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If you have sold or transferred all your shares in Greentown China Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

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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)

DISCLOSEABLE AND CONNECTED TRANSACTIONS

*The Independent Financial Adviser to
the Independent Board Committee and the Shareholders*

Hercules
Hercules Capital Limited

A letter from the Board is set out on pages 8 to 24 of this circular and a letter from the Independent Board Committee is set out on pages 25 to 26 of this circular. A letter from Hercules Capital, the Independent Financial Adviser to the Independent Board Committee and the Shareholders, containing its advice to the Independent Board Committee and the Shareholders in relation to the Connected Transactions is set out on pages 27 to 38 of this circular.

* *For identification purposes only*

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Assignment of the Entrusted Loan”	the assignment of the Entrusted Loan by Greentown Real Estate to Ping An Trust upon satisfaction of certain conditions
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capital Injection”	the capital injection of RMB300,000,000 (equivalent to approximately HK\$342,000,000) by Greentown Real Estate into Zhejiang Baoye Project Company
“Company”	Greentown China Holdings Limited (綠城中國控股有限公司*), a company incorporated in the Cayman Islands on 31 August 2005 with limited liability, the Shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Connected Transactions”	the provision of the Entrusted Loan by Ping An Trust to Zhejiang Baoye Project Company after the Assignment of the Entrusted Loan, the provision of the Security Package to Ping An Trust and the Repurchase
“Directors”	the directors of the Company
“Disposal”	the disposal of 50% direct equity interest in Zhejiang Baoye Project Company by Greentown Real Estate to Ping An Trust pursuant to the Framework Cooperation Agreement which was completed on 13 January 2010
“Entrusted Loan”	the provision of loans in an aggregate amount of RMB1,300,000,000 (equivalent to approximately HK\$1,482,000,000) by Greentown Real Estate through a local bank in Shanghai to Zhejiang Baoye Project Company which has been assigned to Ping An Trust pursuant to the Entrusted Loan Transfer Agreement

DEFINITIONS

“Entrusted Loan Agreements”	the agreements entered into between Greentown Real Estate and a local bank in Shanghai during the period from 30 November 2009 to 4 December 2009 for the provision of the Entrusted Loan through the bank to Zhejiang Baoye Project Company in anticipation of entering into the Framework Cooperation Agreement
“Entrusted Loan Transfer Agreement”	the agreement dated 31 December 2009 entered into between Greentown Real Estate and Ping An Trust for transferring the Entrusted Loan from Greentown Real Estate to Ping An Trust
“Entrusted Loan Transfer Price”	the price paid by Ping An Trust to Greentown Real Estate for the transfer of the Entrusted Loan which is equivalent to the amount of the Entrusted Loan transferred under the Entrusted Loan Transfer Agreement
“Event of Default”	an event or circumstance as specified in the Framework Cooperation Agreement the occurrence of which shall give Ping An Trust the right to demand repayment of the Entrusted Loan together with all interest accrued and the Repurchase immediately
“Extended Expiry Date”	the expiry date of the Entrusted Loan as extended in accordance with the Extension which is fifteen (15) months from the Trust Establishment Date
“Extended Interest Rate”	the interest rate to be applied to the Outstanding Principal if the term of the Entrusted Loan is extended
“Extended Period”	the three (3) months period after the Initial Expiry Date
“Extension”	the extension of the term of the Entrusted Loan by three (3) months by Zhejiang Baoye Project Company with prior written consent of Ping An Trust
“Framework Cooperation Agreement”	the Framework Cooperation Agreement dated 31 December 2009 entered into between Greentown Real Estate and Ping An Trust in respect of the Transactions
“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 which was established in the PRC on 6 January 1995 and is an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“Group”	the Company and its subsidiaries
“Guarantees”	the guarantees given by the Company and Greentown Real Estate on 31 December 2009 in favour of Ping An Trust in respect of the obligations of Greentown Real Estate and Zhejiang Baoye Project Company under the Repurchase Agreement, the Entrusted Loan Agreements, the Supplemental Entrusted Loan Agreement and the Entrusted Loan Transfer Agreement respectively
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all of the independent non-executive Directors to advise the Shareholders in respect of the Connected Transactions
“Independent Financial Adviser” or “Hercules Capital”	Hercules Capital Limited, licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, not connected with any of the directors, chief executive and substantial shareholders of the Company, its subsidiaries and their respective associates, and the independent financial adviser appointed to advise the Independent Board Committee and the Shareholders in relation to the Connected Transactions
“Independent Property Valuer” or “DTZ”	DTZ Debenham Tie Leung Limited, an independent property valuer, which is not connected with any of the directors, chief executive and substantial shareholders of the Company, its subsidiaries and their respective associates
“Initial Expiry Date”	the initial expiry date of the Entrusted Loan which is twelve (12) months from the Trust Establishment Date
“Initial Interest Rate”	the initial interest rate to be applied to the principal amount of the Entrusted Loan if the term is not extended

DEFINITIONS

“Land Mortgage”	the mortgage agreement dated 31 December 2009 entered into between Zhejiang Baoye Project Company and Ping An Trust in respect of Zhejiang Land to secure the obligations of Zhejiang Baoye Project Company under the Entrusted Loan Agreements, the Supplemental Entrusted Loan Agreement and the Entrusted Loan Transfer Agreement together with all obligations of Greentown Real Estate under the Repurchase Agreement
“Latest Practicable Date”	18 January 2010, being the last practicable date before the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Note Holders”	the holders of the US\$400,000,000 9.00% Senior Notes due 2013, 90.3% of these notes was repurchased by the Company in May 2009. Please refer to the announcements of the Company dated 21 April 2009 and 20 May 2009 for further information regarding the repurchases
“Option Holders”	the holders of the share options granted by the Company pursuant to the share option scheme adopted by a resolution of the Shareholders on 22 June 2006
“Outstanding Principal”	the outstanding amount of principal not repaid to Ping An Trust on the Initial Expiry Date
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“Ping An Trust”	平安信託投資有限公司 (China Ping An Trust & Investment Co., Ltd.*), a limited liability company which was established in the PRC in July 1996, and is a subsidiary of Ping An Insurance (Group) Company of China, Ltd., whose securities are listed on the Stock Exchange and the Shanghai Stock Exchange
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Project”	a residential property development project located at Xihu District, Hangzhou City, Zhejiang Province (浙江省杭州市西湖區) with a total site area of approximately 89,534 square metres and a total gross floor area of approximately 287,483 square metres, wholly-owned by Zhejiang Baoye Project Company
“Repaid Principal”	the amount of principal of the Entrusted Loan repaid by Zhejiang Baoye Project Company to Ping An Trust on the Initial Expiry Date
“Repurchase”	the repurchase of the Sale Interest by Greentown Real Estate from Ping An Trust pursuant to the Repurchase Agreement
“Repurchase Agreement”	the agreement dated 31 December 2009 entered into between Greentown Real Estate and Ping An Trust pursuant to which Greentown Real Estate has agreed to repurchase the Sale Interest from Ping An Trust at RMB200,000,000 (equivalent to approximately HK\$228,000,000) in twelve (12) months from the date of completion of the Disposal
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	the 50% direct equity interest in Zhejiang Baoye Project Company held by Greentown Real Estate after the Capital Injection
“Sale Interest Transfer Agreement”	the transfer agreement dated 31 December 2009 entered into between Ping An Trust and Greentown Real Estate in respect of the Disposal
“Security Package”	the security given by Greentown Real Estate and Zhejiang Baoye Project Company in favour of Ping An Trust pursuant to the Framework Cooperation Agreement including the Guarantees, the Share Charge, the Land Mortgage and the Surety Money
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share Charge”	the share charge granted by Greentown Real Estate on 13 January 2010 in favour of Ping An Trust to secure the obligations of Zhejiang Baoye Project Company under the Entrusted Loan Agreements, the Supplemental Entrusted Loan Agreement and the Entrusted Loan Transfer Agreement and the obligations of Greentown Real Estate under the Repurchase Agreement
“Shareholders”	holders of the Shares
“Share(s)”	the ordinary share(s) of HK\$0.1 each of the Company
“Single Capital Trust”	the trust set up by Ping An Trust on behalf of Zhejiang Baoye Project Company on 13 January 2010 pursuant to the Single Capital Trust Agreement
“Single Capital Trust Agreement”	the agreement dated 31 December 2009 entered into between Zhejiang Baoye Project Company and Ping An Trust for the purpose of setting up a trust to deposit the Surety Money
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Entrusted Loan Agreement”	the supplemental agreement dated 31 December 2009 entered into between Zhejiang Baoye Project Company and Ping An Trust in respect of the Entrusted Loan
“Surety Money”	the surety money to be deposited into the Single Capital Trust pursuant to the Single Capital Trust Agreement
“Transactions”	the transactions contemplated under the Framework Cooperation Agreement including the Capital Injection, the Disposal, the Assignment of the Entrusted Loan, the provision of the Security Package and the Repurchase
“Trust”	the trust established by Ping An Trust pursuant to the Framework Cooperation Agreement for the purpose of acquiring the Sale Interest and the Entrusted Loan
“Trust Establishment Date”	13 January 2010, being the date of establishment of the Trust

DEFINITIONS

“Undertakings”	the undertakings given by Greentown Real Estate in favour of Ping An Trust under the Framework Cooperation Agreement
“Zhejiang Baoye Greentown Investment”	浙江報業綠城投資有限公司 (Zhejiang Baoye Greentown Investment Co., Ltd.*), a limited liability company which was established in the PRC on 29 August 2005, and is 50% owned by Greentown Real Estate and 50% owned by Zhejiang Baoye Group
“Zhejiang Baoye Group”	浙江日報報業集團有限公司 (Zhejiang Daily Group Co., Ltd.*) whose name has recently been changed to 浙報傳媒控股集團有限公司 (Zhebao Media Holding Group Co., Ltd.*), a limited liability company which was established in the PRC on 20 August 2002, and an independent third party
“Zhejiang Baoye Project Company”	浙江報業綠城房地產開發有限公司 (Zhejiang Baoye Greentown Real Estate Development Co., Ltd.*), a limited liability company which was established in the PRC on 7 July 2008 and is, as at the date of this circular, 50% controlled by Greentown Real Estate and 50% owned by Ping An Trust
“Zhejiang Entrustment Arrangement”	the agreement dated 18 May 2009 entered into among Zhejiang Baoye Group, Greentown Real Estate and Zhejiang Baoye Greentown Investment pursuant to which Zhejiang Baoye Group and Zhejiang Baoye Greentown Investment have agreed, among other things, to entrust all the rights and obligations attached to the equity interest held by Zhejiang Baoye Greentown Investment in Zhejiang Baoye Project Company to Greentown Real Estate
“Zhejiang Land”	the parcel of land located at Xihu District, Hangzhou City, Zhejiang Province (浙江省杭州市西湖區) with a total site area of approximately 89,534 square metres and a total gross floor area of approximately 287,483 square metres owned by Zhejiang Baoye Project Company

Note: For the purpose of this circular, the exchange rate of RMB1 = HK\$1.14 has been used for currency translation, where applicable. Such an exchange rate is for illustration purposes and does not constitute representation that any amount in RMB or HK\$ has been or may be converted in such rate.

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LETTER FROM THE BOARD



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)

Executive Directors:

Mr Song Weiping (*Chairman*)
Mr Shou Bainian (*Executive Vice-Chairman*)
Mr Luo Zhaoming (*Vice-Chairman*)
Mr Chen Shunhua
Mr Guo Jiafeng

Registered office:

M&C Corporate Services Limited
PO Box 309GT, Uglund House
South Church Street
George Town, Grand Cayman
Cayman Islands

Independent non-executive Directors:

Mr Jia Shenghua
Mr Jiang Wei
Mr Sze Tsai Ping, Michael
Mr Tsui Yiu Wa, Alec
Mr Tang Shiding
Mr Ke Huanzhang

Principle place of business in Hong Kong:

Room 1406-8, 14th Floor
New World Tower 1
16-18 Queen's Road Central
Hong Kong

21 January 2010

To the Shareholders and, for information only, the Note Holders and the Option Holders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

INTRODUCTION

The Board announced that Greentown Real Estate, a wholly-owned subsidiary of the Company, and Ping An Trust entered into the Framework Cooperation Agreement on 31 December 2009.

