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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in KWG Property Holding Limited, you should at once hand this circular to the purchaser, the 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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**KWG PROPERTY HOLDING LIMITED**  
**合景泰富地產控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1813)**

**DISCLOSEABLE AND CONNECTED TRANSACTION**

**TERMINATION OF JOINT VENTURE WITH RESPECT TO  
THE PROPERTY DEVELOPMENT IN CHENGDU**

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



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A letter from the Board is set out on pages 3 to 6 of this circular and a letter from the Independent Board Committee is set out on page 7 of this circular. A letter from VC 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 Termination is set out on pages 8 to 12 of this circular.

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## DEFINITIONS

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*In this circular, the following expressions shall have the following meanings, unless the context otherwise requires:*

“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day”	any day (other than a Saturday, Sunday, a public holiday or a day on which typhoon signal no. 8 or above or a “black” rainstorm warning is hoisted in Hong Kong) on which banks in Hong Kong are open for business;
“Circular”	the circular of the Company dated 29 October 2007;
“Company”	KWG Property Holding Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Development”	the development of Plot 3 Land, Plot 9 Land and Plot 10 Land into residential buildings, commercial buildings and a hotel;
“Directors”	the directors of the Company;
“First Announcement”	the announcement of the Company dated 8 October 2007;
“Gain Right”	Gain Right Limited, a company incorporated in the British Virgin Islands on 20 August 2007, and a non wholly-owned subsidiary of the Company as at the Latest Practicable Date;
“Group”	the Company and its subsidiaries;
“HIBOR”	Hong Kong Interbank Offering Rate;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board, comprising the independent non-executive Directors appointed by the Board to advise the Shareholders in relation to the Termination;
“Independent Financial Adviser” or “VC Capital”	VC Capital Limited, being licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to advise the Independent Board Committee and the Shareholders in relation to the Termination;
“Investors”	Castor Investment, Ltd., a company incorporated in the Cayman Islands with limited liability, and Castor Investment TE Sub, Ltd., a company incorporated in the Cayman Islands with limited liability;
“Investor Shares”	35 Class A shares in Gain Right;
“Latest Practicable Date”	17 April 2009, being the latest practicable date prior to 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;
“Notice”	Notice of the Ministry of Commerce on Doing a Good Job in Archiving Documents on Foreign Investment in the Real Estate Industry 《商務部關於做好外商投資房地產業備案工作的通知》;

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## DEFINITIONS

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“Plot 3 Land”	the land located in 成都高新區南部新區豐收片區 (高新區原和平村1組、紅光村1組) ((Group 1, Hongguang Village, Group 1 Yuanheping Village Gaoxinqu) Fengshoupianqu, South part of Xinqu, Gaoxinqu Chengdu*) with a total area of approximately 13,857.17 square metres;
“Plot 9 Land”	the land located in 成都高新區南部新區仁和片區30號 (高新區原仁和村3、7、8組、清和村9組) ((Group 9 Qinghe Village, Groups 3, 7, 8 Yuanrenhe Village, Gaoxinqu) No. 30 Renhepianqu, South part of Xinqu, Gaoxinqu, Chengdu*) with a total area of approximately 115,749.47 square metres;
“Plot 10 Land”	the land located in 成都高新區南部新區仁和片區38號 (高新區原仁和村2組、3組、8組) ((Group 8, Group 3, Group 2 Yuanrenhe Village, Gaoxinqu) No. 38 Renhepianqu, South part of Xinqu, Gaoxinqu, Chengdu*) with a total area of approximately 70,954.48 square metres;
“Plus Earn”	Plus Earn Consultants Limited, a company incorporated in the British Virgin Islands and the controlling shareholder of the Company holding 1,612,500,000 Shares as at the Latest Practicable Date;
“PRC”	the People’s Republic of China;
“Prime Way”	Prime Way Enterprises Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company;
“Project”	the property development project situated at Plot 3 Land, Plot 9 Land and Plot 10 Land;
“Project Company”	Chengdu Zhongtianying Real Estate Development Limited, a limited liability company established in the PRC on 6 December 2006 and a non wholly-owned subsidiary of the Company as at the Latest Practicable Date;
“SAFE Certificate”	the Certificate of Registration of Foreign Exchange (外匯登記證);
“Second Announcement”	the announcement of the Company dated 22 February 2008;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholders”	holders of the Shares;
“Shares”	shares of HK\$0.10 each in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Termination”	termination of the joint venture between Prime Way and the Investors with respect to the Development by way of the Transfer;
“Third Announcement”	the announcement of the Company dated 12 March 2009;
“Transfer”	the transfer of the Investor Shares by the Investors to the Company or its nominee;
“US\$”	United States dollar, the lawful currency of the United States of America; and
“%”	per cent.

