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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

- On 25 September 2006, Greentown Real Estate, a wholly-owned subsidiary of the Company entered into the Transfer Agreement with ZZG, pursuant to which Greentown Real Estate agreed to acquire 51% of the equity interests in HQLG from ZZG for a consideration of Rmb18,360,000, to be funded from its internal resources. The consideration for the Acquisition was arrived at on normal commercial terms and at arm's length after negotiations between the two parties. Upon completion of the Acquisition, HQLG will become a subsidiary of the Group.
- The Original Shareholders indirectly hold an aggregate of 70.81% in the Company's share capital and an aggregate of 100% in the share capital of Greentown Holdings Group, which in turn holds 49% in the share capital of ZZG. Therefore, ZZG is a connected person of the Company and the Acquisition constitutes a connected transaction for the Company under the Listing Rules.
- Since the highest of all applicable percentage ratios of the Acquisition as calculated in accordance with Rule 14.07 of the Listing Rules is above 0.1% but below 2.5%, the Acquisition is only subject to the 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.

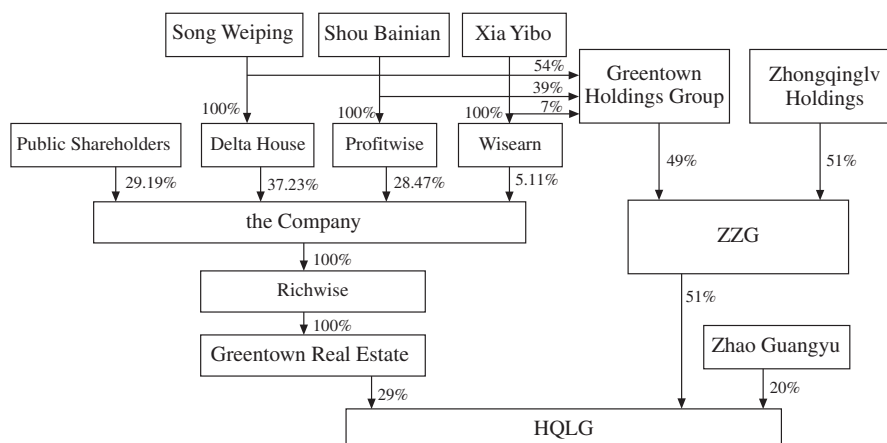
BACKGROUND

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. Greentown Real Estate is a wholly-owned subsidiary of the Company and primarily engaged in the development of residential properties.

ZZG was established in China as a limited liability company and is owned as to 49% and 51% by Greentown Holdings Group and Zhongqinglv Holdings respectively. Zhongqinglv Holdings is a joint-stock limited company established in China which is an independent third party not connected to the Company. ZZG is primarily engaged in a number of real estate projects which are not included in the business of the Company. Details of these projects have been disclosed in the prospectus dated 30 June 2006 for the initial public offering of the Company.

* For identification purpose only

The relationships among the Company, Greentown Real Estate and ZZG are as follows:



ZZG is a connected person of the Company under the Listing Rules and the transaction as contemplated by the Transfer Agreement constitutes a connected transaction for the Company.

TRANSFER AGREEMENT

The Transfer Agreement was approved by the Company at its Board meeting held on 25 September 2006 and entered into by Greentown Real Estate and ZZG on the same day.

Date : 25 September 2006

Parties : Vendor : ZZG
Purchaser : Greentown Real Estate

Interest to be acquired : equity interests representing 51% of the registered capital of HQLG

Consideration for the transfer : Consideration for the Acquisition is Rmb18,360,000, which was arrived at on normal commercial terms and at arm's length after negotiations between the two parties. The consideration will be paid in cash by Greentown Real Estate to ZZG on completion, which is five days after the signing of the Transfer Agreement.

INFORMATION ON HQLG

HQLG was established in China as a limited liability company under the Company Law of the People's Republic of China on 15 June 2005 with a registered capital of Rmb30,000,000. It is owned as to 51% by ZZG, as to 29% by Greentown Real Estate and as to 20% by an independent third party. HQLG currently owns Bishui Qingfeng (碧水清風) (tentatively named) Project (the "Project").

Bishui Qingfeng Project is located at Qiandaohu County, Chunan District, Qiandaohu, Zhejiang Province with a site area of 132,000 square meters and an estimated total GFA of approximately 235,000 square meters. It is planned to be developed into high-end properties including high-rise residential buildings and other relevant facilities. The Project is expected to be completed in 2010 and the State-owned Land Use Rights Certificate has been obtained.

