-owned subsidiary of the Company) entered into the Sales Framework Agreement with Lansong Supply Chain (a non-wholly owned subsidiary and a connected subsidiary of the Company), pursuant to which Lansong Supply Chain agreed to supply various agricultural goods and products, including but not limited to fresh products and foods, to Greentown Property Management and/or its subsidiaries or branch companies.

The term of the Sales Framework Agreement will expire on 31 December 2019. Accordingly, Greentown Property Management entered into the New Sales Framework Agreement with Lansong Supply Chain to renew the Sales Framework Agreement for a term of three years commencing from 1 January 2020 and ending on 31 December 2022.

The principal terms of the New Sales Framework Agreement are as follows:

Date

31 December 2019

Parties

- (a) Greentown Property Management, a wholly-owned subsidiary of the Company; and
- (b) Lansong Supply Chain, a non-wholly owned subsidiary of the Company which Mr. Song Weiping, a connected person of the Company at the issuer level, is indirectly interested in 49% of its equity interests and thus a connected subsidiary of the Company.

Term

The New Sales Framework Agreement is for a term of three years commencing from 1 January 2020 and ending on 31 December 2022.

Nature of transaction

Pursuant to the New Sales Framework Agreement, Lansong Supply Chain agreed to supply various agricultural goods and products, including but not limited to fresh products and foods to Greentown Property Management and/or its subsidiaries.

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 New Sales Framework Agreement shall be determined principally by arm's length commercial negotiations, based on the prevailing market prices and in accordance with 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 under the New Sales Framework Agreement. The price 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 will not be less favourable to the Group than those available from Independent Third Parties in similar transactions.

Historical Transaction Amounts

For each of the three financial years ending 31 December 2019, the actual or estimated consideration paid or payable by the Group to Lansong Supply Chain in respect of the continuing connected transactions under the Sales Framework Agreement were as follows:

	2017	2018	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
			<i>(Note 1)</i>
Actual or estimated consideration paid or payable by the Group to Lansong Supply Chain	30,034,551	30,161,832	35,851,005

Note:

1. Being the estimated amount of the consideration payable by the Group to Lansong Supply Chain under the Sales Framework Agreement for the financial year ending 31 December 2019 based on the unaudited management accounts of the Company for the year ending 31 December 2019.

Proposed Annual Caps

The table below sets out the Proposed Annual Caps for the transactions contemplated under the New Sales Framework Agreement for each of the three years ending 31 December 2022.

	Annual Caps <i>(RMB)</i>
For the year ending 31 December 2020	46,130,000
For the year ending 31 December 2021	54,772,000
For the year ending 31 December 2022	65,033,000

In arriving at the Proposed Annual Caps for the transactions contemplated under the New Sales Framework Agreement, the Directors have considered the followings:

- (i) the historical transaction amounts under the Sales Framework Agreement and the compound growth rate of such transaction amounts; and
- (ii) the estimated inflation rate and the estimated increase in the prices for the goods to be supplied under the New Sales Framework Agreement.

In view of the above factors, the Directors (including the independent non-executive Directors) are of the view that the Proposed Annual Caps under the New Sales Framework Agreement are fair and reasonable.

Reasons For and Benefits of the Transactions

Lansong Supply Chain is principally engaging in the sales of primary agricultural products, pre-packaged food products 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. Entering into the New Sales Framework Agreement will allow the Group to secure a reliable and long-term supplier with an efficient distribution network for developing the community living services of the Group, thus providing customers with high quality services and experience.

The Directors (including the independent non-executive Directors) consider that the continuing connected transactions contemplated under the New Sales Framework Agreement are in the ordinary and usual course of business of the Group, and consider that the terms of the New Sales Framework Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board has resolved and approved the New Sales Framework Agreement and the transactions contemplated thereunder. As Mr. Song Weiping, who has material interest in the New Sales Framework Agreement, is the spouse of Ms. Xia Yibo, Ms. Xia Yibo has abstained from voting on the Board resolutions to approve the New Sales Framework Agreement.

Save as disclosed above, none of the Directors has any material interest in the transactions contemplated under the New Sales Framework Agreement or is required to abstain from voting on the relevant Board resolutions to approve the New Sales Framework Agreement.

NEW SUPPLY OF GOODS FRAMEWORK AGREEMENT

On 6 November 2017, Lansong Supply Chain (a non-wholly owned subsidiary of the Company) entered into the Supply of Goods Agreement with Bluetown Agricultural Technology, pursuant to which Lansong Supply Chain agreed to supply various types of agricultural goods and products, including but not limited to fresh products and food, to Bluetown Agricultural Technology.

On 13 August 2018, Lansong Supply Chain and Bluetown Agricultural Technology entered into the Supplemental Supply of Goods Agreement for the revision of the existing annual caps in respect of the continuing connected transactions under the Supply of Goods Agreement.