*Note* \* English translation of the Chinese names of the land

*In this circular, amounts denominated in RMB have been converted into HK\$ at the rate of RMB1.00 = HK\$1.134; and amounts denominated in US\$ have been converted into HK\$ at the rate of US\$1.00 = HK\$7.75.*



合 景 泰 富

**KWG PROPERTY HOLDING LIMITED**

**合 景 泰 富 地 產 控 股 有 限 公 司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1813)**

*Executive Directors:*

Kong Jian Min  
Kong Jian Tao  
Kong Jian Nan  
Li Jian Ming  
Tsui Kam Tim  
He Wei Zhi

*Independent non-executive Directors:*

Lee Ka Sze, Carmelo  
Dai Feng  
Tam Chun Fai

*Registered office:*

Cricket Square  
Hutchins Drive  
Grand Cayman KY1-1111  
Cayman Islands

*Principal place of business  
in Hong Kong:*

Room 6407, 64th Floor  
Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong

23 April 2009

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION**

**TERMINATION OF JOINT VENTURE WITH RESPECT TO  
THE PROPERTY DEVELOPMENT IN CHENGDU**

**INTRODUCTION**

Reference is made to the First Announcement and the Circular in relation to the joint venture with the Investors with respect to the Development.

As set out in the Third Announcement, the joint venture between Prime Way, a wholly-owned subsidiary of the Company, and the Investors with respect to the Development has been terminated by way of the Transfer.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Shareholders in relation to the Termination, and VC Capital has been appointed as an independent financial adviser to advise the Independent Board Committee and the Shareholders in relation to the Termination.

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## LETTER FROM THE BOARD

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

### BACKGROUND TO THE TERMINATION

As disclosed in the First Announcement and the Circular, Prime Way, on 8 October 2007, entered into a joint venture with the Investors with respect to the Development. Pursuant to the joint venture arrangement, the Investors subscribed the Investor Shares, for US\$101,300,420.22, which confer on the Investors the right to enjoy 35% of the benefits derived from the Development.

The Project Company currently holds two parcels of land, namely Plot 3 Land and Plot 10 Land, and will hold the land use rights of a parcel of land, namely Plot 9 Land, pursuant to the land use rights grant contract upon full payment of the land premium, which are for three separate but related projects comprised in the Development. Plot 3 Land and Plot 10 Land are currently under development and pre-sale for Plot 3 Land has commenced in early April 2009. As at Latest Practicable Date, the Project Company has not commenced the construction work on Plot 9 Land.

On 18 June 2008, the Ministry of Commerce of the PRC promulgated the Notice, effective on 1 July 2008. Pursuant to the Notice, the investment (including capital increase) of a foreign invested project company such as the Project Company will be restricted to the development of a single project which has been approved by the relevant PRC government authorities.

The Development involves three projects on three parcels of land. As a result of the implementation of the Notice, the Project Company will not be able to carry out the Development and comply with the Notice unless the current holding structure for the Development is to be restructured, failing which the SAFE Certificate issued to the Project Company will be cancelled. In the event that the SAFE Certificate issued to the Project Company is cancelled, both Prime Way and the Investors will not be able to inject further funds into the Development and the Project Company cannot remit out of the PRC future dividends or other income distributions. As advised by the PRC legal advisers to the Company, with the participation of the Investors at the Gain Right level, the options available for the restructuring of the Development are limited and any restructuring exercise will be more complicated and will entail uncertainty for the Company in terms of the applicable laws and the timing of the restructuring.

On 12 March 2009, the joint venture between Prime Way and the Investors with respect to the Development was terminated by way of the Transfer. Upon completion of the Transfer, the Development will be wholly-owned by the Company and the Company will commence the restructuring process with respect to the Project Company. Based on the advice from the PRC legal advisors to the Company, the restructuring exercise without the involvement of the Investors is expected to be implemented within two months.

