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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: 3900)

Connected Transaction

The Group has entered into an agreement on 5 January 2007 to acquire a 35% equity interest held by Xinshidai Properties in Xingye Wanfa, a subsidiary of the Company, for a consideration of Rmb17,500,000. As Xinshidai Properties is a substantial shareholder of Xingye Wanfa, the Acquisition constitutes a connected transaction of the Company. Pursuant to the Listing Rules, the Acquisition is subject to reporting and announcement requirements as set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements.

The Directors (including the Independent Non-executive Directors) are of the view that both the price and the terms of the Acquisition are fair and reasonable to the Company and its shareholders. The Acquisition was entered into on normal commercial terms, which is in line with the long-term development strategies of the Company and is in the interests of the Company and its shareholders as a whole.

Background

The Group is one of the leading residential property developers in the PRC and is primarily engaged in developing quality residential properties targeting middle to higher income residents in the PRC. Xingye Wangfa is a subsidiary of the Company and is engaged in the development of residential properties in Beijing of the PRC. The Company owned a 65% equity interest in Xingye Wanfa through its wholly owned subsidiary Beijing Greentown Investment. The remaining 35% equity interest in Xingye Wanfa was owned by Xinshidai Properties, which is a company carrying on various lines of businesses including property development, property management, property lease and agency as well as sale of construction materials. As Xinshidai Properties is a substantial shareholder of Xingye Wanfa, it is a connected person of the Group. The Acquisition constitutes a connected transaction of the Group.

Xingye Wanfa was incorporated on 26 October 2001 in Beijing, China and initially owned by independent third parties. Xinshidai Properties acquired a 35% equity interest in Xingye Wanfa from independent third parties in March 2004 for a total consideration of Rmb7,000,000 representing 35% of the total registered share capital of Xingye Wanfa. In April 2004, Beijing Greentown Investment acquired a 65% equity interest in Xingye Wanfa from an independent third party for a total consideration of Rmb13,000,000 representing 65% of the total registered share capital of Xingye Wanfa. In November 2005, the total registered share capital of Xingye Wanfa was increased from Rmb20,000,000 to Rmb50,000,000 with Beijing Greentown Investment and Xinshidai Properties each making further capital contribution in proportion to its respective shareholding. Xingye Wanfa is carrying on property development at Qinglongqiao Cun, Haidianxiang, Haidian District, Beijing. The project developed by Xingye Wanfa consists of four phases. Phases I and II are under development and Phases III and IV are held for future development. Phases I and II have an estimated total GFA of approximately 108,725 square meters, which will primarily consist of low-rise apartment buildings. Construction of the first phase of the project commenced from October 2005. Pre-sale of the project has not yet commenced as of the date of this announcement.

Equity Transfer Agreement

The Equity Transfer Agreement was approved by the Company at its Board meeting held on 5 January 2007 and entered into by Beijing Greentown Investment and Xinshidai Properties on the same day.

Date: 5 January 2007
Vendor: Xinshidai Properties
Purchaser: Beijing Greentown Investment
Interest to be acquired: The Equity Interest representing 35% of the registered capital of Xingye Wanfa
Consideration: Consideration for the Acquisition is Rmb17,500,000, which was determined with reference to original purchase cost of Xinshidai Properties in purchasing its 35% equity interest in Xingye Wanfa. It was entered into on normal commercial terms and based on arm's-length negotiations between the two parties. The consideration will be paid in cash within 30 days after the execution of the Equity Transfer Agreement.

Financial information of Xingye Wanfa

The following sets out certain unaudited financial information of Xingye Wangfa prepared in accordance with relevant accounting principles and financial regulations applicable to the companies established in the PRC:

	As at 30 June 2006 (Rmb)	
Total assets	880,664,718.76	
Total liabilities	838,509,102.86	
Net assets	42,155,615.90	
	For the year ended 31 December 2005	For the half year ended 30 June 2006
Revenue	—	—
Net profit/loss (both before and after tax)	(6,795,624.55)	(1,048,759.55)

As Xingye Wanfa is still at developing stage and pre-sale of property has not commenced, there has been no revenue or profit generated from the principal business of Xingye Wanfa.

* For identification purpose only

Reasons for the Acquisition

The Company has made an internal analysis of the project developed by Xingye Wanfa and concluded that it is a project with good prospect. After the Acquisition, the Directors expect that the future business performance of the Group will benefit from the increase of equity interest in Xingye Wanfa. In addition, after the Acquisition, Xingye Wanfa will become a wholly owned subsidiary of the Company. The operation and business model of Xingye Wanfa will then more strictly follow the operating philosophy and management style of the Group, which, in the view of the Directors, will facilitate greater operational efficiency of Xingye Wanfa.

Connected Transaction under the Listing Rules

The Acquisition constitutes as a connected transaction of the Company under the Listing Rules. As the total consideration of this transaction is more than HK\$1,000,000 and one of applicable percentage ratios (namely the assets ratio) of this transaction calculated in accordance with Rule 14.07 of the Listing Rules is greater than 0.1% but less than 2.5% and all other applicable percentage ratios are less than 2.5%, the Acquisition is only subject to reporting and announcement requirements as set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements.

The Directors (including the Independent Non-executive Directors) are of the view that both the price and the terms of the Acquisition are fair and reasonable to the Company and its shareholders. The Acquisition was entered into on normal commercial terms, which is in line with the long-term development strategies of the Company and is in the interests of the Company and its shareholders as a whole.

Definitions:

In this announcement, the following expressions have the meanings set out below unless otherwise indicated in the context:

“Acquisition”	the acquisition of the 35% Equity Interest in Xingye Wanfa by Beijing Greentown Investment;
“Beijing Greentown Investment”	Beijing Greentown Investment Company Limited (北京綠城投資有限公司), a wholly owned subsidiary of the Company;
“Board”	the board of Directors;
“China” or “PRC”	The People’s Republic of China;
“Company”	Greentown China Holdings Limited;
“Director(s)”	director(s) of the Company;
“Equity Interest”	the 35% equity interest in Xingye Wanfa held by Xinshidai Properties;
“GFA”	gross floor area;
“Group”	the Company and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Independent Non-executive Director(s)”	the independent non-executive director(s) of the Company;
“Rmb”	the lawful currency of China;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Equity Transfer Agreement”	Agreement entered into between Beijing Greentown Investment and Xinshidai Properties for the transfer of the Equity Interest dated 5 January 2007;
“Xingye Wanfa”	Beijing Xingye Wanfa Real Estate Development Company Limited (北京興業萬發房地產開發有限公司), a subsidiary of the Company; and
“Xinshidai Properties”	Xinshidai Properties Company Limited (新時代置業有限公司), a substantial shareholder of Xingye Wanfa.

By order of the Board
Greentown China Holdings Limited
Song Weiping
Chairman

Hangzhou, the PRC, 5 January 2007

As at the date of this announcement, Mr. Song Weiping, Mr. Shou Bainian, Mr. Chen Shunhua and Mr. Guo Jiafeng are the executive Directors of the Company; Mr. Tsui Yiu Wa, Alec, Mr. Jia Shenghua, Mr. Jiang Wei, Mr. Sze Tsai Ping, Michael and Mr. Tang Shiding are the Independent Non-executive Directors of the Company.

“Please also refer to the published version of this announcement in The Standard”.