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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 4 August 2008, the Vendors, Greentown Real Estate (a wholly-owned subsidiary of the Company) as purchaser and HZGD as seller's guarantor entered into the Transfer Agreement. Pursuant to the Transfer Agreement, Greentown Real Estate agreed to acquire 100% of the equity interests in ZJHD from the Vendors for an aggregate consideration of RMB6,460,295.69 which is to be funded from its internal resources. HZGD agreed to act as the guarantor of the Vendors and undertake to indemnify Greentown Real Estate for all the losses and damages it may suffer arising out of or in connection with the non-performance of the any of the Vendors' obligations under the Transfer Agreement.

The consideration for the Acquisition was arrived at on normal commercial terms and at arm's length after negotiations between the Vendors and Greentown Real Estate. Upon completion of the Acquisition, ZJHD will become a wholly owned subsidiary of the Group.

The Vendors comprise Mr. Ying, Ms. Song and Ms. Xia. Under the Listing Rules, Ms. Song and Ms. Xia are connected persons of the Company. Therefore, the acquisition of the respective equity interests of Ms. Song and Ms. Xia in ZJHD by Greentown Real Estate 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.

Ms. Song is the sister of Mr. Song Weiping, the Chairman and director of the Company, and Ms. Xia is the aunt of Ms. Xia Yibo, the spouse of Mr. Song Weiping.

Mr. Song Weiping and his spouse, Ms. Xia Yibo, are the substantial shareholders of the Company. As at the date of this announcement, they totally hold 36.49% of the equity interest in the Company. Greentown Real Estate is a wholly-owned subsidiary of the Company.

Ms. Song and Ms. Xia are connected persons of the Company under the Listing Rules. Therefore, the acquisition of the respective equity interests of Ms. Song and Ms. Xia in ZJHD by Greentown Real Estate constitutes a connected transaction for the Company under the Listing Rules. There were no prior transactions between the Company and each of Mr. Ying, Ms. Song and Ms. Xia which would require to be aggregated pursuant to Rule 14A.25 and/or Rule 14.22 of the Listing Rules.

TRANSFER AGREEMENT

The Transfer Agreement was approved by the Company at its Board meeting held on 4 August 2008 and entered into by Greentown Real Estate and the Vendors on the same day.

Date	:	4 August 2008
Vendors	:	(1) Mr. Ying (2) Ms. Song (3) Ms. Xia
Purchaser	:	Greentown Real Estate
Interest to be acquired	:	100% equity interests of ZJHD
Consideration	:	The aggregate consideration of the Acquisition payable by Greentown Real Estate pursuant to the Transfer Agreement is RMB6,460,295.69 which is to be funded from its internal resources. Greentown Real Estate shall be responsible for payment of the profit tax which may be imposed by the relevant PRC government authorities in connection with the transfer of the equity interest in ZJHD on each of the Vendors. As such, it is agreed that the after tax consideration payable by Greentown Real Estate to each of the Vendors upon completion of the Acquisition will be as follows: (1) RMB4,669,867.86 to Mr. Ying; (2) RMB1,061,545.03 to Ms. Song; and (3) RMB636,823.66 to Ms. Xia
Completion of the Acquisition	:	6 August 2008

HZGD'S GUARANTEE

As a party to the Transfer Agreement, HZGD agreed to act as the guarantor of the Vendors and undertake to indemnify Greentown Real Estate for all the losses and damages it may suffer arising out of or in connection with the non-performance of the any of the Vendors' obligations under the Transfer Agreement. HZGD is an independent third party not connected to the Group.

CONDITIONS PRECEDENT

Completion of the Acquisition is conditional upon fulfilment of the following:

- (i) the completion of the Acquisition will not take place unless all of the 100% equity interests in ZJHD is transferred to Greentown Real Estate;
- (ii) the warranties provided by the Vendors under the Transfer Agreement were true, accurate and not misleading as at the date of the Transfer Agreement and will remain so as if repeated up to and immediately prior to the completion of the Acquisition; and
- (iii) there are no proceedings, orders or actions taken out or issued by any PRC government agencies or third parties where such proceedings, orders or actions will materially restrict or prohibit the Acquisition.

Except for condition (ii) as set out above which can be waived by Greentown Real Estate, neither the Vendors nor Greentown Real Estate could waive any other conditions.