The term of the Supply of Goods Agreement will expire on 31 December 2019. Accordingly, Lansong Supply Chain entered into the New Supply of Goods Framework Agreement with Bluetown Agricultural Technology to renew the Supply of Goods Agreement for a term of three years commencing from 1 January 2020 and ending on 31 December 2022.

The principal terms of the New Supply of Goods Framework Agreement are as follows:

Date

31 December 2019

Parties

- (a) Lansong Supply Chain, a non-wholly owned subsidiary of the Company; and
- (b) Bluetown Agricultural Technology, a company wholly owned by Mr. Song Weiping and thus a connected person of the Company.

Term

The New Supply of Goods Framework Agreement is for a term of three years commencing from 1 January 2020 and ending on 31 December 2022.

Nature of Transaction

Pursuant to the terms of the New Supply of Goods Framework Agreement, Lansong Supply Chain agreed to supply various types of agricultural goods and products, including but not limited to fresh products and food to Bluetown Agricultural Technology and/or its subsidiaries.

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 New Supply of Goods Framework Agreement shall be determined principally by arm's length commercial negotiations, based on the prevailing market prices and in accordance with 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; (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 Bluetown Agricultural Technology and/or its subsidiaries under the New Supply of Goods Framework Agreement; and (iii) the price of the same or comparable type of various agricultural goods and products sold to Independent Third Parties by Lansong Supply Chain in its ordinary and usual course of business. The price 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 Bluetown Agricultural Technology and/or its subsidiaries will not be less favourable to the Group than those available to Independent Third Parties in similar transactions.

Historical Transaction Amounts

For each of the three financial years ending 31 December 2019, the actual or estimated consideration received or to be received by the Group from Bluetown Agricultural Technology and/or its subsidiaries in respect of the continuing connected transactions under the Supply of Goods Agreement, as supplemented by the Supplemental Supply of Goods Agreement, were as follows:

	2017 <i>RMB</i>	2018 <i>RMB</i>	2019 <i>RMB</i>
Actual or estimated consideration received or to be received by the Group from Bluetown Agricultural Technology and/or its subsidiaries	12,711,829	29,927,780	22,818,414

Note:

1. Being the estimated amount of the consideration to be received by the Group from Bluetown Agricultural Technology and/or its subsidiaries under the Supply of Goods Agreement, as supplemented by the Supplemental Supply of Goods Agreement for the financial year ending 31 December 2019 based on the unaudited management accounts of the Company for the year ending 31 December 2019.

Proposed Annual Caps

The table below sets out the Proposed Annual Caps for the transactions contemplated under the New Supply of Goods Framework Agreement for each of the three years ending 31 December 2022.

	Annual Caps <i>(RMB)</i>
For the year ending 31 December 2020	26,242,000
For the year ending 31 December 2021	30,178,000
For the year ending 31 December 2022	34,704,000

In arriving at the Proposed Annual Caps for the transactions contemplated under the New Supply of Goods Framework Agreement, the Directors have considered the followings:

- (i) the historical transaction amounts under the Supply of Goods Agreement, as supplemented by the Supplemental Supply of Goods Agreement, reference being primarily made to the transaction amount for 2019, as it was considered that the transaction amount for 2018 may not be an appropriate reference for determining the Proposed Annual Caps as the same was relatively higher due to the additional procurement needs of Bluetown Agricultural Technology in light of certain specific projects with demand for the agricultural goods and products being significantly higher than the other projects, and such projects may or may not be available in future;
- (ii) the expected demand of Bluetown Agricultural Technology for the various types of agricultural goods and products in relation to its different projects; and
- (iii) the estimated inflation rate and the estimated annual increase in the labour cost and other operational costs.

In view of the above factors, the Directors (including the independent non-executive Directors) are of the view that the Proposed Annual Caps under the New Supply of Goods Framework Agreement are fair and reasonable.

Reasons For and Benefits of the Transactions

Bluetown Agricultural Technology is principally engaged in the development of agricultural science and technology. It has a stable and broad range of client base, which enables it to procure a large variety of agricultural products and goods. Thus, the New Supply of Goods Framework Agreement provides Lansong Supply Chain a long term and stable source of revenue and sales channel. In view of the commercial and strategic importance, the New Supply of Goods Framework Agreement is a good opportunity for Lansong Supply Chain to broaden its customer base and is in line with the Company's long term growth strategy.

The Directors (including the independent non-executive Directors) consider that the continuing connected transactions contemplated under the New Supply of Goods Framework Agreement are in the ordinary and usual course of business of the Group, and consider that

the terms of the New Supply of Goods Framework Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board has resolved and approved the New Supply of Goods Framework Agreement and the transactions contemplated thereunder. As Mr. Song Weiping, who has material interest in the New Supply of Goods Framework Agreement, is the spouse of Ms. Xia Yibo, Ms. Xia Yibo has abstained from voting on the Board resolutions to approve the New Supply of Goods Framework Agreement.