As (i) given the uncertainty over the restructuring of the holding structure for the Development with the involvement of the Investors; (ii) the pre-sale for Plot 3 Land has commenced in early April 2009; and (iii) the Board is optimistic about the prospect of the property market in Chengdu, the PRC, the Directors consider that the Termination would be in the best interests of the Company and the Shareholders as a whole and the Company could maximize the benefits from the Development and retain full control in the Project Company. The Directors believe that the Group has sufficient financial resources for its operations and completion of its existing property development projects and the Group's financial position is healthy notwithstanding the Transfer.

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## LETTER FROM THE BOARD

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### TERMINATION

The Investors will transfer back to the Company the Investor Shares for US\$101,300,420.22, payable in the following manner:

- (a) the sum of US\$76,677,614.05, which has been paid in cash on 26 March 2009; and
- (b) the balance to be paid in cash on or before 24 June 2009,

with interest at the rate of 0.28176% per annum on (a) above commencing from 21 January 2009 up to 26 March 2009 and at the rate of 8.28176% per annum on (b) above commencing from 27 March 2009 up to 24 June 2009.

The consideration of the Transfer was determined with reference to the subscription price paid by the Investors for the Investor Shares. The consideration of the Transfer, the terms of payment and the interest rates were agreed after arm's length negotiations between the Company and the Investors. The interest rate for the sum under (a) above was determined with reference to the one-month HIBOR at the time of negotiation of the Termination, and that the interest rate for the sum under (b) above was one-month HIBOR plus 8%, with reference to the average interest rate for bank borrowings of the Group wholly repayable within five years.

Completion of the Transfer will take place on the next Business Day after the day on which the consideration is paid in full. It is expected that the consideration will be funded by bank borrowings and internal resources of the Group. The Project Company will become an indirect wholly-owned subsidiary of the Company upon completion of the Transfer.

As at 31 December 2008, the total net asset value of Gain Right was approximately RMB710,287,191 (equivalent to approximately HK\$805,465,674).

### IMPLICATIONS UNDER THE LISTING RULES

The Investors are deemed by the Stock Exchange as connected persons under Rule 14A.06 of the Listing Rules by virtue of their influence in Gain Right, an indirect subsidiary of the Company, through the approval power of the directors nominated and appointed by the Investors, as set out in the Second Announcement, and therefore the Termination constitutes a non-exempted connected transaction for the Company under the Listing Rules.

As (i) the Investors are deemed connected because of their influence in Gain Right; (ii) the Investors are not interested in any Shares, and no Shareholder is interested in the Termination (other than through its/his/her interest in the Company) and is required to abstain from voting for the resolution to approve the Termination; and (iii) Plus Earn, which is interested in 1,612,500,000 Shares, representing approximately 62.17% of the issued share capital of the Company as at Latest Practicable Date, has approved the Termination by written shareholders' approval in accordance with Rule 14A.43 of the Listing Rules, the Company applied to the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules for a waiver from strict compliance with the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The Stock Exchange has granted a waiver to the Company from strict compliance with the requirement to hold a shareholders' meeting to approve the Termination pursuant to Rule 14A.43 of the Listing Rules. Accordingly, no general meeting of the Company will be held. The information contained in this circular is for information of the Shareholders only.

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## LETTER FROM THE BOARD

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Since the applicable percentage ratios (as set out in the Listing Rules) are more than 5% but less than 25%, the Termination also constitutes a discloseable transaction for the Company under the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Shareholders in relation to the Termination. Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on page 7 of this circular.

The Company has appointed VC Capital as the independent financial adviser to advise the Independent Board Committee and the Shareholders in relation to the Termination. Your attention is drawn to its letter of advice set out on page 8 to 12 of this circular.

### GENERAL

The Group is principally engaged in property development in the PRC.

Each of the Investors is a special purpose vehicle managed by Aetos Capital Asia investment funds. The principal business activity of the Investors is investment holding.

### ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 7 of this circular which contains its recommendation to the Shareholders in relation to the Termination. Your attention is also drawn to the letter of advice from VC Capital set out on pages 8 to 12 of this circular which contains its advice to the Independent Board Committee and the Shareholders in relation to the Termination and the principal factors and reasons considered by it in concluding its advice.

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

Yours faithfully,  
For and on behalf of the Board  
**KWG Property Holding Limited**  
**Kong Jian Min**  
*Chairman*



合 景 泰 富

**KWG PROPERTY HOLDING LIMITED**

**合 景 泰 富 地 產 控 股 有 限 公 司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1813)**

23 April 2009

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION**

**TERMINATION OF JOINT VENTURE WITH RESPECT TO  
THE PROPERTY DEVELOPMENT IN CHENGDU**

We refer to the circular of the Company to the Shareholders dated 23 April 2009 (the “**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalized 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 whether the Termination is fair and reasonable so far as the Company and the Shareholders are concerned.

We wish to draw your attention to the letter of advice from VC Capital Limited (“**VC Capital**”), the independent financial adviser appointed to advise the Independent Board Committee and the Shareholders in relation to the Termination, as set out on pages 8 to 12 of the Circular and the letter from the Board set out on page 3 to 6 of the Circular.

Having considered the factors and reasons considered by, and the opinion of VC Capital as stated in its letter of advice, we consider that the Termination is fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Yours faithfully  
The Independent Board Committee of  
**KWG Property Holding Limited**  
**Lee Ka Sze, Carmelo**  
**Dai Feng**  
**Tam Chun Fai**  
*Independent non-executive Directors*

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## LETTER FROM VC CAPITAL

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*The following is the full text of a letter from VC Capital for the purpose of incorporation in this circular, in connection with its advice to the Independent Board Committee and the Shareholders in relation to the Termination:*



23 April 2009

*To the Independent Board Committee and  
the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

### **TERMINATION OF JOINT VENTURE WITH RESPECT TO THE PROPERTY DEVELOPMENT IN CHENGDU**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Shareholders in respect of the Termination, details of which are set out in the letter from the Board as contained in the circular of the Company dated 23 April 2009 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The Termination constitutes a discloseable transaction for the Company pursuant to Chapter 14 of the Listing Rules. As the Investors are deemed by the Stock Exchange as connected persons of the Company under Rule 14A.06 of the Listing Rules by virtue of their influence in Gain Right, an indirect subsidiary of the Company, through the approval power of the directors nominated and appointed by the Investors, as set out in the Second Announcement, the Termination also constitutes a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules. As stated in the letter from the Board, as (i) the Investors are not interested in any Shares; (ii) no Shareholder is interested in the Termination (other than through its/his/her interest in the Company) and is required to abstain from voting for the resolution to approve the Termination; and (iii) Plus Earn, which was interested in 1,612,500,000 Shares, representing approximately 62.17% of the issued share capital of the Company as at the Latest Practicable Date, has approved the Termination by written shareholders’ approval in accordance with Rule 14A.43 of the Listing Rules, the Company has applied to the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules for a waiver from strict compliance with the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules. The Stock Exchange has granted a waiver to the Company from strict compliance with the requirement to hold a shareholders’ meeting to approve the Termination pursuant to Rule 14A.43 of the Listing Rules.

The Independent Board Committee, comprising Mr. Lee Ka Sze, Carmelo, Mr. Dai Feng and Mr. Tam Chun Fai, being all the independent non-executive Directors, has been established to advise on the fairness and reasonableness of the terms of the Termination so far as the Shareholders are concerned and as to whether the Termination is in the interests of the Company and the Shareholders as a whole.

In our capacity as the independent financial adviser to the Independent Board Committee and the Shareholders, our role is to give an independent opinion as to whether the Termination is on normal commercial terms, whether it is in the ordinary and usual course of business of the Group,

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## LETTER FROM VC CAPITAL

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whether the terms of the Termination are fair and reasonable so far as the Shareholders are concerned and whether the Termination is in the interests of the Company and the Shareholders as a whole.

