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GREENLAND HONG KONG HOLDINGS LIMITED

綠地香港控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 337)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTION HOTEL MANAGEMENT FRAMEWORK AGREEMENT

The Board is pleased to announce that on 31 May 2018, the Company entered into the Hotel Management Framework Agreement with the Hotel Manager, pursuant to which the Hotel Manager Group will provide to the Hotels pre-opening consultancy services, hotel management and operation services, reservation system service and a license for the use of its brand names.

As at the date of this announcement, Greenland Holdings indirectly holds approximately 59.1% of the entire issued ordinary share capital of the Company. The Hotel Manager is a wholly-owned subsidiary of Greenland Holdings. Accordingly, the Hotel Manager is an associate of Greenland Holdings and a connected person of the Company. Hence, the entering into the Hotel Management Framework Agreement constitutes a continuing connected transaction for the Company under the Listing Rules. As the highest applicable percentage ratio for the Company in respect of the Annual Cap under the Transaction is more than 0.1% but less than 5%, the Transaction is subject to the reporting, annual review and announcement requirements but is exempt from the independent shareholders' approval requirements under the Listing Rules.

As the Hotel Management Framework Agreement has a 17-year term, pursuant to Rule 14A.52 of the Listing Rules, the Company has obtained the Independent Financial Adviser's opinion confirming that it is normal business practice for the Hotel Management Framework Agreement to be of such duration.

PRINCIPAL TERMS OF THE HOTEL MANAGEMENT FRAMEWORK AGREEMENT

The principal terms of the Hotel Management Framework Agreement are summarised as follows:

Date

31 May 2018

Parties

- (i) the Company, for itself and on behalf of its subsidiaries
- (ii) the Hotel Manager, (a wholly-owned subsidiary of Greenland Holdings), for and on behalf of the Hotel Manager Group

Term

Initial term of 17 years commencing from 31 May 2018 to 30 May 2035. The Hotel Management Framework Agreement shall automatically renew on the same terms and conditions for a further 10 years on expiration of the Initial Term, unless either party has given written notice to the other of its intention not to renew at least 90 days before the expiry of the Initial Term.

Services

The Hotel Manager Group will provide the following services to the Hotels: (a) Pre-opening consultancy services; (b) hotel management and operation services; (c) reservation system service; and (d) license to use the brand names of the Hotel Manager Group.

The Company will enter into separate hotel management and cooperation agreements with the Hotel Manager Group for each Hotel, which shall set out the specific scope of services and terms and conditions of providing such services according to the terms of the Hotel Management Framework Agreement.

Fees

The fees under the Hotel Management Framework Agreement comprise:

- (a) Pre-opening consultancy fee: a fixed amount by reference to the duration of consultancy service and the number of rooms of the Hotels;
- (b) Hotel management fee: a base management fee (which is a fixed percentage of the gross operating revenue of the Hotels) and an incentive fee (which is a fixed percentage of the gross operating profit of the Hotels);
- (c) Sales fee: a fixed percentage of total rooms revenue of the Hotels;
- (d) Reservation system fee:
 - (i) a fixed percentage of Hotel room sales reserved through the Hotel Manager Group's reservation system;
 - (ii) a fixed percentage of spending in the Hotels by members of the G-Care membership club of the Hotel Manager Group; and
- (e) Brand names license fee: a fixed percentage of gross operating revenue of the Hotels.

Expected maximum annual aggregate amount of the fees

Based on the terms of the Hotel Management Framework Agreement and the expected occupancy of the Hotels, possible inflation, reasonable increase in occupancy and reasonable allowance for unexpected increase in occupancy and/or room rate of the Hotels, the Board expects that the Annual Cap of the Fees for each of the financial years ending 31 December 2035 shall be RMB100 million (approximately HK\$122.5 million).

The terms of the Hotel Management Framework Agreement were arrived at after arms' length negotiations between the Company and the Hotel Manager with reference to market prices and fee quotes from independent third parties obtained by the Company. If the maximum annual amount of the Fees in any financial year exceeds the Annual Cap, the Company will re-comply with the requirements under the Listing Rules.

