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**远洋地产**

**遠洋地產控股有限公司**

**Sino-Ocean Land Holdings Limited**

(incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)

(Stock Code: 3377)

**DISCLOSEABLE TRANSACTION**  
**Acquisition of Qingdao Yizhong Real Estate**

The Board announces the Group has entered into the Master Acquisition Agreement with the Vendors on 26 October 2007 for the acquisition of 100% interest of Qingdao Yizhong Real Estate, a real estate development company based in Qingdao, the PRC.

The Acquisition constitutes a discloseable transaction of the Company under the Listing Rules. A Circular containing, among others, details of the Acquisition will be dispatched to Shareholders as soon as practicable.

**1. THE MASTER ACQUISITION AGREEMENT**

Yuankun and Tianlin, both indirect wholly owned subsidiaries of the Company incorporated in the PRC, entered into the Master Acquisition Agreement with the Vendors on 26 October 2007 to acquire the entire equity interest in Qingdao Yizhong Real Estate. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, the Vendors and the ultimate beneficial owner of the Vendors are all third parties independent of the Company and connected persons of the Company.

**(a) The Acquisition**

Pursuant to the Master Acquisition Agreement:

- (1) Tianlin will acquire the 46.26% ownership interest in Qingdao Yizhong Real Estate held by Xingri; and

- (2) Yuankun will acquire the remaining 53.74% ownership interest in Qingdao Yizhong Real Estate held by the Individual Shareholders.

Upon completion of the Acquisition, Qingdao Yizhong Real Estate will become a wholly owned subsidiary of the Group.

#### **(b) Consideration and Payment**

The aggregate consideration payable for the Acquisition (namely, 100% of Qingdao Yizhong Real Estate) is RMB2,150 million in cash, with RMB1,155.41 million and RMB994.59 million to be paid by Yuankun and Tianlin, respectively. The aggregate consideration is determined based on the preliminary result of a valuation of Qingdao Yizhong Real Estate's net assets, being primarily properties and land reserves, as at 30 September 2007, which was approximately RMB2,150 million. The valuation was conducted by an independent third party Hong Kong qualified valuer on the basis of comparable market value.

The aggregate consideration is payable in installments: a total of RMB225.90 million will be paid to the Vendors within three business days after Tianlin and Yuankun are registered as the owners of their respective equity interest in Qingdao Yizhong Real Estate; RMB890.09 million will be paid within 15 business days after the completion of the acquisition of 46.26% of Qingdao Yizhong Real Estate, and the balance of the aggregate consideration will be paid within two years after the completion of the Acquisition. The Group's obligation to pay Mr. Pu Qiang, one of the Individual Shareholders with a 10.35% equity interest in Qingdao Yizhong Real Estate, will be deferred and paid in the manner as described in paragraph 2 below. The consideration will be funded from the Group's internal resources.

The Acquisition was negotiated and entered into on an arm's length basis and on normal commercial terms and the consideration has been reached after extensive negotiations between the parties. The Board is of the view that the consideration payable and payment method for the Acquisition and the other terms of the Master Acquisition Agreement are fair and reasonable and the Acquisition is in the best interest of the Company and its Shareholders taken as a whole.

## **2 OPTION AGREEMENT**

Mr. Pu Qiang is a core management member of Qingdao Yizhong Real Estate and one of the Individual Shareholders selling the Group a 10.35% equity interest in Qingdao Yizhong Real Estate. Along with the Master Acquisition Agreement and at the instigation of the Group, the Group also entered into an option agreement ("**Option Agreement**") with Mr. Pu Qiang. Pursuant to the Option Agreement, Mr. Pu Qiang granted a put option to the Group to require Mr. Pu Qiang to purchase from the Group, and the Group granted a call option to Mr. Pu Qiang to require the Group to sell to Mr. Pu Qiang, a 10.35% interest in Qingdao Yizhong Real Estate. Both the put option and call option were granted at no cost. The Group's put option is exercisable for a period of three years commencing from the completion of the Acquisition, and Mr. Pu Qiang's call option

is exercisable for a period of two years commencing from the first anniversary of the completion of the Acquisition. Upon exercise of either of the put option or the call option, the Company's obligation to pay Mr. Pu Qiang in the Acquisition for his 10.35% shareholding, which was deferred until such exercise, will be extinguished. If neither party exercises the put option or call option within three years, the Group will pay Mr. Pu Qiang for the 10.35% equity interest in Qingdao Yizhong Real Estate acquired from him by the Group in the Acquisition. Within a period of three years commencing from the completion of the Acquisition and before either the put option or the call option is exercised, Mr. Pu Qiang is entitled to receive 10.35% of the distributable profits after tax of Qingdao Yizhong Real Estate.