VC Capital Limited (“**VC Capital**”) is not associated with the Company and its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the Termination. Apart from normal professional fees payable to us in connection with this engagement, no arrangement exists whereby VC Capital will receive any fees or benefits from the Company or its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have relied on the information and facts supplied and the opinions expressed by the executive Directors and senior management of the Group. We have also assumed that the information and representations contained or referred to in the Circular were true and accurate at the time they were prepared or made and will continue to be so up to the date of completion of the Transfer. We have no reason to doubt the truth, accuracy and completeness of the information and representations made to us by the executive Directors and senior management of the Group. We have also been advised by the executive Directors that no material facts have been omitted from the Circular and the information provided to us.

We consider 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 opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information supplied.

All the Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by the Directors in the Circular have been arrived at after due and careful consideration and that there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In considering whether the Termination is on normal commercial terms, whether it is in the ordinary and usual course of business of the Group, whether the terms of the Termination are fair and reasonable so far as the Shareholders are concerned, and whether the Termination is in the interests of the Company and the Shareholders as a whole, we have taken into account the following principal factors and reasons.

#### **Background and reasons for the Termination**

As stated in the circular of the Company dated 29 October 2007 in relation to the entering into of the agreement dated 8 October 2007 (the “**2007 Agreement**”), the Directors were of the view that the introduction of the Investors, which are special purpose vehicles managed by the Aetos Capital Asia investment funds, one of the largest real estate focused investment funds in Asia, as joint venture partners in the Project Company would bring valuable experience and expertise from the Investors in the implementation of the Development.

As disclosed in the letter from the Board, the Project Company currently holds Plot 3 Land and Plot 10 Land, and will hold the land use rights of Plot 9 Land pursuant to the land use rights grant contract upon full payment of the land premium, for the implementation of the Development. Plot 3 Land and Plot 10 Land are currently under development and pre-sale for Plot 3 Land has commenced in early April 2009. We understand from the executive Directors that construction work on Plot 9 Land has not yet commenced as at the date of this letter of advice.

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## LETTER FROM VC CAPITAL

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On 18 June 2008, the Ministry of Commerce of the PRC promulgated the Notice, which took effect on 1 July 2008. Pursuant to the Notice, the investment (including capital increase) of a foreign invested project company such as the Project Company will be restricted to the development of a single project which has been approved by the relevant PRC government authorities.

The Development involves three projects on three parcels of land, and as a result of the implementation of the Notice, the Project Company is subject to restrictions to further develop the three parcels of land it owns. The Project Company will not be able to carry out the Development and comply with the Notice unless the current holding structure for the Development is to be restructured. We have reviewed the legal advice from the PRC legal advisers to the Company and note that if the current holding structure of the Development is not restructured, the SAFE Certificate of the Project Company will be cancelled. In the event that the SAFE Certificate is cancelled, no further funds could be injected into the Development, the Project Company will not be able to remit any future dividends or other income distributions out of the PRC and the investments already made by the Company in the Development may become in vain.

We also note from the legal advice from the PRC legal advisers to the Company that if the Investors were to continue with their participation in the Project Company, the alternatives available for restructuring of the Development are limited and that any restructuring exercise involving the Investors will be more complicated and may entail uncertainty for the Company and the Investors in terms of the applicable laws and the timing of the restructuring, as any restructuring involving participation of the Investors in the Project Company would require going through a greater number of procedures involving a greater number of different authorities, which will incur additional administrative time and costs on the part of the Project Company and may have an adverse effect on the progress of the Development.

In order to safeguard the interests of the Company and the Shareholders, we agree that the Termination is the best alternative for the Company to avoid cancellation of the SAFE Certificate of the Project Company and that the Development can continue in a timely manner following implementation of the Notice. We also consider that given the Group's experience in property development in the PRC, the withdrawal of the Investors from the Development will not have any material adverse effect on the progress of the Development.

