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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 31 December 2019 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.

NEW SALES FRAMEWORK AGREEMENT

The term of the Sales Framework Agreement will expire on 31 December 2022. 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 2023 and ending on 31 December 2025, pursuant to which Lansong Supply Chain agreed to supply various agricultural goods and products, including but not limited to fresh agricultural products and foods, to Greentown Property Management and/or its subsidiaries.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Lansong Supply Chain is held as to 35.19% by Greentown Living Group, a subsidiary of the Company. Lansong Supply Chain is accounted for and consolidated in the audited accounts of the Company as a subsidiary.

Lansong Supply Chain is also held as to approximately 33.78% by Bluetown Agricultural Technology, which 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 of the Company which holds approximately 31.49% 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.

In light of the above, Lansong Supply Chain is 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 of 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 the Proposed Annual Caps is more than 0.1% but less than 5%, the transactions contemplated under the New Sales Framework Agreement constitute continuing connected transactions of 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 the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 31 December 2019 in relation to the continuing connected transactions between Greentown Property Management and Lansong Supply Chain under the Sales Framework Agreement.

NEW SALES FRAMEWORK AGREEMENT

On 31 December 2019, 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 agricultural 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 2022. 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 2023 and ending on 31 December 2025.

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

Date

29 December 2022

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 approximately 33.78% 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 2023 and ending on 31 December 2025.

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 the following:

- (i) the wholesale prices or retail prices of relevant products published from time to time on third-party pricing websites (including the "Zhejiang Grain and Oil Trading Website" and "Hangzhou Vegetable Basket Website");
- (ii) the average retail prices of related products sold in the China Resources Vanguard Supermarket, Century Lianhua Supermarket and Yonghui Supermarket in Hangzhou region; and

(iii) 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 payment of 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 than those available from Independent Third Parties in similar transactions.

Historical Transaction Amounts

For each of the three financial years ending 31 December 2022, 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:

	2020	2021	2022
	<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	10,392,564	4,637,951	15,000,000

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 2022 based on the unaudited management accounts of the Company for the eleven months ended 30 November 2022 (actual consideration paid by the Group to Lansong Supply Chain is RMB13,469,925).

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 2025.

	Annual Caps
	<i>(RMB)</i>
For the year ending 31 December 2023	24,150,000
For the year ending 31 December 2024	27,800,000
For the year ending 31 December 2025	32,000,000

In arriving at the Proposed Annual Caps, the Directors have considered the following:

- (i) the historical transaction amounts under the Sales Framework Agreement. In particular, emphasis was placed on referencing the transaction amounts for the year ending 31 December 2022 due to the following reasons:
 - (a) in the second half of 2022, Greentown Property Management and its subsidiaries commenced operations of staff canteen services as part of our property management services and engaged Lansong Supply Chain for the provision of food ingredients under the Sales Framework Agreement. It is expected that Greentown Property Management will continue to adopt such model of business cooperation with Lansong Supply Chain, thus rendering the transaction amounts in the year ending 31 December 2022 a premise for our potential cooperation and transaction amounts under the New Sales Framework Agreement in future;
 - (b) the mode of business cooperation between Greentown Property Management and Lansong Supply Chain was commission-based and conducted by means of standalone purchase orders of small sum transaction amounts during the years ended 31 December 2020 and 2021. Given the change in mode of business cooperation as detailed above, such transaction amounts were not a reflective indicator of the intentions of the parties under the New Sales Framework Agreement;
- (ii) the expected demand for the goods and products provided by Lansong Supply Chain under the New Sales Framework Agreement determined based on the projects currently operated and expected to be operated by the Group;
- (iii) the forecasted business growth between the Group and Lansong Supply Chain during the term of the New Sales Framework Agreement;
- (iv) the prevailing market price of agricultural goods and products, taking into account the rate of inflation; and
- (v) potential fluctuation in prices of the goods and products 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 are fair and reasonable.