Mr. Pu Qiang has been with Qingdao Yizhong Real Estate for over ten years and has extensive management experience and network in the Qingdao real estate market. Keeping Mr. Pu Qiang in his current position is key to the future development and success of Qingdao Yizhong Real Estate. The Company views the arrangement in the Option Agreement as necessary to incentivise Mr. Pu to stay with the Group after the Acquisition and contribute to the continued development of Qingdao Yizhong Real Estate. The Board is of the view that the terms of the Option Agreement are fair and reasonable.

### **3. OTHER PRINCIPAL TERMS OF THE ACQUISITION**

#### **(a) Conditions Precedent to Completion of the Acquisition**

Completion of the Acquisition is subject to certain conditions including, among others, (i) the obtaining of all necessary corporate approvals by the Vendors and the obtaining of approvals from the relevant governmental and regulatory authorities; (ii) there having been no material discrepancy between the information disclosed by the Vendors and Qingdao Yizhong Real Estate before execution of the Master Acquisition Agreement and that discovered by the Group in the course of its due diligence exercise; and (iii) there having been no material adverse change to the financial condition, business operations or prospects of the Qingdao Yizhong Real Estate.

The Company and the Vendors have agreed that completion shall take place no later than 31 December 2007.

#### **(b) Provision of Loan**

Subject to the completion of the Acquisition, the Company has agreed to provide Qingdao Yizhong Real Estate a shareholder loan of RMB950 million on or before 15 November 2007 to be used as working capital of Qingdao Yizhong Real Estate.

#### **4. INFORMATION ON QINGDAO YIZHONG REAL ESTATE**

##### **(a) Qingdao Yizhong Real Estate**

Qingdao Yizhong Real Estate was incorporated in Qingdao, Shandong Province, the PRC in October 1998 under the name of Yizhong Hainiu (頤中海牛) which was later changed to Yizhong Xingri (頤中星日). With effect from 23 June 2005, Qingdao Yizhong Real Estate adopted its current name. Qingdao Yizhong Real Estate Group's principal business is real estate development and investment in Shandong Province. Qingdao Yizhong Real Estate is primarily engaged in the development of medium to high-end properties in Qingdao city. As of the date of this Announcement, Qingdao Yizhong Real Estate holds investments in 13 companies, with ownership interest ranging from 13.3% to 100%. Among these 13 companies, 10 companies are real estate companies, and the other three companies are engaged in property management, sale of garden trees and provision of landscaping services, respectively.

Qingdao Yizhong Real Estate is one of the leading real estate companies in Shandong Province with a strong customer base and high business profile. "Yizhong Real Estate" is a reputable brand in the Qingdao real estate market. As at 30 September 2007, Qingdao Yizhong Real Estate Group has completed projects with an aggregate GFA of approximately 0.36 million sq.m. and has seven projects at various stages of development. All of the property developments and properties of Qingdao Yizhong Real Estate Group are located in Shandong Province.

The current land reserves of Qingdao Yizhong Real Estate Group have a total planned GFA of approximately 1.18 million sq.m. for which it holds land use rights certificates, has signed the land grant contracts or has successfully tendered.

According to the unaudited consolidated management accounts of Qingdao Yizhong Real Estate prepared in accordance with the PRC GAAP, the net assets of Qingdao Yizhong Real Estate as at 30 September 2007 was RMB39 million, the profits before taxes for the year ended at 31 December 2006 and for the nine months ended at 30 September 2007 were RMB50 million and RMB17 million, respectively, and the net income were RMB113 million and RMB247 million, respectively.

#### **5. REASONS AND BENEFITS FOR THE ACQUISITION**

##### **(a) Expansion into a selected high growth area**

The Board believes the Acquisition represents an important opportunity to pursue our strategy to further expand into other high growth areas across the PRC and to replicate the success it has achieved in Beijing. Qingdao Yizhong Real Estate has been a leading local player with a proven track record in Qingdao and throughout Shandong Province, the key city and province in the Pan-Bohai Rim region, respectively. The Board believes that the Acquisition will significantly enhance our development in this area.

**(b) Optimization of land reserve**

The Group has adopted a disciplined approach to land acquisition and to purchase land at reasonable costs. Qingdao Yizhong Real Estate Group possesses land parcels and development projects at conveniently located sites suitable for residential projects, and prime locations for office and retail projects, and large-scale land parcels suitable for integrated developments. The Board believes that, after completion of the Acquisition, the land reserves of Qingdao Yizhong Real Estate Group will improve and supplement the existing land reserves of the Group and provide the Group with an attractive project development pipeline in Qingdao city and throughout Shandong Province.