CONTRACT OF A DURATION LONGER THAN 3 YEARS AND INDEPENDENT FINANCIAL ADVISER'S OPINION ON THE TERM OF THE HOTEL MANAGEMENT FRAMEWORK AGREEMENT

As the duration term of the Hotel Management Framework Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed Octal Capital Limited (the "**Independent Financial Adviser**") as its independent financial adviser and the opinion of the Independent Financial Adviser on the term of the Hotel Management Framework Agreement is as follows:

In arriving at its opinion as to the reasons that the term of the Hotel Management Framework Agreement exceeds three years, the Independent Financial Adviser has considered that:

- (i) the Hotel Manager is one of the leading hotel management service providers in the PRC, managing more than 110 hotels in eight countries of the world and operating a membership club called G-Care which has more than 900,000 members in the world;
- (ii) the Hotel Manager has won awards and accreditations including "2017 China's Top 10 Hotel Group" awarded by China Hotel Association and "14th Golden-Pillow Award of China's Hotel" awarded by 21st Century Business Herald and Business Travel in 2017; and
- (iii) the opening schedule of the Hotels is ranging from late 2018 to 2025 and the operation period for each of the Hotels under the management and brand names of the Hotel Manager Group is expected to be at least 10 years in order to maintain the operational consistency for the Hotels and to minimise the risks and costs associated with the frequent switch of hotel managers.

In considering whether it is normal business practice for the above arrangements, the Independent Financial Adviser has taken, identified and reviewed 14 comparable transactions (the “**Comparable Transactions**”) of other listed companies in the Stock Exchange in the past 10 years which were all related to hotel management services, and the Independent Financial Adviser considered that 10 years would be a sufficient period to gather enough comparable transactions to justify the fairness of the terms of the Hotel Management Framework Agreement. Amongst the Comparable Transactions, the Independent Financial Adviser noted that the duration of all Comparable Transactions range from 3 to 30 years, in which 10 of the Comparable Transactions having duration equal or exceed ten years, representing approximately 71.4% of the Comparable Transactions. According to the opening schedule of the Hotels, in which (i) one of the Hotels located in Hainan will be opened in late 2018; (ii) one of the Hotels located in Shanghai will be opened in 2020; (iii) one of the Hotels located in Hainan will be opened in 2022; (iv) one of the Hotels located in Kunming will be opened in 2023; (v) one of the Hotels located in Wuxi will be opened in 2024; and (vi) one of the Hotels located in Kunming will be opened in 2025. As the Directors consider that the minimum operation period of each of the Hotels under the management and brand names of the Hotel Manager Group is expected to be ten years in order to maintain the operational consistency for the Hotels and to minimise the risks and costs associated with the frequent switch of hotel managers, where substantial capital outlay and extensive time period may be required to properly set up and customize hotels in accordance with the specific branding strategies and operation requirements of each new hotel manager, the entering into the Hotel Management Framework Agreement covering the period from 2018 to 2035 will allow each of the Hotels to be managed by the Hotel Manager for at least ten years.

Having considered that (i) the duration of the majority of the Comparable Transactions equals or exceeds ten years; (ii) the duration of the Hotel Management Framework Agreement falls within the range of the duration of the Comparable Transactions; and (iii) the sufficient period of the management and brand names provided by the Hotel Manager Group can maintain the operational consistency of the Hotels and to minimise the risks and costs associated with the frequent switch of hotel managers, the Independent Financial Adviser is of the view that the entering into of the Hotel Management Framework Agreement for a period exceeding three years is a normal commercial term for a transaction of this nature and it is normal business practice for contracts of this type to be of such duration.

REASONS FOR AND BENEFITS OF ENTERING INTO THE HOTEL MANAGEMENT FRAMEWORK AGREEMENT

The Hotel Manager Group has extensive experience in the hotel industry with established brand name and expertise in the development, management and operation of hotel projects. Moreover, pursuant to the Hotel Management Framework Agreement, the Hotel Manager Group has agreed to grant a licence to the Company for the use of its brand names for operating the Hotels. The Directors believe that the Hotel Management Framework Agreement allows the Group to successfully leverage the experience and expertise and brand names of the Hotel Manager Group in the hotel industry sector and will benefit the operations of the Hotels and the future growth of the Group. Accordingly, it is in the interests of the Company to enter into the Hotel Management Framework Agreement with the Hotel Manager.