Having considered that (i) there are only a limited number of options for restructuring the Development; (ii) any restructuring exercise that involves the continued participation of the Investors in the Project Company would be more complicated and entail uncertainty for the Company and the Investors; (iii) the Termination appears to be the best alternative for the Company in terms of complexity, timing, costs and the possibility of getting all necessary approvals for the continuation of the Development in a timely manner; and (iv) the Termination would enable the Group to carry on the Development without having to forego the financial commitment and efforts that the Company has already made in the Development, we are of the view that the Termination is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

### **Consideration**

As disclosed in the letter from the Board, the Investors will transfer back to the Company the Investor Shares for the same amount that has been paid by the Investors for the Investor Shares under the 2007 Agreement, that is, US\$101,300,420.22 (approximately HK\$785.08 million), payable in the following manner:

- (a) the sum of US\$76,677,614.05 (approximately HK\$594.25 million), which has been paid in cash on 26 March 2009; and
- (b) the balance of US\$24,622,806.17 (approximately HK\$190.83 million) to be paid in cash on or before 24 June 2009,

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## LETTER FROM VC CAPITAL

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with interest at the rate of 0.28176% per annum on (a) above commencing from 21 January 2009 up to 26 March 2009 and at the rate of 8.28176% per annum on (b) above commencing from 27 March 2009 up to 24 June 2009.

We understand from the executive Directors that the consideration of the Transfer was determined with reference to the subscription price paid by the Investors for the Investor Shares, whilst the terms of payment and the interest rates were agreed after arms' length negotiations between the Company and the Investors. The interest rate for the sum under (a) above was determined with reference to the one-month HIBOR at the time of negotiation of the Termination, and the interest rate for the sum under (b) above is the one-month HIBOR plus 8%, determined with reference to the average interest rate for bank borrowings of the Group wholly repayable within five years. We note from the 2007 annual report of the Company that for each of the two financial years ended 31 December 2007, the interest rates paid by the Company for amounts (which were denominated in Renminbi) due to related companies range from approximately 6.14% to approximately 7.34%. The interest rate for the sum under (b) is slightly higher than the range of the interest rates paid by the Company to related companies. We consider that the interest rate offered by the Company for the sum under (b) is justifiable for the reasons that (i) the Investors have already invested in the Development and the Project Company since the date of completion of the 2007 Agreement such that the Investors have already forgone any possible interest income that would have been generated from such amount of contribution; (ii) as a result of the Termination, the Investors will not be able to share any benefits that would be generated from the Development; and (iii) the interest period for the payment of the sum under (b) above only covers a short period of time from 27 March 2009 up to 24 June 2009, and hence we consider that the interest rate for the relevant sum is not excessive.

According to information provided by the Company, the interest rates for project loans of the Group for the year ended 31 December 2008 range from HIBOR + 3.50% to approximately 8.90%. Taking into account the fact that the interest rate of 8.28176% for the payment of the sum under (b) above is within the range of interest rates paid by the Company for its project loans, we consider that the interest rate of 8.28176% is fair and reasonable when compared to the interest rates paid by the Company for amounts due to independent third parties.

We note from the valuation report on the Project, as set out in Appendix I to the Circular, that Plot 3 Land, Plot 9 Land and Plot 10 Land were valued by an independent property valuer at RMB1,758.00 million (approximately HK\$1,993.57 million) as at 28 February 2009, with no commercial value being attributed to Plot 9 Land as only part of the land premium has been paid by the Project Company and the land use rights certificate for Plot 9 Land has not yet been obtained as at 28 February 2009. We further understand that had the land premium been paid in full and the land use rights certificate been obtained, Plot 9 Land would have been valued at RMB2,080.00 million (approximately HK\$2,358.72 million) as at 28 February 2009, and that Plot 3 Land, Plot 9 Land and Plot 10 Land would have been valued in total at RMB3,838.00 million (approximately HK\$4,352.29 million) as at 28 February 2009.

We have reviewed the PRC legal opinion in relation to Plot 3 Land, Plot 9 Land and Plot 10 Land and understand that in light of the Sichuan earthquake in 2008, the Chengdu City People's Government issued Document No. (2008) 50 titled 《關於促進房地產業恢復發展扶持居民安居置業的意見》 on 15 June 2008, whereby it was announced that companies affected by the earthquake could apply for an extension of deadline for the payment of the land premium. We understand that the Project Company has applied for an extension of the deadline to pay the land premium to 31 December 2009, and that to date, the Project Company has not been punished by the relevant PRC authorities for the delay in the payment of the outstanding land premium. The PRC legal advisers are of the opinion that subject to the granting of such extension by the relevant PRC authorities and the payment of the outstanding land premium by the Project Company within the stipulated deadline, there is no legal impediment for the Project Company to obtain the land use rights certificate for Plot 9 Land. As confirmed with the Directors, the Group is expected to have sufficient financial resources for the payment of the outstanding land premium of approximately RMB579.92 million (approximately HK\$657.63 million).