**(c) Contribution to the Group's Financial Performance and Optimization of Shareholder Value in the Long Term**

The Acquisition would enhance the Group's financial performance and pave the way for further realizing optimal shareholder value in the long term.

**6. FINANCIAL IMPACT OF THE TRANSACTION**

It is expected that the Acquisition will not have any material adverse impact on the cash flow of the Group.

**7. INFORMATION REGARDING THE COMPANY, TIANLIN, YUANKUN AND THE VENDORS**

**(a) Information regarding the Company**

The Company is a real estate company incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance, whose shares are listed on the Stock Exchange. The Group is one of the largest real estate companies in Beijing, ranking number one in terms of aggregate GFA sold in Beijing over the three years and seven months from 1 January 2004 to 31 July 2007 according to the China Index Academy.

**(b) Information regarding Tianlin**

Tianlin is a wholly owned subsidiary of the Company incorporated in the PRC. Its principal business is real estate development.

**(c) Information regarding Yuankun**

Yuankun is a wholly owned subsidiary of the Company incorporated in the PRC. Its principal business is real estate development.

**(d) Information regarding Xingri**

Xingri is a joint stock company incorporated under the laws of the PRC in May 2000 and owns a 46.26% equity interest in Qingdao Yizhong Real Estate. Xingri's principal business is the processing and supply of auxiliary materials for cigarette manufacturing.

**(e) Information regarding the Individual Shareholders**

The Individual Shareholders are 33 PRC citizens holding a total of 53.74% ownership interests in Qingdao Yizhong Real Estate.

**8. LISTING RULES IMPLICATIONS**

As the relevant percentage ratios involved in the Acquisition under Rule 14.06 of the Listing Rules are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing, among others, details of the Acquisition will be dispatched to the Shareholders as soon as practicable.

**9. DEFINITIONS**

“Acquisition”	the acquisition of the 100% equity interest in Qingdao Yizhong Real Estate by the Company under the Master Acquisition Agreement
“Board”	the board of directors of the Company
“Company”	Sino-Ocean Land Holdings Limited (遠洋地產控股有限公司), a company incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance, whose shares are listed on the Stock Exchange
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Individual Shareholders”	the 33 individuals holding a total of 53.74% ownership interests in Qingdao Yizhong Real Estate
“Listing Rules”	the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange Limited
“Master Acquisition Agreement”	the agreement dated 26 October 2007, entered into between SOLL, Tianlin, Yuankun, Xingri, the Individual Shareholders and Qingdao Yizhong Real Estate in respect of the Acquisition
“PRC”	the People's Republic of China
“PRC GAAP”	the generally accepted accounting principles of the PRC

“Qingdao Yizhong Real Estate ”	青島頤中房地產開發有限公司 (Qingdao Yizhong Real Estate Development Co., Ltd.*), a company incorporated under the laws of the PRC with limited liability
“Qingdao Yizhong Real Estate Group ”	Qingdao Yizhong Real Estate and its subsidiaries
“Shareholder(s)”	the holder(s) of shares of the Company
“SOLL”	遠洋地產有限公司 (Sino-Ocean Land Limited*), a company incorporated under the laws of the PRC with limited liability, a wholly owned subsidiary of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Tianlin”	北京市天麟房地產開發有限公司 (Beijing Tianlin Real Estate Development Co., Ltd.*), a wholly-owned subsidiary of the Company incorporated under the laws of the PRC with limited liability
“Vendors”	Xingri and the Individual Shareholders
“Xingri”	青島頤中星日投資股份有限公司 (Qingdao Yizhong Xingri Investment Company Limited by Shares*), a joint stock company incorporated under the laws of the PRC with limited liability
“Yuankun”	北京遠坤房地產開發有限公司 (Beijing Yuankun Real Estate Development Co., Ltd.*), a wholly-owned subsidiary of the Company incorporated under the laws of the PRC with limited liability

By Order of the Board  
**Sino-Ocean Land Holdings Limited**  
**Luo Dongjiang**  
*Chairman*

Hong Kong, 26 October 2007

*As at the date of this announcement, the Board comprises two Executive Directors, namely, Mr. Li Ming (Chief Executive Officer) and Mr. Chen Runfu; four Non-Executive Directors, namely Mr. Luo Dongjiang (Chairman), Mr. Li Jianhong (Vice-Chairman), Mr. Liang Yanfeng and Mr. Zheng Yi; and four Independent Non-executive Directors, namely, Mr. Tsang Hing Lun, Mr. Gu Yunchang, Mr. Han Xiaojing and Mr. Zhao Kang.*

\* For identification purposes only

*“Please also refer to the published version of this announcement in **South China Morning Post.**”*