INFORMATION ON ZJHD

ZJHD was established in China as a limited liability company under the Company Law of The People's Republic of China on 15 September 1993 with a registered capital of RMB6,000,000. It is owned as to 73.33% by Mr. Ying, as to 16.67% by Ms. Song and as to 10% by Ms. Xia while the respective original purchase cost of each of Mr. Ying, Ms. Song and Ms. Xia were RMB4,400,000, RMB1,000,000 and RMB600,000.

ZJHD is principally engaged in the design and decoration work (both indoors and outdoors), water and electricity installation, construction installation and design of external wall and glass window, landscaping work and its design, installation engineering works and consultation.

FINANCIAL INFORMATION OF ZJHD

The following sets out certain audited financial information of ZJHD for the two financial years ended 31 December 2007 prepared in accordance with the PRC generally accepted accounting policies applicable to the companies established in the PRC:

	As at 31 December 2006 (RMB)	As at 31 December 2007 (RMB)
Total assets	53,209,852.36	50,538,886.21
Total liabilities	44,978,465.21	41,161,676.36
Net assets	8,231,387.15	9,377,209.85
	From 1 January 2006 to 31 December 2006	From 1 January 2007 to 31 December 2007
Revenue from principal business	50,605,991.72	71,444,278.28
Net profit before tax	1,281,746.36	1,750,448.95
Net profit after tax	860,926.87	1,172,800.80

REASONS FOR AND BENEFITS OF THE ACQUISITION

The participation in the business relating to building design and decoration works is in line with the Group's strategic development policy. The Acquisition would enable the Group to strengthen its market share within the industry by leveraging on building design, installation and decoration works for property developments in the PRC. The Directors believe that the Acquisition would create synergy to the Group, thus ensuring the quality of the development and increasing the competitive edge of the Group. In addition, ZJHD has proven track record and possesses technical capabilities and expertise in building design and decoration works and has completed various building design and decoration works in the PRC.

The consideration for the Acquisition was arrived at on normal commercial terms and at arm's length after negotiations between the Vendors and Greentown Real Estate. Upon completion of the Acquisition, ZJHD will become a wholly owned subsidiary of the Group and its financial information will be consolidated into the financial statements of the Company.

The Directors consider that the terms of the Transfer Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

The completion of the Acquisition will not have any material changes to the assets and liabilities of the Company.

IMPLICATIONS UNDER THE LISTING RULES

The acquisition of the respective equity interests of Ms. Song and Ms. Xia in ZJHD by Greentown Real Estate constitutes a connected transaction for the Company under the Listing Rules. Since all applicable percentage ratios of the Acquisition 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 the Independent Non-executive Directors) are of the opinion that both the consideration 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 100% equity interests in ZJHD by Greentown Real Estate from the Vendors;
“China” or “PRC”	The People’s Republic of China;
“Company”	Greentown China Holdings Limited;
“Director(s)”	director(s) of the Company;
“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;
“HZGD”	杭州綠城裝飾工程有限公司 (Hangzhou Greentown Decoration Engineering Co. Ltd.) , which was incorporated in the PRC on 28 January 2000. It is owned as to 50% by 杭州昊天投資管理有限公司 (Hangzhou Haotian Investment Management Co. Ltd.) (an independent third party) and as to 50% by Ms. Xia;
“Independent Non-executive Directors”	independent non-executive directors of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Ying”	應波 (Ying Bao), an independent third party not connected to the Group. Mr. Ying currently holds 73.33% of the equity interest in ZJHD;
“Ms. Song”	宋淑萍 (Song Shuping). Ms. Song currently holds 16.67% of the equity interest in ZJHD;

“Ms. Xia”	夏珏映 (Xia Jueying). Ms. Xia currently holds 10% of the equity interest in ZJHD;
“RMB” or “Renminbi”	the lawful currency of China;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transfer Agreement”	the Agreement dated 4 August 2008 entered into between the Vendors, Greentown Real Estate and HZGD in relation to the Acquisition;
“Vendors”	Mr. Ying, Ms. Song and Ms. Xia; and
“ZJHD”	Zhejiang Huaneng Decoration Engineering Co. Ltd. (浙江華能裝飾工程有限公司), a company incorporated on 15 September 1993 in the PRC with limited liability.

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

Hangzhou, the PRC, 4 August 2008

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.