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## LETTER FROM VC CAPITAL

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In view of the fact that (i) the restructuring by way of the Termination is necessary in view of the relevant PRC regulations; (ii) the Termination in effect unwinds the arrangement under the 2007 Agreement such that the Group will assume and bear all the risks and returns from the Project as if the 2007 Agreement had never been entered into; and (iii) the consideration for the Investor Shares under the Termination is exactly the same as that paid by the Investors for the Investor Shares under the 2007 Agreement, we therefore consider that it is inappropriate to compare the consideration for the Investor Shares with the valuation of the Project to assess the fairness and reasonableness of the consideration for the Investor Shares.

Given that: (i) the consideration for the Investor Shares under the Termination is exactly the same as that paid by the Investors for the Investor Shares under the 2007 Agreement; and (ii) the interest rates charged on the outstanding amounts for the Investor Shares were determined on arms' length basis by the Company and the Investors with reference to the average interest rate for bank borrowings of the Group wholly repayable within five years and are not excessively high as compared with the interest costs of the Group, we agree that the consideration is fair and reasonable so far as the Shareholders are concerned.

### **Financial effects of the Termination on the Group**

As stated in the letter from the Board, the consideration will be funded by bank borrowings and internal resources of the Group. With the restricted cash of approximately RMB174.91 million (approximately HK\$198.35 million) and the cash and cash equivalents of approximately RMB1,274.19 million (approximately HK\$1,444.93 million) as stated in the latest published unaudited financial information of the Company as at 30 June 2008, the Termination is not expected to have any material adverse impact on the cash flow of the Group. We also understand from the Directors that the Group is expected to have sufficient financial resources for completion of its existing property development projects, while maintaining a healthy financial position for the Group. Moreover, upon completion of the Transfer, the Project Company will become an indirect wholly-owned subsidiary of the Company and the Company would be able to maximize the benefits and any possible contributions generated from the Development. In light of the positive outlook of the property market in Chengdu, the PRC as regarded by the Directors, we agree that the Termination is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **RECOMMENDATION**

Having considered the above-mentioned principal factors and reasons, notwithstanding that the Termination is not in the ordinary and usual course of business of the Group, we consider that the Termination is on normal commercial terms, that the terms of the Termination are fair and reasonable so far as the Shareholders are concerned, and that the Termination is in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Shareholders, and advise the Independent Board Committee to recommend the Shareholders, to approve the Termination, whether or not a shareholders' meeting of the Company will be convened for such purpose.

Yours faithfully  
For and on behalf of  
**VC Capital Limited**  
**Philip Chau**                      **Keith Lou**  
*Managing Director*      *Executive Director*

*The following is the text of a letter with the summary of values and valuation certificate received from CB Richard Ellis Limited, prepared for the purpose of incorporation in this circular, in connection with their valuation as at 28 February 2009 of certain property interests of the Group.*

**CBRE**  
CB RICHARD ELLIS  
世邦魏理仕

34/F Central Plaza  
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T 852 2820 2800  
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23 April 2009

**The Board of Directors**  
**KWG Property Holding Limited**  
Room 6407, 64th Floor  
Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

Dear Sirs,

In accordance with the instruction from KWG Property Holding Limited (the “Company”) for us to value certain property interests held by the Company and its subsidiaries (hereinafter together know as the “Group”) in the People’s Republic of China (the “PRC”), we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of such property interests as at 28 February 2009 (the “date of valuation”).

Our valuation is our opinion of Market Value which is defined to mean “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”.