Reasons For and Benefits of the Transactions

Lansong Supply Chain principally engages in the sales of primary agricultural products, pre-packaged food products and supply chain management in the PRC. Lansong Supply Chain has a wide product base, large amount of resources, provides high quality goods and products, and possesses an optimised production and processing system, with a well-developed distribution network for the distribution of its goods and products in the PRC. As such, the entering into of the New Sales Framework Agreement will allow the Group to secure a reliable and long-term supplier with an efficient distribution network, and ensures

the provision of quality goods and products for developing the business of the Group, which supports the Group's goal in providing customers with high quality goods, 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, a non-executive Director. Thus, 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.

INTERNAL CONTROL POLICY

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

- (1) before entering into any specific agreement or conducting any transaction contemplated under an agreement for continuing connected transactions, the internal control unit of the Group comprising personnel from various business departments and functional departments would review the proposed terms thereof to ensure consistency with those of the New Sales Framework Agreement and compliance with the applicable pricing policies, and approve the same as appropriate;
- (2) the internal control unit will monitor the volume of the individual connected transactions before entering into any new transaction by confirming whether there are still sufficient unused annual caps for carrying out additional transaction under the New Sales Framework Agreement;
- (3) the relevant personnel of the business department of the Company will conduct regular checks to review and assess whether the transactions contemplated are conducted in accordance with the terms of the New Sales Framework Agreement, 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;
- (4) the internal control unit will closely monitor the continuing connected transactions in accordance with the procedures set forth in the Company's internal control manual on continuing connected transactions, and conduct regular review every three months so as to monitor the actual aggregate transaction amounts as compared to the Proposed Annual Caps;

- (5) the Company's external auditors will conduct an annual review on the pricing and the annual caps of the continuing connected transactions;
- (6) 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
- (7) the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

GENERAL INFORMATION

The Group

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, community living services and technology services.

Greentown Property Management

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

Lansong Supply Chain is a company established in the PRC with limited liability and principally engages in the sales of primary agricultural products, pre-packaged food products and supply chain management. Lansong Supply Chain is held as to 35.19% by Greentown Living Group (a subsidiary of the Company), 33.78% by Bluetown Agriculture Technology (which is wholly-owned by Bluetown China Holdings Limited, which is in turn wholly-owned by Delta House Limited and in turn wholly-owned by Mr. Song Weiping) and 31.03% by Ningbo Chenfeng Agricultural (which is held as to 60%, 30% and 10% by Hua Longqing, Shen Guowei and Lu Feng, all of whom are Independent Third Parties). It is therefore a non-wholly owned subsidiary of the Company and a connected subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Lansong Supply Chain is held as to 35.19% by Greentown Living Group, a subsidiary of the Company. Lansong Supply Chain is accounted for and consolidated in the audited accounts of the Company as a subsidiary.

Lansong Supply Chain is also held as to approximately 33.78% by Bluetown Agricultural Technology, which 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 of the Company which holds

approximately 31.49% 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.

In light of the above, Lansong Supply Chain is 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 of 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 the Proposed Annual Caps is more than 0.1% but less than 5%, the transactions contemplated under the New Sales Framework Agreement constitute continuing connected transactions of 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, capitalised 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 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(s)”	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 Living Group”	Zhejiang Greentown Living Service Group Co.Ltd (浙江綠城生活服務集團有限公司), 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 29 December 2022 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
“PRC”	the People’s Republic of China
“Proposed Annual Caps”	the proposed annual caps for the transactions contemplated under the New Sales Framework Agreement for the three years ending 31 December 2025
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Shareholder(s)”	the shareholder(s) of the Company
“%”	per cent

By Order of the Board
Greentown Service Group Co. Ltd.
Yang Zhangfa
Chairman

Hangzhou, the PRC
29 December 2022

As at the date of this announcement, the executive Directors are Mr. YANG Zhangfa (Chairman), Ms. JIN Keli, Mr. WU Zhihua and Mr. CHEN Hao; the non-executive Directors are Mr. SHOU Bainian, Ms. XIA Yibo, Ms. LI Hairong and ZENG Yiming; and the independent non-executive Directors are Mr. POON Chiu Kwok, Mr. WONG Ka Yi, Mr. LI Feng, and Ms. WU Aiping.