Pursuant to the Framework Cooperation Agreement, Greentown Real Estate has agreed to, among other things, (i) acquire 75% direct equity interest in Zhejiang Baoye Project Company by way of a capital injection of RMB300,000,000 (equivalent to approximately HK\$342,000,000) into Zhejiang Baoye Project Company; (ii) after the Capital Injection, dispose of its 50% equity interest in Zhejiang Baoye Project Company to Ping An Trust at

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RMB200,000,000 (equivalent to approximately HK\$228,000,000) upon satisfaction of certain conditions; (iii) provide the Entrusted Loan in an aggregate amount of RMB1,300,000,000 (equivalent to approximately HK\$1,482,000,000) to Zhejiang Baoye Project Company through certain banks and assign the Entrusted Loan to Ping An Trust upon satisfaction of certain conditions; (iv) provide and procure provision of the Security Package in favour of Ping An Trust to secure the obligations of Zhejiang Baoye Project Company under the Entrusted Loan upon it being assigned to Ping An Trust and the obligations of Greentown Real Estate under the Repurchase Agreement; and (v) repurchase the 50% equity interest in Zhejiang Baoye Project Company from Ping An Trust at RMB200,000,000 (equivalent to approximately HK\$228,000,000) after twelve (12) months from the date of completion of the Disposal.

Before completion of the Disposal, Greentown Real Estate controlled 100% equity interest in Zhejiang Baoye Project Company through its 75% direct equity interest after completion of the Capital Injection and the Zhejiang Entrustment Arrangement. After completion of the Disposal on 13 January 2010, Greentown Real Estate effectively controls 50% equity interest in Zhejiang Baoye Project Company while the remaining 50% equity interest is held by Ping An Trust. Since Greentown Real Estate is entitled to control the majority of the composition of the board of directors of Zhejiang Baoye Project Company, Zhejiang Baoye Project Company remains a subsidiary of the Company after the Disposal. Ping An Trust has become a substantial shareholder of Zhejiang Baoye Project Company and therefore a connected person of the Company after the Disposal.

As the highest of all applicable percentage ratios in respect of the Capital Injection, the Disposal, the Assignment of the Entrusted Loan, the provision of the Security Package and the Repurchase is above 5% but below 25% on an aggregate basis, the Transactions together constitute a discloseable transaction for the Company under the Listing Rules and are therefore subject to the announcement requirement under Chapter 14 of the Listing Rules. In addition, as Ping An Trust has become a connected person of the Company after its purchase of the Sale Interest, the provision of the Entrusted Loan by Ping An Trust to Zhejiang Baoye Project Company, the granting of the Security Package by Greentown Real Estate and Zhejiang Baoye Project Company to Ping An Trust and the Repurchase constitute connected transactions for the Company under the Listing Rules. As the highest of all percentage ratios (other than the profit ratio) in respect of the Connected Transactions is above 2.5% on an aggregate basis, the Connected Transactions are therefore subject to the requirements of reporting, announcement and independent shareholders' approval of the Company under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Shareholders in relation to the Connected Transactions. Hercules Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in relation to the Connected Transactions.

The purpose of this circular is to provide, among other things, (i) further details about the Connected Transactions; and (ii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Shareholders in relation to the Connected Transactions; and (iii) the recommendation of the Independent Board Committee to the Shareholders in relation to the Connected Transactions.

LETTER FROM THE BOARD

THE FRAMEWORK COOPERATION AGREEMENT

Date

31 December 2009

Parties

- (a) Greentown Real Estate (a wholly-owned subsidiary of the Company)
- (b) Ping An Trust

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Ping An Trust and the ultimate beneficial owner of Ping An Trust are third parties independent of the Company and not connected persons of the Company.

The Capital Injection

Greentown Real Estate has completed its capital injection of RMB300,000,000 (equivalent to approximately HK\$342,000,000) into Zhejiang Baoye Project Company in anticipation of the execution of the Framework Cooperation Agreement. After the Capital Injection but prior to the Disposal, Greentown Real Estate directly held 75% equity interest in Zhejiang Baoye Project Company, and the remaining 25% equity interest was held by Zhejiang Baoye Greentown Investment. Greentown Real Estate effectively controlled 100% equity interest in Zhejiang Baoye Project Company through its direct interest and the Zhejiang Entrustment Arrangement as described below.

Zhejiang Baoye Greentown Investment is jointly controlled by Greentown Real Estate and Zhejiang Baoye Group, an independent third party. Zhejiang Baoye Group, Greentown Real Estate and Zhejiang Baoye Greentown Investment entered into the Zhejiang Entrustment Arrangement on 18 May 2009 pursuant to which Zhejiang Baoye Group and Zhejiang Baoye Greentown Investment have agreed, among other things, to entrust all the shareholder's rights and obligations (including but not limited to the distribution and voting rights) attached to the equity interest held by Zhejiang Baoye Greentown Investment in Zhejiang Baoye Project Company to Greentown Real Estate.

Establishment of the Trust

On 13 January 2010, Ping An Trust established the Trust with a fund size of RMB1,500,000,000 (equivalent to approximately HK\$1,710,000,000) after the Capital Injection for the purpose of acquisition of the Sale Interest and the Entrusted Loan from Greentown Real Estate. The duration of the Trust shall be twelve (12) months from the Trust Establishment Date, or fifteen (15) months if the Entrusted Loan is extended pursuant to the Extension as described below.

The Disposal

Assets disposed of

Pursuant to the Sale Interest Transfer Agreement, Greentown Real Estate has sold 50% of its direct equity interest in Zhejiang Baoye Project Company to Ping An Trust upon satisfaction of the conditions as described below.

LETTER FROM THE BOARD

Consideration

The consideration for the Disposal was RMB200,000,000 (equivalent to approximately HK\$228,000,000). Ping An Trust has paid the consideration on the Trust Establishment Date. The consideration for the Disposal was determined after arm's length negotiations between Greentown Real Estate and Ping An Trust with reference to the registered capital of Zhejiang Baoye Project Company after the Capital Injection.

The Directors (including the independent non-executive Directors) are of the view that the consideration for the Disposal is fair and reasonable.

Conditions precedent

Completion of the Disposal was conditional upon the fulfillment (or waiver by Ping An Trust, as the case may be) of the following conditions:

- (a) the Repurchase Agreement having been executed and becomes effective;
- (b) Ping An Trust having received an undertaking from Zhejiang Baoye Greentown Investment that it has given up its first right of refusal to purchase the Sale Interest from Greentown Real Estate and has agreed that any debt payable by Zhejiang Baoye Project Company to Zhejiang Baoye Greentown Investment and the rights attached to its equity interest in Zhejiang Baoye Project Company shall be subordinate to the Entrusted Loan and the rights attached to the equity interest of Ping An Trust in Zhejiang Baoye Project Company respectively;
- (c) completion of registration of the Share Charge and Ping An Trust having obtained evidence of the creation of the Share Charge (provided that this condition is not considered unsatisfied if the rights of Ping An Trust under the Repurchase Agreement cannot be registered under the PRC laws and regulations or due to the absence of practical means of registration by the relevant PRC authority);
- (d) the Guarantees having been executed and becomes effective;
- (e) the Single Capital Trust Agreement having been executed and becomes effective;
- (f) the Trust having been established by Ping An Trust;
- (g) completion of the Sale Interest transfer procedures and registration with the relevant PRC authority as prescribed in the Repurchase Agreement;
- (h) there being no breach of any term of the Repurchase Agreement by Greentown Real Estate and no occurrence of any event jeopardizing the rights of Ping An Trust; and
- (i) there being no prohibition under the PRC laws and regulations or by the PRC regulatory authorities against the acquisition of the Sale Interest by Ping An Trust.

LETTER FROM THE BOARD

The above conditions have been satisfied and completion of the Disposal took place on 13 January 2010.

Use of proceeds

Greentown Real Estate undertakes to Ping An Trust that the sale proceeds received from the Disposal shall be used in property development projects which have obtained the certificate of state-owned land use rights, planning permit for construction use of land, planning permit for construction works, permit for commencement of construction work and are in compliance with the current PRC laws, regulations, ministry rules and other regulations relating to property development loans.

The Entrusted Loan

In anticipation of entering into the Framework Cooperation Agreement, Greentown Real Estate has entered into the Entrusted Loan Agreements with a local bank in Shanghai to provide the Entrusted Loan in an aggregate amount of RMB1,300,000,000 (equivalent to approximately HK\$1,482,000,000) through the bank to Zhejiang Baoye Project Company during the period from 30 November 2009 to 4 December 2009.

On 31 December 2009, Greentown Real Estate and Ping An Trust entered into the Entrusted Loan Transfer Agreement pursuant to which Greentown Real Estate has agreed to transfer the rights and obligations of Greentown Real Estate under the Entrusted Loan Agreements to Ping An Trust at the Entrusted Loan Transfer Price.

Zhejiang Baoye Project Company and Ping An Trust also entered into the Supplemental Entrusted Loan Agreement on 31 December 2009 pursuant to which the terms of the Entrusted Loan have been amended and supplemented to the effect that they are consistent with the agreed terms in the Framework Cooperation Agreement as described below.

Term of the Entrusted Loan

The term of the Entrusted Loan shall be twelve (12) months from the Trust Establishment Date, unless extended for three (3) months in accordance with the Extension as described below. Zhejiang Baoye Project Company shall repay the principal amount and all outstanding interest accrued on the Initial Expiry Date or the Extended Expiry Date, as the case may be.

Interest

If the term of the Entrusted Loan is not extended, interest shall be accrued on a daily basis from the Trust Establishment Date until the principal amount and all outstanding interest accrued is repaid in full at the following annual rate:

Initial Interest Rate per annum shall be: (10% x 15/13)

Daily interest rate is calculated by dividing the Initial Interest Rate by 360. The first interest payment shall be made six (6) months from the Trust Establishment Date and the remaining interest accrued during the term of the Entrusted Loan shall be paid on the Initial Expiry Date.

LETTER FROM THE BOARD

Extension

The term of the Entrusted Loan or any part of it may be extended for three (3) months with prior written consent of Ping An Trust. The Extended Interest Rate shall apply to the Outstanding Principal which is not repaid to Ping An Trust on the Initial Expiry Date.

The Extended Interest Rate per annum shall be:

$$\frac{(\text{RMB}1,500,000,000 - \text{Repaid Principal})}{(\text{RMB}1,300,000,000 - \text{Repaid Principal})} \times 10.5\%$$

Zhejiang Baoye Project Company shall also pay Ping An Trust the interest difference by applying the Extended Interest Rate and the Initial Interest Rate to the Outstanding Principal on the Initial Expiry Date for the period from the Trust Establishment Date to the Initial Expiry Date.

The Outstanding Principal together with all outstanding interest accrued at the Extended Interest Rate during the Extended Period shall be repaid to Ping An Trust on the Extended Expiry Date.

Early repayment

Upon occurrence of an Event of Default, Ping An Trust has the right to demand immediate repayment of the principal and all outstanding interest accrued of the Entrusted Loan within fifteen (15) working days of the written notice issued by Ping An Trust.