The Board (excluding Mr. Chen Jun and Mr. Wu Zhengkui, who abstained from voting at the meeting of the Board due to conflict of interest) takes the view that the entering into of the Hotel Management Framework Agreement is in the ordinary and usual course of business of the Group and considers that the terms of the Hotel Management Framework Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

GENERAL INFORMATION

The Company is an investment holding company. The Group is principally engaged in property development, property and hotel investment and property management.

Greenland Holding is principally engaged in real estate, energy and finance business.

The Hotel Manager is principally engaged in the business of hotel management and operation, hotel marketing and other related services.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Greenland Holdings indirectly holds approximately 59.1% of the entire issued ordinary share capital of the Company. The Hotel Manager is a wholly-owned subsidiary of Greenland Holdings. Accordingly, the Hotel Manager is an associate of Greenland Holdings and a connected person of the Company. Hence, the entering into the Hotel Management Framework Agreement constitutes a continuing connected transaction for the Company under the Listing Rules. As the highest applicable percentage ratio for the Company in respect of the Annual Cap under the Transaction is more than 0.1% but less than 5%, the Transaction is subject to the reporting, annual review and announcement requirements but is exempt from the independent shareholders' approval requirements under the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

“Annual Cap”	the maximum amount of the Fees per annum
“associate”, “connected person(s)” and “subsidiary(ies)”	have the meanings ascribed to them under the Listing Rules
“Board”	the board of Directors
“Company”	Greenland Hong Kong Holdings Limited (綠地香港控股有限公司), a company incorporated with limited liability in the Cayman Islands and the Shares of which are listed on the Main Board of the Stock Exchange

“Directors”	the directors of the Company
“Fees”	the aggregate fees payable by the Group to the Hotel Manager Group under the Hotel Management Framework Agreement
“Greenland Group”	Greenland Holdings and its subsidiaries (for the purpose of this announcement, excluding the Group)
“Greenland Holdings”	Greenland Holdings Corporation Limited (綠地控股集團股份有限公司), a company established under the laws of the PRC and listed on the Shanghai Stock Exchange, and the controlling shareholder of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotel Manager”	上海綠地酒店投資發展有限公司 (Shanghai Greenland Hotel Investment and Development Co., Ltd.), a company established in the PRC with limited liability and a wholly-owned subsidiary of Greenland Holdings
“Hotel Manager Group”	the Hotel Manager, its holding company and subsidiaries of such holding company
“Hotel Management Framework Agreement”	the hotel management and strategic cooperation framework agreement dated 31 May 2018 entered into between the Company and the Hotel Manager in respect of the provision of the services mentioned in this announcement to the Hotels by the Hotel Manager Group
“Hotels”	such hotel projects of the Company as may be specified by the Company from time to time to be managed by the Hotel Manager Group under the Hotel Management Framework Agreement
“Initial Term”	the initial term of the Hotel Management Framework Agreement, being 17 years commencing from 31 May 2018 to 30 May 2035
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of HK\$0.50 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transaction contemplated under the Hotel Management Framework Agreement
“%”	per cent.

For the purposes of this announcement, the exchange rate HK\$1 = RMB0.81605 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes only and does not constitute representations that any amount in RMB or HK\$ has been, could have been or may be converted at such rate.

By order of the Board
Greenland Hong Kong Holdings Limited
Chen Jun
Chairman

Hong Kong, 31 May 2018

As at the date of this announcement, the executive directors of the Company are Mr. Chen Jun, Mr. Wang Weixian, Mr. Hou Guangjun, Mr. Wu Zhengkui and Ms. Wang Xuling; and the independent non-executive directors of the Company are Mr. Cheong Ying Chew, Henry, Mr. Fong Wo, Felix, JP, and Mr. Kwan Kai Cheong.

* *For identification purposes only*