FINANCIAL INFORMATION OF HQLG

The following sets out certain audited financial information of HQLG for the year ended 31 December 2005 prepared in accordance with relevant accounting principles and financial regulations applicable to the companies established in the PRC:

| | As at |
|--|------------------------------|
| | 31 December 2005 |
| | <i>(Rmb)</i> |
| Total assets | 278,183,033.66 |
| Total liabilities | 254,824,826.67 |
| Net assets | 23,358,206.99 |
| | From incorporation to |
| | 31 December 2005 |
| Revenue from principal business (Note) | 0 |
| Net loss (Note) | 6,641,793.01 |

Note: Since Bishui Qingfeng Project is currently under planning, there has been no revenue or profits generated from the principal business of HQLG.

REASONS FOR THE ACQUISITION, PRICING FACTORS AND IMPACT ON THE COMPANY

The Board is of the view that the Acquisition will increase the land bank attributable to the Company. Further, since HQLG has its own management team in place, there is no need to appoint new project management team as would be required in the case of the acquisition of new projects. By completion of the Acquisition, HQLG will become a subsidiary of the Group, which will facilitate the efficient operation in accordance with the management requirements of the Group, thus ensuring the quality of the developed projects and the efficiency of operational management. Also, the revenue from Bishui Qingfeng Project can be consolidated into the Company's financial statements, which is expected to increase the future revenue of the Group, bringing more rewards for the shareholders.

ZZG acquired the Equity Interest for a consideration of Rmb15,300,000 when HQLG was established in 2005. After negotiations between Greentown Real Estate and ZZG, the consideration for the Equity Interest is Rmb18,360,000. Such consideration has been arrived at arm's length, with reference to the following factors:

- the original consideration paid by ZZG for the Equity Interest, which is Rmb15,300,000;
- the net asset value of HQLG, which was Rmb29,921,000 as at 31 July 2006, according to the unaudited management accounts of HQLG. The net asset value attributable to the Equity Interest was Rmb15,260,000 accordingly;
- the value added to the project resulted from the progress of the project, including but not limited to HQLG's obtaining the land use right certificate for the project by the end of April 2006, and the notable progress in the planning and preparation of the Project.

Given that the Acquisition will increase the land bank attributable to the Group, improve the efficiency of project management, increase the future revenue of the Company, and the price and the terms of the Acquisition are fair and reasonable and will have no significant impact on the cashflow of the Group, the Board is of the view that the Acquisition is in the interest of the Company and its shareholders as a whole.

CONNECTED TRANSACTION UNDER THE LISTING RULES

The Acquisition constitutes a connected transaction for the Company under the Listing Rules. Since all applicable percentage ratios of this transaction as calculated in accordance with Rule 14.07 of the Listing Rules are below 2.5%, the Acquisition is only subject to the 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 Independent Non-executive Directors) are of the opinion 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:

| | |
|----------------------------|---|
| “Acquisition” | the acquisition of the Equity Interest in HQLG by the Company; |
| “China” or “PRC” | The People's Republic of China; |
| “Company” | Greentown China Holdings Limited; |
| “Delta House” | Delta House Limited, an international company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Song Weiping; |
| “Director(s)” | director(s) of the Company; |
| “Equity Interest” | the 51% equity interest in HQLG held by ZZG; |
| “Greentown Holdings Group” | 綠城控股集團有限公司 (Greentown Holdings Group Limited), a wholly foreign-owned enterprise (外商獨資企業) incorporated in the PRC, which is owned by the Original Shareholders; |
| “Greentown Real Estate” | 綠城房地產集團有限公司 (Greentown Real Estate Group Co., Ltd.), a wholly foreign-owned enterprise (外商獨資企業) incorporated in the PRC, which is a wholly-owned subsidiary of the Company; |
| “Group” | the Company and its subsidiaries; |

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|---|--|
| “HQLG” | 杭州千島湖綠城投資置業有限公司 (Hangzhou Qiandao Lake Greentown Investment & Property Co., Ltd.), a company incorporated in the PRC with limited liability; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Independent Non-executive Director(s)” | independent non-executive director(s) of the Company; |
| “Original Shareholders” | Song Weiping, Shou Bainian and Xia Yibo; |
| “Profitwise” | Profitwise Limited, a British Virgin Islands international company with limited liability and wholly owned by Shou Bainian; |
| “Richwise” | Richwise Limited, a international company with limited liability incorporated in the British Virgin Islands, which is wholly owned by the Company; |
| “Rmb” or “Renminbi” | the lawful currency of China; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Transfer Agreement” | Agreement entered into by Greentown Real Estate and ZZG for the transfer of the Equity Interest dated 25 September 2006; |
| “Wisearn” | Wisearn Limited, a international company with limited liability incorporated in the British Virgin Islands, which is wholly owned by Xia Yibo; |
| “ZZG” | 浙江中青旅綠城投資置業有限公司 (Zhejiang Zhongqinglv Greentown Real Estate Investment Company Limited), a company incorporated in the PRC with limited liability; |
| “Zhongqinglv Holdings” | 中青旅控股股份有限公司 (Zhongqinglv Holdings Co., Ltd.), a joint-stock limited company incorporated in the PRC; |

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

Hangzhou, the PRC, 26 September 2006

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.”