Conditions precedent

The payment of the Entrusted Loan Transfer Price by Ping An Trust was conditional upon the fulfilment (or waiver by Ping An Trust, as the case may be) of the following conditions:

- (a) the Entrusted Loan Transfer Agreement having been executed and becomes effective;
- (b) the Supplemental Entrusted Loan Agreement having been executed between Ping An Trust and Zhejiang Baoye Project Company;
- (c) Ping An Trust having received an undertaking from Zhejiang Baoye Greentown Investment that it has given up its first right of refusal to purchase the Sale Interest from Greentown Real Estate and has agreed that any debt payable by Zhejiang Baoye Project Company to Zhejiang Baoye Greentown Investment and the rights attached to its equity interest in Zhejiang Baoye Project Company shall be subordinate to the Entrusted Loan and the rights attached to the equity interest of Ping An Trust in Zhejiang Baoye Project Company respectively;

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- (d) completion of registration of the Share Charge and Ping An Trust having obtained evidence of the creation of the Share Charge (provided that this condition is not considered unsatisfied if the rights of Ping An Trust under the Repurchase Agreement cannot be registered under the PRC laws and regulations or due to the absence of practical means of registration by the relevant PRC authority);
- (e) the Guarantees having been executed and becomes effective;
- (f) the Single Capital Trust Agreement having been executed and becomes effective;
- (g) the Trust having been established by Ping An Trust; and
- (h) there being no prohibition under the PRC laws and regulations or by the PRC regulatory authorities against the Assignment of the Entrusted Loan to Ping An Trust.

The above conditions have been satisfied and the Entrusted Loan Transfer Price was paid by Ping An Trust to Greentown Real Estate on the Trust Establishment Date.

The Security Package

The Guarantees

The Company has provided an irrevocable guarantee in favour of Ping An Trust in respect of all obligations of Greentown Real Estate and Zhejiang Baoye Project Company under the Repurchase Agreement and the Entrusted Loan Agreements, the Supplemental Entrusted Loan Agreement and the Entrusted Loan Transfer Agreement respectively.

Greentown Real Estate has provided an irrevocable guarantee in favour of Ping An Trust in respect of all obligations of Zhejiang Baoye Project Company under the Entrusted Loan Agreements, the Supplemental Entrusted Loan Agreement and the Entrusted Loan Transfer Agreement.

The Guarantees shall be effective from the date of execution until two (2) years from the expiry of the terms of the Entrusted Loan Agreements, the Entrusted Loan Transfer Agreement, the Supplemental Entrusted Loan Agreement and the Repurchase Agreement. Nevertheless, the Guarantees shall be released if the obligations of Zhejiang Baoye Project Company and Greentown Real Estate under the Entrusted Loan Agreements, the Entrusted Loan Transfer Agreement, the Supplemental Entrusted Loan Agreement and the Repurchase Agreement have been fully discharged.

The Share Charge

Greentown Real Estate has entered into the Share Charge in respect of its direct equity interest in Zhejiang Baoye Project Company after the Disposal (being the 25% equity interest in Zhejiang Baoye Project Company) in favour of Ping An Trust to secure the performance of

LETTER FROM THE BOARD

all obligations of Zhejiang Baoye Project Company under the Entrusted Loan Agreements, the Supplemental Entrusted Loan Agreement and the Entrusted Loan Transfer Agreement and all obligations of Greentown Real Estate under the Repurchase Agreement.

The Land Mortgage

Zhejiang Baoye Project Company has entered into the Land Mortgage to mortgage the land use right of the Zhejiang Land as security in favour of Ping An Trust in respect of all of its obligations under the Entrusted Loan Agreements, the Supplemental Entrusted Loan Agreement and the Entrusted Loan Transfer Agreement together with all obligations of Greentown Real Estate under the Repurchase Agreement.

The Land Mortgage shall be effective from the date of execution until two (2) years from the expiry of the terms of the Entrusted Loan Agreements, the Entrusted Loan Transfer Agreement, the Supplemental Entrusted Loan Agreement and the Repurchase Agreement. Nevertheless, the Land Mortgage shall be released if the obligations of Zhejiang Baoye Project Company and Greentown Real Estate under the Entrusted Loan Agreements, the Entrusted Loan Transfer Agreement, the Supplemental Entrusted Loan Agreement and the Repurchase Agreement have been fully discharged.

The Surety Money

Zhejiang Baoye Project Company has entered into the Single Capital Trust Agreement to entrust Ping An Trust to set up the Single Capital Trust upon the establishment of the Trust and to deposit the Surety Money into the Single Capital Trust as security in respect of all of its obligations under the Entrusted Loan Agreements, the Supplemental Entrusted Loan Agreement and the Entrusted Loan Transfer Agreement and all obligations of Greentown Real Estate under the Repurchase Agreement in the following manner:

- (a) not less than RMB50,000,000 (equivalent to approximately HK\$57,000,000) within three (3) months from the Trust Establishment Date;
- (b) not less than RMB100,000,000 (equivalent to approximately HK\$114,000,000) within six (6) months from the Trust Establishment Date;
- (c) not less than RMB200,000,000 (equivalent to approximately HK\$228,000,000) within nine (9) months from the Trust Establishment Date;
- (d) not less than RMB400,000,000 (equivalent to approximately HK\$456,000,000) within twelve (12) months from the Trust Establishment Date; and
- (e) if the term of the Entrusted Loan is extended, (i) not less than an amount equal to $((\text{RMB}1,500,000,000 - \text{Repaid Principal})/3)$ within thirteen (13) months from the Trust Establishment Date; (ii) not less than an amount equal to $((\text{RMB}1,500,000,000 - \text{Repaid Principal}) \times 2/3)$ within fourteen (14) months from the Trust Establishment Date; and (iii) not less than an amount equal to $(\text{RMB}1,500,000,000 - \text{Repaid Principal})$ within fifteen (15) months from the Trust Establishment Date.

LETTER FROM THE BOARD

The term of the Single Capital Trust shall be twelve (12) months from the date of establishment of the Single Capital Trust on 13 January 2010, unless the Entrusted Loan is extended for three (3) months in accordance with the Extension as described under “The Entrusted Loan – Extension” above, in which case the term of the Single Capital Trust shall be extended to cover for the Extended Period.

If Zhejiang Baoye Project Company does not repay the principal or any interest of the Entrusted Loan in accordance with the Entrusted Loan Agreements and the Supplemental Entrusted Loan Agreement, Ping An Trust shall be entitled to exercise its rights under any or all of the security under the Security Package.

The Undertakings

Greentown Real Estate has given the Undertakings in favour of Ping An Trust as follows:

- (a) during the effective period of the Framework Cooperation Agreement not to provide any further guarantee in favour of any third parties if the granting of such guarantee will adversely affect the interest of Ping An Trust;
- (b) any debt payable by Zhejiang Baoye Project Company to Greentown Real Estate and the rights attached to its equity interest in Zhejiang Baoye Project Company shall be subordinate to the Entrusted Loan and the rights attached to the equity interest of Ping An Trust in Zhejiang Baoye Project Company respectively; and
- (c) assume the obligations of Zhejiang Baoye Project Company to repay the shareholder’s loan in an aggregate amount of RMB200,180,000 (equivalent to approximately HK\$228,205,200) to Zhejiang Baoye Group under the Zhejiang Entrustment Arrangement so long as the principal and the interest accrued under the Entrusted Loan has not been repaid in full and the Repurchase has not been completed.

The Repurchase

Greentown Real Estate shall repurchase the 50% equity interest in Zhejiang Baoye Project Company from Ping An Trust at RMB200,000,000 (equivalent to approximately HK\$228,000,000) in twelve (12) months from the date of completion of the Disposal. If the term of the Entrusted Loan is extended for the Extended Period by the parties, the Repurchase shall be postponed to the Extended Expiry Date.

Upon occurrence of an Event of Default, Ping An Trust has the right to demand the Repurchase by Greentown Real Estate within fifteen (15) working days of the written notice issued by Ping An Trust.

LETTER FROM THE BOARD

Event of Default

Upon occurrence of any of the following events, Ping An Trust has the right to demand the Repurchase and repayment of the principal and any interest accrued under the Entrusted Loan immediately:

- (a) Greentown Real Estate and/or Zhejiang Baoye Project Company commit(s) a breach of any of its/their obligations under the Repurchase Agreement, is/are in breach of any of its/their legal obligations, or expressly state(s) or indicate(s) by conduct that it/they will not perform any of its/their obligations under Repurchase Agreement;
- (b) Zhejiang Baoye Project Company commits a breach of any of its obligations under the Entrusted Loan Agreements, the Supplemental Entrusted Loan Agreement or the Entrusted Loan Transfer Agreement, is in breach of any of its legal obligations, or expressly states or indicates by conduct that it will not perform any of its obligations under such agreements;
- (c) any of the following events happens to Greentown Real Estate and/or Zhejiang Baoye Project Company: undertaking to contract, taken into custody (takeover), leasing, share capital transformation, reduction in registered capital, investment, formation of jointly controlled entity, merger, acquisition, reorganisation, splitting, co-investment, suspension of business, application for dissolution, cancellation of business, petition for winding up, change of controlling shareholder/actual controller or transfer of major asset, cessation of production, out of business, imposition of a significant fine, revocation or cancellation of business licence, involving in significant legal dispute, serious difficulties in operation and deterioration in financial conditions, legal representative or principal officer being unable to perform his responsibility, in each case where Ping An Trust is in the opinion that it is likely to endanger the security of its rights under the Repurchase Agreement or the Entrusted Loan Agreements and the Entrusted Loan Transfer Agreement;
- (d) Greentown Real Estate or Zhejiang Baoye Project Company fails to pay its debts which are due (including debts due to Ping An Trust or any other third party), transfers assets at a low price or at no consideration, waives any debts due from a third party, causes delay in exercising its creditor's right or other rights, or Greentown Real Estate is in breach of the Undertakings or Zhejiang Baoye Project Company provides guaranty to a third party without prior consent of Ping An Trust, in each case where Ping An Trust is in the opinion that it is likely to endanger the security of its rights under the Repurchase Agreement or the Entrusted Loan Agreements and the Entrusted Loan Transfer Agreement;
- (e) the shareholders of Greentown Real Estate and/or Zhejiang Baoye Project Company abuse the independence status of the company's legal representative or the limited liability of shareholders to avoid debts, where Ping An Trust is in the opinion that it is likely to endanger the security of its rights under the Repurchase Agreement or the Entrusted Loan Agreements and the Entrusted Loan Transfer Agreement;

LETTER FROM THE BOARD

- (f) there occurs to Greentown Real Estate and/or the Company any material breach of any obligations under the Guarantees or any representation or warranty made by them under the Guarantees proves to have been incorrect or misleading in any material respect, or any other circumstance which may cause them to lose their ability to perform their obligations under the Guarantees, in each case where Ping An Trust is in the opinion that it is likely to endanger the security of its rights under the Repurchase Agreement or the Entrusted Loan Agreements and the Entrusted Loan Transfer Agreement;
- (g) there occurs to the Share Charge or the Land Mortgage any of the following circumstances:
 - (i) destruction of or damage or loss or significant decrease in value of the mortgaged property or pledged shares due to any third party's activity, expropriation by the state, confiscation, requisition, repossession without compensation, resettlement or any other reasons; (ii) the mortgaged property or pledged shares being sealed up, seized, frozen, deducted, retained, auctioned, supervised by administrative authority, or involved in a dispute over its ownership; (iii) mortgagor or chargor in breach of any of its obligations or any of its representations or warranties under the mortgage or charge being incorrect or misleading; and (iv) any other circumstance which is likely to endanger the enforcement of Ping An Trust's mortgage and charge, in each case where Ping An Trust is in the opinion that it is likely to endanger the security of its rights under the Repurchase Agreement or the Entrusted Loan Agreements and the Entrusted Loan Transfer Agreement;
- (h) the Guarantees are unenforceable, ineffective, void, cancelled or terminated, the guarantors are in breach of the Guarantees or expressly state or indicate by conduct that they will not perform their obligations, the guarantors partially or completely lose their ability to perform their obligations, the value of the security interest decreases or any other circumstance, in each case where Ping An Trust is in the opinion that it is likely to endanger the security of its rights under the Repurchase Agreement or the Entrusted Loan Agreements and the Entrusted Loan Transfer Agreement, provided that it does not include the circumstance where the rights of Ping An Trust under the Repurchase Agreement cannot be registered under the PRC laws and regulations or due to the absence of practical means of registration by the relevant PRC authority;
- (i) Zhejiang Baoye Project Company fails to duly and fully pay the Surety Money to Ping An Trust which violates its obligation under the Single Capital Trust Agreement; and
- (j) other circumstances where Ping An Trust is in the opinion that it is likely to endanger the security of its rights under the Repurchase Agreement or the Entrusted Loan Agreements and the Entrusted Loan Transfer Agreement.