Save as disclosed above, none of the Directors has any material interest in the transactions contemplated under the New Supply of Goods Framework Agreement or is required to abstain from voting on the relevant Board resolutions to approve the New Supply of Goods Framework Agreement.

INTERNAL CONTROL POLICY

In order to ensure that the terms of the New Sales Framework Agreement and/or the New Supply of Goods Framework Agreement are not less favourable than those available to or from Independent Third Parties, the Company has adopted the following measures:

- (1) 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 or paid for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy;
- (2) the Company's external auditors will conduct an annual review on the pricing and the annual caps of the continuing connected transactions;
- (3) 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 New Sales Framework Agreement and/or the New Supply of Goods Framework Agreement;
- (4) the Company's compliance department will conduct a regular review every three months of the continuing connected transactions for the Company so as to monitor the actual transaction amounts as compared to the corresponding annual caps;
- (5) 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
- (6) the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

GENERAL INFORMATION

The Group is a leading high-end residential property service provider in the PRC with a diversified service portfolio comprising various services, including property services, consulting services and community living services.

Greentown Property Management is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in the provision of property services, consulting services and community living services.

Lansong Supply Chain is a company established in the PRC with limited liability and is a non-wholly owned subsidiary of the Company which Mr. Song Wei Ping, a controlling Shareholder, is indirectly interested in 49% of its equity interests and thus a connected subsidiary of the Company. It is principally engaged in the sales of primary agricultural products, pre-packaged food products and supply chain management.

Bluetown Agricultural Technology is a company established in the PRC with limited liability and is indirectly wholly-owned by Mr. Song Weiping, a controlling Shareholder and, thus, a connected person of the Company. It is principally engaged in the development of agricultural science and technology.

LISTING RULES IMPLICATIONS

1. The New Sales Framework Agreement

As at the date of this announcement, Lansong Supply Chain is held as to 51% and 49% by Greentown Property Community Service and Bluetown Agricultural Technology, 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 36.57% of the total issued share capital of the Company. Mr. Song Weiping is also the spouse of Ms. Xia Yibo, a non-executive Director. Thus, Mr. Song Weiping is a connected person of the Company and Lansong Supply Chain is therefore a connected subsidiary of the Company and hence a connected person (as defined in Chapter 14A of the Listing Rules) of the Company. Accordingly, the transactions contemplated under the New Sales Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

2. The New Supply of Goods Framework Agreement

For the reasons as disclosed above, Bluetown Agricultural Technology is 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 New Supply of Goods 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) (other than the profits ratio) in respect of each of the Proposed Annual Caps under the New Sales Framework Agreement and the New Supply of Goods Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the New Sales Framework Agreement and the New Supply of Goods Framework Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review and announcement requirements, but are exempted from the independent Shareholders' approval requirement under Rule 14A.76(2) of Chapter 14A of the Listing Rules.

DEFINITIONS

Unless the context requires otherwise, capitalized terms used in this announcement shall have the meanings as follow:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bluetown Agricultural Technology”	Bluetown Agricultural Technology Company Limited (藍城農業科技有限公司), a company established in the PRC with limited liability and is a connected person of the Company
“Board”	the board of Directors of the Company
“Company”	Greentown Services Group Company Limited (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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected subsidiary”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company

“Greentown Property 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), a company established in the PRC with limited liability and a 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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person or persons, or entity or entities who/which is/are not a connected person(s) of the Company under the Listing Rules
“Lansong Supply Chain”	Zhejiang Lansong Supply Chain Management Company Limited (浙江藍頌供應鏈管理有限公司), a company established in the PRC with limited liability, a non-wholly owned subsidiary and a connected subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Sales Framework Agreement”	the sales framework agreement dated 31 December 2019 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
“New Supply of Goods Framework Agreement”	the supply of goods framework agreement dated 31 December 2019 entered into between Lansong Supply Chain and Bluetown Agricultural Technology in relation to the supply of goods by Lansong Supply Chain to Bluetown Agricultural Technology and/or its subsidiaries
“PRC”	the People’s Republic of China
“Proposed Annual Caps”	the proposed annual caps for the transactions contemplated under each of the New Sales Framework Agreement and the New Supply of Goods Framework Agreement (whichever applicable) for the three years ending 31 December 2022
“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
“Shareholder(s)”	the shareholder(s) of the Company
“Supplemental Supply of Goods Agreement”	the supplemental supply of goods agreement entered into between Lansong Supply Chain and Bluetown Agricultural Technology on 13 August 2018 in relation to the Supply of Goods Agreement
“Supply of Goods Agreement”	the supply of goods agreement entered into between Lansong Supply Chain and Bluetown Agricultural Technology on 6 November 2017 in relation to supply of goods and products by Lansong Supply Chain to Bluetown Agricultural Technology
“%”	per cent

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

Hangzhou, the PRC
31 December 2019

As at the date of this announcement, the executive Directors are Ms. LI Hairong (Chairman), 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. LI Feng, Mr. POON Chiu Kwok and Mr. WONG Ka Yi.