LETTER FROM THE BOARD

Shareholders' meetings

The following matters shall be approved by all shareholders of Zhejiang Baoye Project Company:

- (a) amendments to the articles of association;
- (b) increase or decrease in registered capital;
- (c) merger, splitting or dissolution;
- (d) change in the form of the company; and
- (e) transfer or sale of major asset other than sale of properties in the ordinary course of business.

Directors' meetings

Board of directors of Zhejiang Baoye Project Company shall comprise four (4) directors. Each of Ping An Trust and Zhejiang Baoye Greentown Investment has the right to appoint one (1) director, while Greentown Real Estate has the right to appoint two (2) directors. The following matters require unanimous consent of all directors of Zhejiang Baoye Project Company:

- (a) granting of any guarantee other than the guarantees given in favour of commercial banks in respect of mortgages resulted from the sale of properties;
- (b) any expenses in excess of more than 5% of the quarterly budget or RMB10,000,000 (equivalent to approximately HK\$11,400,000) (whichever is the lower);
- (c) any form of external funding and creation of mortgage of any land use right, building construction or properties held by Zhejiang Baoye Project Company;
- (d) transactions between Zhejiang Baoye Project Company and Greentown Real Estate or any of its related parties; and
- (e) approval of annual business plan and annual budget prepared by Zhejiang Baoye Project Company.

INFORMATION ABOUT THE GROUP

The Group is one of the leading residential property developers in the PRC and is principally engaged in developing quality residential properties targeting at middle to higher income residents in the PRC.

LETTER FROM THE BOARD

INFORMATION ON ZHEJIANG BAOYE PROJECT COMPANY

Zhejiang Baoye Project Company is a limited liability company which was established in the PRC on 7 July 2008 and is currently 50% owned by Ping An Trust, 25% owned by Greentown Real Estate and 25% owned by Zhejiang Baoye Greentown Investment as at the Latest Practicable Date. The registered capital of Zhejiang Baoye Project Company is RMB400,000,000 (equivalent to approximately HK\$456,000,000). Zhejiang Baoye Project Company is principally engaged in residential property development and management. As at the Latest Practicable Date, Greentown Real Estate and Zhejiang Baoye Greentown Investment have contributed registered capital of RMB300,000,000 (equivalent to approximately HK\$342,000,000) and RMB100,000,000 (equivalent to approximately HK\$114,000,000) respectively to Zhejiang Baoye Project Company.

Zhejiang Baoye Project Company owns the Zhejiang Land which is located at Xihu District, Hangzhou City, Zhejiang Province (浙江省杭州市西湖區) with a total site area of approximately 89,534 square metres and a total gross floor area of approximately 287,483 square metres. Zhejiang Baoye Project Company is in possession of the land use rights certificates for the Zhejiang Land. Zhejiang Land is expected to be developed into residential buildings. The construction of the Project is expected to be completed in November 2013. Zhejiang Baoye Project Company does not own any material fixed assets other than the Zhejiang Land.

Zhejiang Baoye Project Company has not recorded any revenue up to the Latest Practicable Date. Based on the audited accounts of Zhejiang Baoye Project Company for the period from 7 July 2008 to 31 December 2008, and the unaudited accounts of Zhejiang Baoye Project Company for the nine-month period ended 30 September 2009, Zhejiang Baoye Project Company recorded a net loss (both before and after tax) of approximately RMB176,816 (equivalent to approximately HK\$201,570) and approximately RMB1,865,884 (equivalent to approximately HK\$2,127,108) respectively.

As at 30 September 2009, Zhejiang Baoye Project Company had unaudited total assets of approximately RMB2,234,624,296 (equivalent to approximately HK\$2,547,471,697) and unaudited total liability of approximately RMB2,136,666,996 (equivalent to approximately HK\$2,435,800,376).

The above financial information of Zhejiang Baoye Project Company was prepared in accordance with the PRC Generally Accepted Accounting Principles.

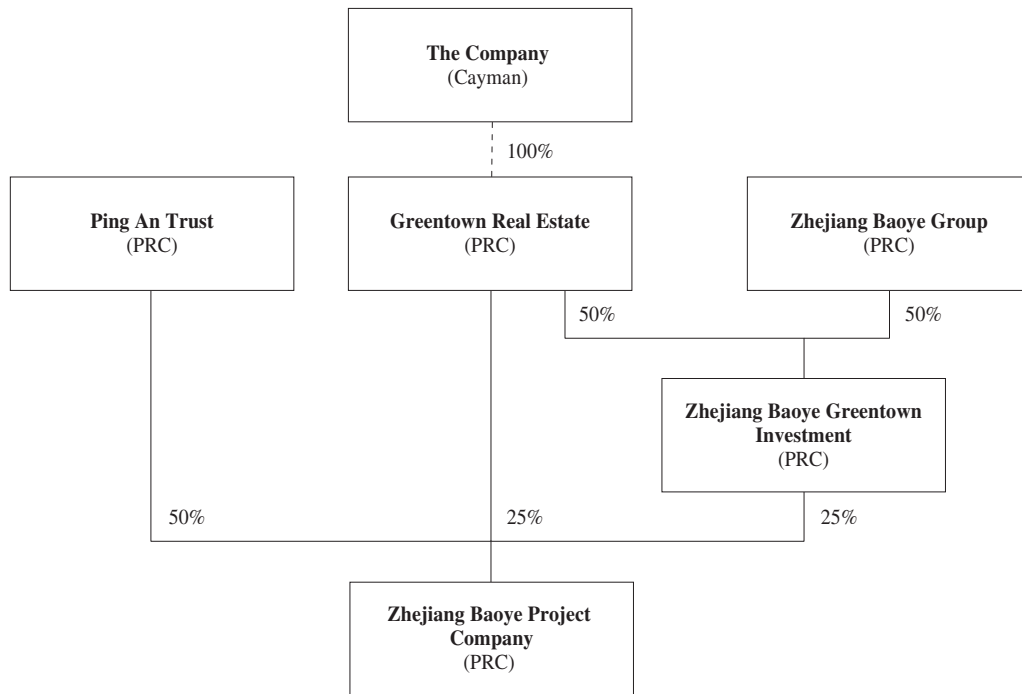
FINANCIAL EFFECTS OF THE DISPOSAL AND THE REPURCHASE

It is estimated that there will not be any gain or loss arising from the Disposal as the Disposal and the Repurchase will be regarded as a financing arrangement, rather than a disposal and acquisition of equity interest in Zhejiang Baoye Project Company.

The Board intends to use the proceeds from the Disposal for property development projects.

LETTER FROM THE BOARD

Immediately after the completion of the Disposal and as at the Latest Practicable Date



Notes:

- (1) Greentown Real Estate is indirectly wholly-owned by the Company.
- (2) The 25% equity interest in Zhejiang Baoye Project Company held by Zhejiang Baoye Greentown Investment has been entrusted to Greentown Real Estate pursuant to the Zhejiang Entrustment Arrangement.

REASONS FOR THE TRANSACTIONS

The Board considers that the Transactions have an overall effect of enhancing the cashflow position of the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Transactions are on normal commercial terms after arm's length negotiations between the parties, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

Before completion of the Disposal, Greentown Real Estate controlled 100% equity interest in Zhejiang Baoye Project Company through its 75% direct equity interest after completion of the Capital Injection and the Zhejiang Entrustment Arrangement. After completion of the Disposal on 13 January 2010, Greentown Real Estate effectively controls 50% equity interest in Zhejiang Baoye Project Company while the remaining 50% equity interest is held by Ping An Trust. Since Greentown Real Estate is entitled to control the majority of the composition of the board of directors of Zhejiang Baoye Project Company, Zhejiang Baoye Project Company remains a subsidiary of the Company after the Disposal. Ping An Trust has become a substantial shareholder of Zhejiang Baoye Project Company and therefore a connected person of the Company after the Disposal.

As the highest of all applicable percentage ratios in respect of the Capital Injection, the Disposal, the Assignment of the Entrusted Loan, the provision of the Security Package and the Repurchase is above 5% but below 25% on an aggregate basis, the Transactions together constitute a discloseable transaction for the Company under the Listing Rules and are therefore subject to the announcement requirement under Chapter 14 of the Listing Rules. In addition, as Ping An Trust has become a connected person of the Company after its purchase of the Sale Interest, the provision of the Entrusted Loan by Ping An Trust to Zhejiang Baoye Project Company, the granting of the Security Package by Greentown Real Estate and Zhejiang Baoye Project Company to Ping An Trust and the Repurchase constitute connected transactions for the Company under the Listing Rules. As the highest of all percentage ratios (other than the profit ratio) in respect of the Connected Transactions is above 2.5% on an aggregate basis, the Connected Transactions are therefore subject to the requirements of reporting, announcement and independent shareholders' approval of the Company under Chapter 14A of the Listing Rules.

The Company has obtained from the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules a waiver from the requirement to hold a general meeting of the Shareholders and permission for the independent shareholders' approval of the Connected Transactions to be given in writing on the basis that (i) no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Connected Transactions; and (ii) a written shareholders' approval has been obtained from Delta House Limited, Wisearn Limited and Profitwise Limited, being a closely allied group of Shareholders, which hold 442,124,000 Shares, 68,859,000 Shares and 384,490,500 Shares respectively, representing an aggregate of approximately 54.09% of the issued share capital of the Company giving the right to attend and vote at the shareholders' meeting as at the Latest Practicable Date, to approve the Connected Transactions. Delta House Limited, Wisearn Limited and Profitwise Limited are wholly owned by Mr Song Weiping, his spouse, Ms Xia Yibo and Mr Shou Bainian respectively, who are parties acting in concert pursuant to a concert party agreement dated 26 November 2005. The written shareholders' approval from Delta House Limited, Wisearn Limited and Profitwise Limited has been obtained.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 25 to 26 of this circular which contains its recommendation to the Shareholders in relation to the Connected Transactions. Your attention is also drawn to the letter of advice from Hercules Capital set out on pages 27 to 38 of this circular which contains its advice to the Independent Board Committee and the Shareholders in relation to the Connected Transactions and the principal factors and reasons considered by it in formulating its advice.

The Independent Board Committee, after taking into account the advice of Independent Financial Adviser, is of the opinion that the Connected Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices of this circular.

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



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)

21 January 2010

To the Shareholders and, for information only, the Note Holders and the Option Holders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 21 January 2010 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Shareholders on whether the Connected Transactions are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

We wish to draw your attention to the letter of advice from Hercules Capital, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Shareholders in relation to the Connected Transactions, as set out on pages 27 to 38 of the Circular and the letter from the Board set out on pages 8 to 24 of the Circular.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other matters, the factors and reasons considered by, and the opinion of, Hercules Capital as stated in its letter of advice, we consider that the Connected Transactions are on normal commercial terms, fair and reasonable so far as the Company and the Shareholders as a whole are concerned and in the interests of the Company and the Shareholders as a whole.

Yours faithfully,
The Independent Board Committee of
Greentown China Holdings Limited
Mr Jia Shenghua
Mr Jiang Wei
Mr Sze Tsai Ping, Michael
Mr Tsui Yiu Wa, Alec
Mr Tang Shiding
Mr Ke Huanzhang
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice in connection with the Connected Transactions from Hercules Capital to the Independent Board Committee and the Shareholders, which has been prepared for the purpose of inclusion in this circular.

Hercules **Hercules Capital Limited**

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

21 January 2010

*To the Independent Board Committee
and the Shareholders*

Dear Sirs,

CONNECTED TRANSACTIONS

1. INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Shareholders with respect to the terms of the Connected Transactions, details of which are set out in the letter from the Board contained in the circular dated 21 January 2010 to the Shareholders (the “Circular”), of which this letter forms part. Terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

On 31 December 2009, Greentown Real Estate, a wholly-owned subsidiary of the Company, entered into the Framework Cooperation Agreement with Ping An Trust, pursuant to which Greentown Real Estate has agreed to, among other things, (i) acquire 75% direct equity interest in Zhejiang Baoye Project Company by way of a capital injection of RMB300 million (equivalent to approximately HK\$342 million) into Zhejiang Baoye Project Company; (ii) after the Capital Injection, dispose of its 50% equity interest in Zhejiang Baoye Project Company to Ping An Trust at RMB200 million (equivalent to approximately HK\$228 million) upon satisfaction of certain conditions; (iii) provide the Entrusted Loan in an aggregate amount of RMB1,300 million (equivalent to approximately HK\$1,482 million) to Zhejiang Baoye Project Company through certain banks and assign the Entrusted Loan to Ping An Trust upon satisfaction of certain conditions; (iv) provide and procure provision of the Security Package in favour of Ping An Trust to secure the obligations of Zhejiang Baoye Project Company under the Entrusted Loan upon it being assigned to Ping An Trust and the obligations of Greentown Real Estate under the Repurchase Agreement; and (v) repurchase the 50% equity interest in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Zhejiang Baoye Project Company from Ping An Trust at RMB200 million (equivalent to approximately HK\$228 million) after twelve months from the date of completion of the Disposal.

After completion of the Capital Injection on 15 December 2009 and the Disposal on 13 January 2010, Greentown Real Estate effectively controls 50% equity interest in Zhejiang Baoye Project Company, through its 25% direct equity interest in Zhejiang Baoye Project Company and the Zhejiang Entrustment Arrangement in which all the shareholder's rights and obligations, including but not limited to the distribution and voting rights, attached to the equity interest held by Zhejiang Baoye Greentown Investment in Zhejiang Baoye Project Company was entrusted to Greentown Real Estate, while the remaining 50% equity interest of Zhejiang Baoye Project Company is held by Ping An Trust. Since Greentown Real Estate is entitled to control the majority of the composition of the board of directors of Zhejiang Baoye Project Company, Zhejiang Baoye Project Company remains a non wholly-owned subsidiary of the Company after the Disposal. Ping An Trust has become a substantial shareholder of Zhejiang Baoye Project Company and therefore a connected person of the Company since the completion of the Disposal.

As Ping An Trust has become a connected person of the Company after its purchase of the Sale Interest, the provision of the Entrusted Loan by Ping An Trust to Zhejiang Baoye Project Company, the provision of the Security Package by the Group to Ping An Trust and the Repurchase constitute connected transactions for the Company under the Listing Rules. As the relevant percentage ratios in respect of the Connected Transactions are above 2.5% on an aggregate basis, the Connected Transactions are therefore subject to the requirements of reporting, announcement and independent shareholders' approval of the Company under Chapter 14A of the Listing Rules.

On the basis that (i) no Shareholders are required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Connected Transactions; and (ii) Delta House Limited, Wisearn Limited and Profitwise Limited, which collectively held an aggregate of approximately 54.09% of the issued share capital of the Company as at Latest Practicable Date, have approved the Connected Transactions in writing, the Company has applied to, and obtained from, the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules a waiver from the requirement to hold a general meeting of the Shareholders to approve the Connected Transactions.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Jia Shenghua, Mr. Jiang Wei, Mr. Sze Tsai Ping, Michael, Mr. Tsui Yiu Wa, Alec, Mr. Tang Shiding and Mr. Ke Huanzhang, has been established to advise the Shareholders in relation to the Connected Transactions. We, Hercules Capital Limited, have been appointed to advise the Independent Board Committee and the Shareholders in connection with the Connected Transactions, in particular as to whether the terms of the relevant agreements are fair and reasonable and on normal commercial terms so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information and statements, and representations made to us or referred to in the Circular are true, accurate and complete in all material respects as of the date hereof and that they may be relied upon in formulating our opinion. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no material facts not contained in the Circular the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We also consider that we have taken all reasonable steps as required under Rule 13.80 of the Listing Rules to ascertain the reliability of the information provided to us and to form our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change this opinion and that we do not have any obligation to update, revise or reaffirm this opinion.

3. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Connected Transactions, we have considered the following principal factors and reasons:

3.1 Background of the Connected Transactions

On 31 December 2009, Greentown Real Estate entered into the Framework Cooperation Agreement with Ping An Trust, pursuant to which Greentown Real Estate has agreed to, among other things, (i) acquire 75% direct equity interest in Zhejiang Baoye Project Company by way of a capital injection of RMB300 million into Zhejiang Baoye Project Company; (ii) after the Capital Injection, dispose of its 50% equity interest in Zhejiang Baoye Project Company to Ping An Trust at RMB200 million upon satisfaction of certain conditions; (iii) provide the Entrusted Loan in an aggregate amount of RMB1,300 million to Zhejiang Baoye Project Company through certain banks and assign the Entrusted Loan to Ping An Trust upon satisfaction of certain conditions; (iv) provide and procure provision of the Security Package in favour of Ping An Trust to secure the obligations of Zhejiang Baoye Project Company under the Entrusted Loan upon it being

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

assigned to Ping An Trust and the obligations of Greentown Real Estate under the Repurchase Agreement; and (v) repurchase the 50% equity interest in Zhejiang Baoye Project Company from Ping An Trust at RMB200 million after twelve months from the date of completion of the Disposal.

The Capital Injection and the Disposal were completed on 15 December 2009 and 13 January 2010 respectively. In anticipation of the execution of the Framework Cooperation Agreement, Greentown Real Estate entered into certain Entrusted Loan Agreements with a local bank in Shanghai for the provision of the Entrusted Loan in aggregate amount of RMB1,300 million through the bank to Zhejiang Baoye Project Company during the period from 30 November 2009 to 4 December 2009.

On 31 December 2009, Greentown Real Estate and Ping An Trust entered into the Entrusted Loan Transfer Agreement, pursuant to which Greentown Real Estate has agreed to transfer the rights and obligations of Greentown Real Estate under the Entrusted Loan Agreements to Ping An Trust at the Entrusted Loan Transfer Price of RMB1,300 million. Zhejiang Baoye Project Company and Ping An Trust also entered into the Supplemental Entrusted Loan Agreement on the same day to bring the terms of the Entrusted Loan under the Entrusted Loan Agreements in line with the terms described in the Framework Cooperation Agreement. Furthermore, on 31 December 2009, Greentown Real Estate and Ping An Trust entered into the Repurchase Agreement, pursuant to which Greentown Real Estate has agreed to repurchase the Sale Interest from Ping An Trust at RMB200 million (equivalent to approximately HK\$228 million) in twelve months from the date of completion of the Disposal. To fulfill the conditions precedent for the payment of the Entrusted Loan Transfer Price by Ping An Trust under the Entrusted Loan Transfer Agreement, the Group has also provided the Security Package, including the Guarantees, the Share Charge, the Land Mortgage and the Surety Money, in favour of Ping An Trust to secure all the obligations of Greentown Real Estate under the Repurchase Agreement and all the obligations of Zhejiang Baoye Project Company under the Entrusted Loan Agreements, the Supplemental Entrusted Loan Agreement and the Entrusted Loan Transfer Agreement.

3.2 Information on Zhejiang Baoye Project Company

Zhejiang Baoye Project Company is a limited liability company established in the PRC on 7 July 2008 and was 50% owned by Ping An Trust, 25% owned by Greentown Real Estate and 25% owned by Zhejiang Baoye Greentown Investment as at the Latest Practicable Date. The registered capital of Zhejiang Baoye Project Company is RMB400 million, of which RMB300 million was contributed by Greentown Real Estate and RMB100 million was contributed by Zhejiang Baoye Greentown Investment.

Zhejiang Baoye Project Company is principally engaged in residential property development and management. The major asset of Zhejiang Baoye Project Company is the Zhejiang Land, which is located at Xihu District, Hangzhou City, Zhejiang Province, the PRC with a total site area of approximately 89,534 square metres and a total gross

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

floor area of approximately 287,483 square metres. Zhejiang Baoye Project Company is in possession of the land use rights certificates for the Zhejiang Land. According to the development scheme advised by the management of the Company, the Zhejiang Land is expected to be developed into residential buildings and the construction of the Project is expected to be completed in November 2013.

The financial information of Zhejiang Baoye Project Company, which has been prepared in accordance with the PRC Generally Accepted Accounting Principles, for the period from 7 July 2008 (date of incorporation) to 31 December 2008 and the nine months ended 30 September 2009 is summarized as follows:

Table 1: Financial summary of Zhejiang Baoye Project Company

	For the nine months ended 30 September 2009		For the period from 7 July 2008 (date of incorporation) to 31 December 2008	
	<i>RMB</i> (unaudited)	<i>HK\$</i> (unaudited)	<i>RMB</i> (audited)	<i>HK\$</i> (audited)
Revenue	<u> – </u>	<u> – </u>	<u> – </u>	<u> – </u>
Loss before and after taxation	<u>1,865,884</u>	<u>2,127,108</u>	<u>176,816</u>	<u>201,570</u>
	As at 30 September 2009		As at 31 December 2008	
	<i>RMB</i> <i>million</i> (unaudited)	<i>HK\$</i> <i>million</i> (unaudited)	<i>RMB</i> <i>million</i> (audited)	<i>HK\$</i> <i>million</i> (audited)
Total assets	<u>2,234.6</u>	<u>2,547.5</u>	<u>520.0</u>	<u>592.8</u>
Total liabilities	<u>2,136.7</u>	<u>2,435.8</u>	<u>420.2</u>	<u>479.0</u>
Net assets	<u>97.9</u>	<u>111.7</u>	<u>99.8</u>	<u>113.8</u>

Given the Zhejiang Land is still under development, the Project has yet to generate any revenue. The loss before and after taxation for the period from 7 July 2008 (date of incorporation) to 31 December 2008 amounted to approximately RMB0.2 million, which mainly comprised the administrative expenses incurred for the period. For the nine months ended 30 September 2009, Zhejiang Baoye Project Company recorded loss before and after taxation of approximately RMB1.9 million, of which approximately RMB1.0 million was selling expenses incurred for presale of the first phase of the Project.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30 September 2009, Zhejiang Baoye Project Company had total assets of approximately RMB2,234.6 million, which mainly consisted of inventories of approximately RMB2,220.6 million, prepayments of approximately RMB10.9 million and cash and bank balances of approximately RMB2.1 million. As at 30 September 2009, the total liabilities of Zhejiang Baoye Project Company amounted to approximately RMB2,136.7 million, of which approximately RMB2,136.5 million was other payables. The net asset value of Zhejiang Baoye Project Company as at 30 September 2009 amounted to approximately RMB97.9 million.

3.3 Reasons for the Connected Transactions

The Group is one of the leading residential property developers in the PRC and is principally engaged in developing quality residential properties targeting at middle to higher income residents in the PRC.

According to the management of the Company, the main objective of the Group to carry out the transactions contemplated under the Framework Cooperation Agreement, including the Capital Injection, the Disposal, the provision and transfer of the Entrusted Loan, the provision of Security Package and the Repurchase, is to secure a loan of RMB1,300 million from Ping An Trust for property development projects of the Group.

In view of the restrictions on pledge of land use rights and the limitation on use of proceeds for the project loans imposed by commercial banks during the negotiations between the Group and the commercial banks, the management of the Company considers that loan from trust company is the preferred financing alternative as the proceeds from trust company will not be restricted to be applied for a specific project and the trust company accepts to be the second mortgagee.

Given that (i) the provision of the Entrusted Loan by Ping An Trust shall enable the Group to raise the required funding for the development and construction of its property development projects and increase the immediate cashflow position of the Group; (ii) the Entrusted Loan will not restrict the applications of the loan proceeds by the Group, as long as the projects have obtained the required permits, namely certificate of state-owned land use rights, planning permit for construction use of land, planning permit for construction works and permit for commencement of construction work; (iii) the provision of Security Package in favour of Ping An Trust and the Repurchase are one of the conditions of the provision of Entrusted Loan by Ping An Trust and it is a common market practice for a borrower to provide guarantee and surety money to the trust company to secure the performance and obligations of the borrower; and (iv) the Repurchase enables the Group to resume its equity interest in Zhejiang Baoye Project Company upon the settlement of the Entrusted Loan, we concur with the view of the management of the Company that the Connected Transactions are necessary for the Group to develop its property development projects and they are in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.4 Major terms of the Entrusted Loan

The major terms of the Entrusted Loan to be provided by Ping An Trust are summarized as follows:

- (a) the term of the Entrusted Loan shall be twelve months from the Trust Establishment Date, unless extended for three months in accordance with the Extension;
- (b) if the term of the Entrusted Loan is not extended, interest shall be accrued on a daily basis from the Trust Establishment Date until the principal amount and all outstanding interest accrued is repaid in full at the annual rate of $10\% \times 15/13$. Daily interest rate is calculated by dividing the Initial Interest Rate by 360. The first interest payment shall be made six months from the Trust Establishment Date and the remaining interest accrued during the term of the Entrusted Loan shall be paid on the Initial Expiry Date;
- (c) the term of the Entrusted Loan or any part of it may be extended for three months with prior written consent of Ping An Trust. The Extended Interest Rate shall apply to the Outstanding Principal which is not repaid to Ping An Trust on the Initial Expiry Date. The Extended Interest Rate per annum shall be $(\text{RMB1,500 million} - \text{Repaid Principal})/(\text{RMB1,300 million} - \text{Repaid Principal}) \times 10.5\%$;
- (d) Zhejiang Baoye Project Company shall pay Ping An Trust the interest difference by applying the Extended Interest Rate and the Initial Interest Rate to the Outstanding Principal on the Initial Expiry Date for the period from the Trust Establishment Date to the Initial Expiry Date;
- (e) the Outstanding Principal together with all outstanding interest accrued at the Extended Interest Rate during the Extended Period shall be repaid to Ping An Trust on the Extended Expiry Date; and
- (f) upon occurrence of an Event of Default as set out in the letter from the Board contained in the Circular, Ping An Trust has the right to demand immediate repayment of the principal and all outstanding interest accrued of the Entrusted Loan within fifteen working days of the written notice issued by Ping An Trust.

We understand from the management of the Company that the factors of “15/13” and “ $(\text{RMB1,500 million} - \text{Repaid Principal})/(\text{RMB1,300 million} - \text{Repaid Principal})$ ” are incorporated in the formulae for calculating the Initial Interest Rate and Extended Interest Rate respectively because the principal amount for calculating the interests will be RMB1,300 million while Ping An Trust will effectively lend RMB1,500 million to the Group as additional RMB200 million will be provided to the Group through the arrangement of the Disposal and the Repurchase. Based on the principal amount of RMB1,500 million, the effective Initial Interest Rate and Extended Interest Rate for the Entrusted Loan would be 10% and 10.5% respectively.

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We were advised by the management of the Company that the Group has negotiated with several trust companies other than Ping An Trust in respect of borrowings with similar nature as the Entrusted Loan. The annual interest rates offered by them were comparable or less favorable to the Initial Interest Rate and the Extended Interest Rate. We also noted that the Group borrowed similar loans in April 2009 and the annual interest rates on the 33-month RMB1,250 million loan and the 33-month RMB437.1 million are 14% respectively, details of which were set out in the circular of the Company dated 30 June 2009.

Having considered that (i) the effective Initial Interest Rate and Extended Interest Rate are one of the lowest available interest rates offered by other trust companies under similar terms; and (ii) the Initial Interest Rate and the Extended Interest Rate are lower than the interest rate of the previous loans borrowed by the Group in similar nature, we consider that the terms of the Entrusted Loan are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned.

3.5 Major terms of the Security Package

The major terms of the Security Package, including the Guarantees, the Share Charge, the Land Mortgage and the Surety Money, provided by the Group in favour of Ping An Trust are summarized as follows:

The Guarantees

The Company has provided an irrevocable guarantee in favour of Ping An Trust in respect of all obligations of Greentown Real Estate and Zhejiang Baoye Project Company under the Repurchase Agreement and the Entrusted Loan Agreements, the Supplemental Entrusted Loan Agreement and the Entrusted Loan Transfer Agreement respectively.

Greentown Real Estate has provided an irrevocable guarantee in favour of Ping An Trust in respect of all obligations of Zhejiang Baoye Project Company under the Entrusted Loan Agreements, the Supplemental Entrusted Loan Agreement and the Entrusted Loan Transfer Agreement.

The Guarantees shall be effective from the date of execution until two years from the expiry of the terms of the Entrusted Loan Agreements, the Entrusted Loan Transfer Agreement, the Supplemental Entrusted Loan Agreement and the Repurchase Agreement. Nevertheless, the Guarantees shall be released if the obligations of Zhejiang Baoye Project Company and Greentown Real Estate under the Entrusted Loan Agreements, the Entrusted Loan Transfer Agreement, the Supplemental Entrusted Loan Agreement and the Repurchase Agreement have been fully discharged.

The Share Charge

Greentown Real Estate has entered into the Share Charge in respect of its 25% direct equity interest in Zhejiang Baoye Project Company in favour of Ping An Trust to secure the performance of all obligations of Zhejiang Baoye Project Company under the Entrusted Loan Agreements, the Supplemental Entrusted Loan Agreement and the Entrusted Loan Transfer Agreement and all obligations of Greentown Real Estate under the Repurchase Agreement.

The Land Mortgage

Zhejiang Baoye Project Company has entered into the Land Mortgage to mortgage the land use right of the Zhejiang Land as security in favour of Ping An Trust in respect of all of its obligations under the Entrusted Loan Agreements, the Supplemental Entrusted Loan Agreement and the Entrusted Loan Transfer Agreement together with all obligations of Greentown Real Estate under the Repurchase Agreement. The Land Mortgage shall be effective from the date of execution until two years from the expiry of the terms of the Entrusted Loan Agreements, the Entrusted Loan Transfer Agreement, the Supplemental Entrusted Loan Agreement and the Repurchase Agreement. Nevertheless, the Land Mortgage shall be released if the obligations of Zhejiang Baoye Project Company and Greentown Real Estate under the Entrusted Loan Agreements, the Entrusted Loan Transfer Agreement, the Supplemental Entrusted Loan Agreement and the Repurchase Agreement have been fully discharged.

According to the mortgage agreement dated 31 December 2009 entered into between Zhejiang Baoye Project Company and Ping An Trust, Zhejiang Baoye Project Company is allowed to pledge the Zhejiang Land under the Land Mortgage to other party for securing a loan not exceeding RMB1,000 million during the mortgage term. If such event occurs, Ping An Trust will release the Land Mortgage and re-register it in the capacity of the second mortgagee after Zhejiang Baoye Project Company has completed the registration of the first mortgage of the Zhejiang Land with other financiers.

The Surety Money

Zhejiang Baoye Project Company has entered into the Single Capital Trust Agreement to entrust Ping An Trust to set up the Single Capital Trust upon the establishment of the Trust and to deposit the Surety Money into the Single Capital Trust as security in respect of all of its obligations under the Entrusted Loan Agreements, the Supplemental Entrusted Loan Agreement and the Entrusted Loan Transfer Agreement and all obligations of Greentown Real Estate under the Repurchase Agreement in the following manner:

- (a) not less than RMB50 million (equivalent to approximately HK\$57 million) within three months from the Trust Establishment Date;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) not less than RMB100 million (equivalent to approximately HK\$114 million) within six months from the Trust Establishment Date;
- (c) not less than RMB200 million (equivalent to approximately HK\$228 million) within nine months from the Trust Establishment Date;
- (d) not less than RMB400 million (equivalent to approximately HK\$456 million) within twelve months from the Trust Establishment Date; and
- (e) if the term of the Entrusted Loan is extended, (i) not less than an amount equal to $((\text{RMB1,500 million} - \text{Repaid Principal})/3)$ within thirteen months from the Trust Establishment Date; (ii) not less than an amount equal to $((\text{RMB1,500 million} - \text{Repaid Principal}) \times 2/3)$ within fourteen months from the Trust Establishment Date; and (iii) not less than an amount equal to $(\text{RMB1,500 million} - \text{Repaid Principal})$ within fifteen months from the Trust Establishment Date.

The term of the Single Capital Trust shall be twelve months from the date of establishment of the Single Capital Trust on 13 January 2010, unless the Entrusted Loan is extended for three months in accordance with the Extension, in which case the term of the Single Capital Trust shall be extended to cover for the Extended Period.

If Zhejiang Baoye Project Company does not repay the principal or any interest of the Entrusted Loan in accordance with the Entrusted Loan Agreements and the Supplemental Entrusted Loan Agreement, Ping An Trust shall be entitled to exercise its rights under any or all of the security under the Security Package.

In addition, Greentown Real Estate has given the Undertakings in favour of Ping An Trust as follows:

- (a) during the effective period of the Framework Cooperation Agreement not to provide any further guarantee in favour of any third party if the granting of such guarantee will adversely affect the interest of Ping An Trust;
- (b) any debt payable by Zhejiang Baoye Project Company to Greentown Real Estate and the rights attached to its equity interest in Zhejiang Baoye Project Company shall be subordinate to the Entrusted Loan and the rights attached to the equity interest of Ping An Trust in Zhejiang Baoye Project Company respectively; and
- (c) assume the obligations of Zhejiang Baoye Project Company to repay the shareholder's loan in an aggregate amount of RMB200,180,000 (equivalent to approximately HK\$228,205,200) to Zhejiang Baoye Group

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under the Zhejiang Entrustment Arrangement so long as the principal and the interest accrued under the Entrusted Loan has not been repaid in full and the Repurchase has not been completed.

We were advised by the management of the Company that it is not unusual for a borrower and/or its shareholders to provide security, including but not limited to, guarantees, pledge of assets such as land use rights, shares and cash deposits to a trust company to secure the obligations under loan agreements and other trust companies, which the Group has negotiated with, as mentioned in section “3.4 Major terms of the Entrusted Loan”, also requested the Group to provide similar security. In addition, Greentown Real Estate has provided guarantees for certain bank loans borrowed by its subsidiaries and the project loans of Greentown Real Estate’s subsidiaries are usually secured by assets such as land use rights.

Given that (i) the provision of Security Package to Ping An Trust is one of the conditions precedent for the Entrusted Loan, which can enhance the cash flow of the Group and provide necessary funding for the development and construction of the Group’s property development projects; (ii) it is not unusual for a borrower and/or its shareholders to provide security, including but not limited to, guarantees, pledge of assets such as land use rights, shares and cash deposits to a trust company to secure the obligations under loan agreements; (iii) Ping An Trust allows Zhejiang Baoye Project Company to pledge the Zhejiang Land under the Land Mortgage to other party as the first mortgagee in an amount not exceeding RMB1,000 million; and (iv) the maximum Surety Money to be maintained in the Single Capital Trust within twelve months from the Trust Establishment Date represents only approximately 26.7% of the total amount of the Entrusted Loan and the consideration of the Repurchase, we consider that the provision of Security Package to Ping An Trust is on normal commercial terms and is fair and reasonable so far as the Shareholders are concerned.

3.6 The Repurchase

Pursuant to the Repurchase Agreement, Greentown Real Estate shall repurchase the 50% equity interest in Zhejiang Baoye Project Company from Ping An Trust at RMB200 million (equivalent to approximately HK\$228 million) in twelve months from the date of completion of the Disposal. If the term of the Entrusted Loan is extended for the Extended Period by the parties, the Repurchase shall be postponed to the Extended Expiry Date. Upon occurrence of an Event of Default, Ping An Trust has the right to demand the Repurchase by Greentown Real Estate within fifteen working days of the written notice issued by Ping An Trust.

Given the consideration of the Repurchase is the same as the consideration of the Disposal, which was determined after arm’s length negotiations between Greentown Real Estate and Ping An Trust by reference to the registered capital of Zhejiang Baoye Project Company of RMB400 million, we consider that the consideration for the Repurchase is fair and reasonable so far as the Shareholders are concerned.

3.7 Financial effects of the Connected Transactions

(a) Earnings

The Group's earnings shall decrease as a result of the payment of interests on the Entrusted Loan during the loan period.

(b) Cashflow

Upon satisfaction of the conditions precedent as described in the letter from the Board, the Group shall have a cash inflow of RMB1,300 million from the Entrusted Loan on the Trust Establishment Date.

The first interest payment of the Entrusted Loan shall be made six months from the Trust Establishment Date and the remaining interest accrued during the term of the Entrusted Loan shall be paid on the Initial Expiry Date. Accordingly, assuming there is no early repayment and Extension of the Entrusted Loan, the Group shall have a cash outflow of RMB75 million on the date six months from the Trust Establishment Date for payment of interest and another cash outflow of RMB1,575 million at the Initial Expiry Date for payment of interest, repayment of loan principal and consideration for the Repurchase.

(c) Net Asset Value and Gearing Ratio

The Group's net assets value and gearing, as expressed in the ratio of total liabilities to total assets, shall not be materially affected as the total assets and total liabilities of the Group shall increase in the same extent.

Concluding from the above, the Connected Transactions will have a positive effect on the Group's immediate cashflow position but a negative impact on the Group's earnings while the net assets value and the gearing of the Group will not be materially affected. Having considered the aforementioned overall benefits which the Connected Transaction would likely to bring to the Group, we consider that the slight negative impact of the Connected Transactions on the Group's earnings is justifiable.

4. RECOMMENDATION

Having considered the principal factors and reasons described in the previous sections, we are of the view that the terms of the Connected Transactions are on normal commercial terms and they are fair and reasonable so far as the Shareholders are concerned and the Connected Transactions are in the interests of the Company and the Shareholders as a whole.

Yours faithfully,
For and on behalf of

Hercules Capital Limited

Louis Koo
Managing Director

Amilia Tsang
Director

The following is the text of a letter and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of value of the property interest in the PRC as at 31 December 2009.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

The Directors
Greentown China Holdings Limited
Huanglong Centry Plaza
No. 1 Hangda Road
Hangzhou
Zhejiang Province
The PRC

21 January 2010

Dear Sirs,

Re: Xixi Chengyuan, Lots B-07 and B-10, New Zone of Jiangcun Village, Xihu District, Hangzhou, Zhejiang Province, the PRC

Instructions, Purpose and Date of Valuation

In accordance with your instructions for us to value the captioned property held by Greentown China Holdings Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the market value of the property as at 31 December 2009 (the “date of valuation”).

Valuation Standards and Definition of Market Value

Our valuation of the property represents our opinion of its Market Value which in accordance with The HKIS Valuation Standards is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Valuation Basis and Assumption

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In valuing the property which is situated in the PRC, we have assumed that transferable land use rights in respect of the property for the specific land use term at nominal annual land use fee have been granted and that any premium has already been fully settled. We have relied on the advice given by the Group regarding the title to the property and have valued the entire interest of the property.

In valuing the property, we have assumed that the grantee of the property has free and uninterrupted rights to use or to assign the property for the whole of the unexpired term as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor any expenses which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and HKIS Valuation Standards of Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

Method of Valuation

The property is held under development in the PRC. We have valued it on the basis that the property will be developed and completed in accordance with the Group's latest development proposals provided to us. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development. The "capital value when completed of the proposed development" represents our opinion of the aggregate selling price of the property assuming that it would have been completed at the date of valuation.

Source of Information

We have been provided by the Group with extracts of documents in relation to the titles to the property. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and its PRC legal advisor, Zhe Jiang T & C Law Firm, in respect of the property in the PRC and have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, scheduled completion date of development, number of car parking spaces, particulars of occupancy, development schemes, construction costs, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimension, measurements and areas included in the attached valuation certificates are based on the information provided to us and are therefore only approximations. We have had no reasons to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

Site Inspection

We have inspected the exterior of the property. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No test was carried out on any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurement to verify the site and gross floor areas of the property and we have assumed that the areas shown on the documents handed to us are correct.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect the value.

Currency

Unless otherwise stated, all sums stated in our valuations are in Renminbi (RMB), the official currency of the PRC.

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K. F. Chan
China Real Estate Appraiser
R.P.S.(GP), MSc., M.H.K.I.S., M.R.I.C.S.
Director

Note: Mr. Andrew K.F. Chan is a Registered Professional Surveyor who has over 19 years of experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

Property held by the Group under development in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2009
Xixi Chengyuan, Lots B-07 and B-10, New Zone of Jiangcun Village, Xihu District, Hangzhou, Zhejiang Province, the PRC	The property comprises 2 parcels of land having a total site area of approximately 89,534 sq.m.	Lot B-07 of the property was vacant and pending for future development.	RMB2,260,000,000
中華人民共和國 浙江省杭州市 西湖區規劃蔣村新區 地號B-07及B-10 西溪誠園項目	According to the development scheme provided by the Group, the property is planned to be developed by 2 phases, scheduled for completion between August 2012 and August 2013.	Lot B-10 of the property was under construction.	
	The property is planned to provide the following gross floor areas:		

Use	Approximate Gross Floor Area sq.m.
<i>Lot B-07</i>	
Medium-rise	
Residential	96,367
Ancillary facilities	2,348
Basement	46,594
<i>Lot B-10</i>	
Medium-rise	
Residential	95,775
Ancillary facilities	2,485
Basement	43,914
Total	287,483

The property will provide a total of 1,411 car parks in basement with total gross floor area of approximately 90,508 sq.m.

The property is held with the land use rights for various terms expiring on 20 July 2079 and 22 September 2079 for Lot B-10 and B-07 respectively for residential use.

Notes:

- (1) According to 2 Grant Contracts of Land Use Rights, the land use rights of the property have been granted as follows:

Contract No.	Site Area <i>sq.m.</i>	Uses	Land Use Term	Development Scale
HTHZ (2008) 1	44,664	Residential/ Commercial	70 (Residential)/ 40 (Commercial)	98,260.80 sq.m.
HTHZ (2008) 2	44,870	Residential/ Commercial	70 (Residential)/ 40 (Commercial)	98,714.00 sq.m.
	89,534			

According to Agreement for Land Development Compensation Fees No. HTCX (2008) 1 dated 13 May 2008, the total land development compensation fee for the granted site with a total site area of approximately 44,664 sq.m. is RMB450,494,624.

According to Agreement for Land Development Compensation Fees No. HTCX (2008) 2 dated 13 May 2008, the total land development compensation fee for the granted site with a total site area of approximately 44,870 sq.m. is RMB494,954,942.

- (2) According to 2 Certificates for the Use of State-owned Land Use Rights, the land use rights of the property have been granted to Zhejiang Baoye Greentown Real Estate Development Co., Ltd. (浙江報業綠城房地產開發有限公司) as follows:

Certificate No.	Site Area <i>sq.m.</i>	Land Use Term
HXGY(2009)000129	44,664	To be expired on 20 July 2079 for residential use
HXGY(2009)000251	44,870	To be expired on 22 September 2079 for residential use
	89,534	

- (3) According to 2 Planning Permits for Construction Use of Land issued by Hangzhou Planning Bureau, the construction site of 2 parcels of land with total site area of 89,534 sq.m. were in compliance with the requirements of urban planning with details as follows:

Permit No.	Site Area <i>sq.m.</i>	Uses
DZD330100200900196	44,664	Residential
DZD330100200900197	44,870	Residential
	89,534	

- (4) According to Planning Permit for Construction Works No. 330100200900395 issued by Hangzhou Planning Bureau on 16 September 2009, the Construction works of the property with a gross floor area of 142,174 sq.m. was in compliance with the requirement of urban planning and was permitted to be developed.

- (5) According to Permit for Commencement of Construction Works No. 330100200910130301 issued by Hangzhou Construction Committee on 13 October 2009, the construction works of the property with a gross floor area of approximately 142,174 sq.m. was in compliance with the requirements for works commencement and are permitted.

- (6) According to the Pre-sale Permit No. HSXZ(2009)0131 issued by Hangzhou Real Estate Management Bureau on 27 November 2009, area of approximately 94,084.92 sq.m. have been permitted to be pre-sold.
- (7) As advised by the Group, a portion of the development, comprising a total gross floor area of approximately 107,925 sq.m. have been pre-sold for a total consideration of approximately RMB2,650,920,000. In the course of our valuation, we have taken into account such consideration.
- (8) As advised by the Group, the total construction costs expended as at 31 December 2009 was approximately RMB36,940,000 and the outstanding construction cost to complete the development was approximately RMB1,790,300,000. In the course of our valuation, we have taken into account such construction costs.
- (9) The capital value when completed of the proposed development as at 31 December 2009 was approximately RMB5,772,000,000.
- (10) According to Business Licence No. 33000000027433 dated 7 July 2008, Zhejiang Baoye Greentown Real Estate Development Co., Ltd. (浙江報業綠城房地產開發有限公司) was established with a registered capital of RMB100,000,000 for a valid operation period from 7 July 2008 to 6 July 2018.
- (11) We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alias that:
- (i) Zhejiang Baoye Greentown Real Estate Development Co., Ltd. (浙江報業綠城房地產開發有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use right at no extra land premium or other onerous payment payable to the government;
- (ii) all land premium and other costs for land development compensation have been settled in full; and
- (iii) the property is subject to various mortgages and the Company could only transfer or re-mortgage the land use rights of the property with the prior consent obtained from the existing mortgagees.
- (12) In accordance with the information provided by the Company, the status of title and grant of major approvals and licenses are as follows:

Grant Contract of Land Use Rights	Yes
Certificate for the Use of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit	Yes
Business License	Yes

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' Interests in Shares

As at the Latest Practicable Date, save as disclosed below, none of the Directors or chief executive of the Company has interests or short positions in the Shares and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange:

(i) Long positions in shares and underlying shares of the Company

Name of Director	Total number of Shares	Options to subscribe for Shares of the Company	Number of Shares held under equity derivative	Capacity in which interests are held	% of the issued share capital of the Company
Mr Song Weiping	392,124,000 (Note 1)	–	–	Interest of a controlled corporation	23.68%
	68,859,000 (Note 2)	–	–	Interest of a controlled corporation	4.16%
	100,000,000 (Note 3)	–	–	Interest of a controlled corporation	6.04%
	–	1,089,000 (Note 4)	–	Beneficial owner	0.07%

Name of Director	Total number of Shares	Options to subscribe for Shares of the Company	Number of Shares held under equity derivative	Capacity in which interests are held	% of the issued share capital of the Company
Mr Shou Bainian	384,490,500 (Note 5)	–	–	Interest of a controlled corporation	23.22%
	–	609,000 (Note 4)	–	Beneficial owner	0.04%
Mr Luo Zhaoming	100,000,000 (Note 6)	–	–	Interest of a controlled corporation	6.04%
	–	15,000,000 (Note 7)	–	Beneficial owner	0.91%
Mr Guo Jiafeng	13,010,000 (Note 8)	–	–	Interest of a controlled corporation	0.79%
	–	576,000 (Note 4)	–	Beneficial owner	0.03%
Mr Chen Shunhua	–	753,000 (Note 4)	–	Beneficial owner	0.05%

Notes:

- (1) Mr Song Weiping is interested in 392,124,000(L) Shares as the sole shareholder of Delta House Limited.
- (2) Mr Song Weiping is interested in 68,859,000(L) Shares held by Wisearn Limited, a company wholly-owned by his spouse Ms Xia Yibo.
- (3) Mr Song Weiping is interested in 100,000,000(L) Shares held by Hong Kong Orange Osmanthus Foundation Limited, a corporation controlled by Mr Song Weiping.
- (4) Pursuant to the share option scheme adopted by a resolution of the Shareholders on 22 June 2006, these share options were granted on 22 January 2009 and are exercisable at HK\$2.89 per Share from 22 January 2009 to 21 January 2019.
- (5) Mr Shou Bainian is interested in such Shares as the sole shareholder of Profitwise Limited.
- (6) Mr Luo Zhaoming is interested in such Shares held by Tandellen Group Limited, a company 50% owned by him and 50% owned by his spouse Ms Ruan Yiling.
- (7) Pursuant the share option scheme adopted by a resolution of the Shareholders on 22 June 2006, these share options were granted on 17 July 2009 and are exercisable at HK\$11.59 per Share from 17 July 2009 to 16 July 2019.
- (8) Mr Guo Jiafeng is interested in such Shares as the sole shareholder of Jamuta Investments Limited.

(ii) Long positions in shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Number of Shares (long positions)			Approximate shareholding % of issued share capital of associated corporation
		Interest held by controlled corporation	Personal interest	Family interest	
Mr Song Weiping	Delta House Limited	–	Beneficial owner	–	100%
	Wisearn Limited	–	–	Beneficial owner	100%
	Hong Kong Orange Osmanthus Foundation Limited	–	Beneficial owner	–	50%
Mr Shou Bainian	Profitwise Limited	–	Beneficial owner	–	100%
Mr Luo Zhaoming	Tandellen Group Limited	–	Beneficial owner	–	50%
		–	–	Beneficial owner	50%
Mr Guo Jiafeng	Jamuta Investments Limited	–	Beneficial owner	–	100%

(b) Substantial Shareholders

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Board, no persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of substantial Shareholder	Interest or short position in the Shares or underlying Shares	Capacity in which interests are held	Approximately shareholding % in the Company
Ms Xia Yibo	562,072,000 (L) (<i>Note 1</i>)	Interest of a controlled corporation and interest of spouse	33.95%
Delta House Limited	392,124,000 (L) (<i>Note 2</i>)	Beneficial owner	23.68%
Hong Kong Orange Osmanthus Foundation Limited	100,000,000 (L) (<i>Note 2</i>)	Beneficial owner	6.04%
Profitwise Limited	384,490,500 (L) (<i>Note 3</i>)	Beneficial owner	23.22%
Ms Ruan Yiling	115,000,000 (L) (<i>Note 4</i>)	Interest of a controlled corporation and interest of spouse	6.95%
Tandellen Group Limited	100,000,000 (L) (<i>Note 5</i>)	Beneficial owner	6.04%
Lehman Brothers Holdings Inc	101,400,450 (L) (<i>Note 6</i>)	Interest of controlled corporations	6.12%
	31,868,575 (S) (<i>Note 6</i>)	Interest of controlled corporations	1.92%
J.P. Morgan Securities Ltd.	79,738,760 (L) (<i>Note 7</i>)	Beneficial owner	4.81%
	48,701,000 (S) (<i>Note 7</i>)	Beneficial owner	2.94%

Name of substantial Shareholder	Interest or short position in the Shares or underlying Shares	Capacity in which interests are held	Approximately shareholding % in the Company
Baytree Investments (Mauritius) Pte Ltd	82,867,000 (L) (Note 8)	Beneficial owner	5.00%
Seletar Investments Pte Ltd	82,867,000 (L) (Note 8)	Interest of controlled corporations	5.00%
Temasek Capital (Private) Limited	82,867,000 (L) (Note 8)	Interest of controlled corporations	5.00%

Notes:

- (1) Ms Xia Yibo held deemed interest in 68,859,000(L) Shares as sole shareholder of Wisearn Limited, and deemed interest in 392,124,000(L) Shares held by Delta House Limited and 100,000,000(L) Shares held by Hong Kong Orange Osmanthus Foundation Limited, both are corporations controlled by her spouse, Mr Song Weiping, and deemed interest in 1,089,000 share options held by Mr Song.
- (2) A corporation controlled by Mr Song Weiping, duplicates to those disclosed in the section “Directors’ Interests in Shares” above.
- (3) A corporation controlled by Mr Shou Bainian, duplicates to those disclosed in the section “Directors’ Interests in Shares” above.
- (4) Ms Ruan Yiling held deemed interest in 100,000,000(L) Shares held by Tandellen Group Limited, a controlled corporation 50% owned by her and 50% owned by her spouse, Mr Luo Zhaoming, and deemed interest in 15,000,000(L) share options held by her spouse, Mr Luo Zhaoming.
- (5) A corporation controlled by Mr Luo Zhaoming, duplicates to those disclosed in the section “Directors’ Interests in Shares” above.
- (6) Lehman Brothers Holdings Inc. held interest in a total of 101,400,450(L) Shares and 31,868,575(S) Shares by virtue of its control over the following corporations, which held direct interests in the Company:
 - Lehman Brothers Commercial Corporation Asia Limited held 10,768,010(L) Shares. Lehman Brothers Commercial Corporation Asia Limited was 50% owned by LBCCA Holdings I LLC and 50% owned by LBCCA Holdings II LLC. LBCCA Holdings I LLC and LBCCA Holdings II LLC were respectively wholly-owned by Lehman Brothers Holdings Inc.
 - Lehman Brothers International (Europe) held 34,157,882(L) Shares and 23,917,500(S) Shares. Lehman Brothers International (Europe) was wholly-owned by Lehman Brothers Holdings Inc.
 - Lehman Brothers Inc. held 2,009,575(L) Shares and 2,009,575(S) Shares. Lehman Brothers Inc. was wholly-owned by Lehman Brothers Holdings Inc.

- Lehman Brothers Finance S.A. held 54,464,983(L) Shares and 5,941,500(S) Shares. Lehman Brothers Finance S.A. was wholly-owned by Lehman Brothers Holdings Inc.

Among the entire interest of Lehman Brothers Holdings Ltd. in the Company, 35,065,892(L) Shares and 3,773,000(S) Shares were held through derivatives as follows:

- 35,065,892(L) Shares through physically settled derivatives (off exchange)
- 173,000(S) Shares through physically settled derivatives (off exchange)
- 3,600,000(S) Shares through cash settled derivatives (off exchange)

(7) J.P. Morgan Securities Ltd. is a directly or indirectly controlled corporation of the following companies:

- J.P. Morgan Chase International Holdings Limited;
- J.P. Morgan Chase (UK) Holdings Limited;
- J.P. Morgan Capital Holdings Limited;
- J.P. Morgan International Finance Limited;
- Bank One International Holdings Corporation;
- J.P. Morgan International Inc.;
- JPMorgan Chase Bank, N.A.; and
- JPMorgan Chase & Co.

Among the entire interest of J.P. Morgan Securities Ltd. in the Company, 67,738,760(L) Shares and 48,701,000(S) Shares were held through derivatives through physically settled derivatives (on exchange)

(8) Seletar Investments Pte Ltd is directly wholly-owned by Temasek Capital (Private) Limited. Temasek Capital (Private) Limited and Seletar Investments Pte Ltd held interest in 82,867,000(L) Shares by virtue of its control over Baytree Investments (Mauritius) Pte Ltd, which held direct interests in the Company.

(9) The letter “L” denotes a long position. The letter “S” denotes a short position.

3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with the Company which does not expire or which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

4. COMPETING BUSINESS INTEREST OF DIRECTORS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or their respective associates was interested in any other business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

Name of Director	Name of Competing Entity	Nature of business of the competing entity	Nature of interest of the director in the competing entity
Mr Song Weiping	Greentown Holdings Group Limited	The development and sale of the Remaining Non-Inclusion Projects (<i>Note</i>)	Director and substantial shareholder
Mr Shou Bainian	Greentown Holdings Group Limited	The development and sale of the Remaining Non-Inclusion Projects (<i>Note</i>)	Director and substantial shareholder

Note: The remaining four (the “**Remaining Non-Inclusion Projects**”) out of eight property projects (the “**Non-Inclusion Projects**”) as referred to in the deed of non-competition dated 22 June 2006, details of which are disclosed in the prospectus of the Company dated 30 June 2008.

5. MATERIAL ADVERSE CHANGE

Save as disclosed in the announcements of the Company dated 21 April 2009 and 20 May 2009 in relation to the tender offer to purchase for cash any and all of its outstanding US\$400,000,000 9.00% Senior Notes due 2012, as at the Latest Practicable Date, the Company is not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited financial statements of the Company were made up.

6. EXPERTS

Each of Hercules Capital and DTZ has given and has not withdrawn its respective written consent to the issue of this circular with the inclusion of its respective letter and reference to its respective names in the form and context in which they respectively appear.

The following are the qualifications of the experts who have given their respective opinion or advice which are contained in this circular:

Name	Qualification
Hercules Capital	A licensed corporation under the SFO to conduct Type 6 (advising on corporate finance) regulated activity under the SFO
DTZ	An independent professional property valuer

As at the Latest Practicable Date, Hercules Capital and DTZ did not have (i) any shareholding in the Company or any of its subsidiaries, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any of its subsidiaries, and (ii) any interest, either direct or indirect, in any assets which, since 31 December 2008 (the date to which the latest audited financial statements of the Group was made up), had been acquired, or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired, or disposed of by, or leased to the Company or any of its subsidiaries.

7. GENERAL

- (a) Save as disclosed in the announcements of the Company dated 6 January 2010, 16 December 2009, 13 August 2009, 8 May 2009 and 1 December 2008, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of by or leased to any member of the Group since 31 December 2008, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.
- (b) Save as disclosed in the announcement of the Company dated 1 December 2008, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.
- (c) The company secretary of the Company is Mr Lam Jim. Mr Lam is a member of the Hong Kong Institute of Certified Public Accountants.
- (d) The registered address of the Company is M&C Corporate Services Limited, PO Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands.
- (e) The principal place of business of the Company in Hong Kong is at Room 1406-08, 14th Floor, New World Tower 1, 16-18 Queen's Road Central, Hong Kong.
- (f) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited.

- (g) The principal share registrar of the Company is Butterfield Fulcrum Group (Cayman) Limited (formerly known as Butterfield Fund Services (Cayman) Limited).
- (h) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's principal place of business in Hong Kong at Room 1406-08, 14th Floor, New World Tower 1, 16-18 Queen's Road Central, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including 5 February 2010:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the two years ended 31 December 2008;
- (c) the letter from the Independent Board Committee to the Shareholders, the text of which is set out on pages 25 to 26 of this circular;
- (d) the letter of advice from Hercules Capital, the Independent Financial Adviser to the Independent Board Committee and the Shareholders, the text of which is set out on pages 27 to 38 of this circular;
- (e) the valuation report issued by DTZ on the Project as set out in Appendix I to this circular;
- (f) the written consents referred to in the paragraph headed "Experts" in this Appendix;
- (g) the Framework Cooperation Agreement;
- (h) the Entrusted Loan Agreements;
- (i) the Supplemental Entrusted Loan Agreement;
- (j) the Entrusted Loan Transfer Agreement;
- (k) the Sale Interest Transfer Agreement;
- (l) the Repurchase Agreement;
- (m) the Guarantees;

- (n) the Single Capital Trust Agreement;
- (o) the Share Charge;
- (p) the Land Mortgage; and
- (q) this circular.