Unless otherwise stated, our valuation is prepared in accordance with the “RICS Valuation Standards (6th Edition) published by The Royal Institution of Chartered Surveyors and the “First Edition of The HKIS Valuation Standards on Properties” published by The Hong Kong Institute of Surveyors (the “HKIS”). We have also complied with all requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies Ordinance (Cap. 32) and Chapter 5, Practice Note 12 and Practice Note 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

Under otherwise stated, all the property interests are valued by the comparison method on the assumption that each property can be sold with the benefit of vacant possession. Comparison is based on prices realized on actual transactions or asking price of comparable properties. Comparable properties with similar sizes, character and locations are analyzed, and carefully weighted against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

For the property interests in Group I, which are held by the Group for under development in the PRC, we have valued the property interests on the basis that the property will be developed and completed in accordance with the Group's latest development schemes provided to us. We have assumed that approvals for the proposals have been obtained. 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 consideration the development costs already spent and to be spent which are provided by the Group, to reflect the quality of the completed development. The "Capital value of the property as if the property were completed at the date of valuation" represents our opinion of the aggregate selling prices of the development assuming that it would have completed at the date of valuation.

For the purpose of our valuation, property developments under development are those for which the Construction Works Commencement Permit(s) of the building(s) thereof has (have) been issued but for which the Completed Construction Works Certified Report of the building(s) thereof has (have) not yet been issued.

For the property interests in Group II, which are held by the Group for future development in the PRC, we have also valued each of these property interests by the direct comparison approach assuming sale of each of these property interests in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

For the purpose of our valuation, property developments for future development are those the Construction Works Commencement Permit(s) has (have) not yet been issued but for which the State-owned Land Use Rights Certificate(s) has (have) been obtained.

For the property interests in Group III, which are interests to be acquired by the Group, the Group have entered into agreements with relevant owner of the properties or the relevant government authorities. Since the Group has not yet obtained the State-owned Land Use Rights Certificates and/or the payment of the land premium has not yet been fully settled as at the date of valuation, we have attributed no commercial value to the property interests.

In the course of our valuation for the property interests in the PRC, we have relied on the legal opinion provided by the Company's PRC legal advisor, Jingtian & Gongcheng (the "PRC Legal Opinion") in relation to the title documents and all relevant approvals and consents in respect of the property interests. We have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or existence of any amendment which does not appear on the copies handed to us. All documents have been used for reference only.

Under the current planning approval systems in China, valuers are not able to undertake any planning approval verification freely and swiftly. We have relied to a considerable extent on information given by the Group, in particular, but not limited to, planning approvals, statutory notices, easements, occupancy and floor areas (including Gross Floor Areas, Saleable Gross Floor Areas and Non-saleable Gross Floor Areas). No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificates are only approximations. We have assumed that the areas shown on the document and office site plan handed to us are correct. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

We have inspected the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the subsoil conditions and the services etc. for any future development and the buildings and we have assumed that these aspects are satisfactory. Our valuation does not make any allowance for contamination or pollution of the land, if any, which may have occurred as a result of past usage.

We would draw your attention to the fact that the current volatility in the global financial system has created a significant degree of turbulence in commercial real estate markets across the world. Furthermore, the lack of liquidity in the capital markets means that it may be very difficult to achieve a successful sale of property assets in the short-term. We would therefore recommend that the situation and the valuation are kept under regular review, and that specific marketing advice is obtained should you wish to effect a disposal.

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

Unless otherwise stated, all monetary amounts are stated in Renminbi (“RMB”).

We enclose herewith a summary of values and our valuation certificate.

Yours faithfully,  
For and on behalf of  
**CB Richard Ellis Limited**

**Alex P W Leung**  
*MHKIS MRICS RPS (GP)*  
*Director*  
*Valuation & Advisory Services*

**Leo M Y Lo**  
*MHKIS MRICS*  
*Director*  
*Valuation & Advisory Services*

*Note:* Mr. Leung is a Registered Professional Surveyor (General Practice), a member of Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors. He has over 13 years' valuation experience in the PRC and Hong Kong.

Mr. Lo is a member of Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors. He has over 5 years' valuation experience in the PRC and Hong Kong.

## SUMMARY OF VALUES

<b>Property interests</b>	<b>Capital value in existing state as at 28 February 2009 (RMB)</b>
<b>Group I — Property interests held by the Group for under development</b>	
1. The developing groups of Emerald Chengdu located at Fengshoupianqu, South part of Xinqu, Gaoxinqu, Chengdu City, Sichuan Province, the PRC (Plot 3 Land)	303,000,000
<b>Group II — Property interests held by the Group for future development</b>	
2. A reserved land located at No. 38 Renhepianqu, South part of Xinqu, Gaoxinqu, Chengdu City, Sichuan Province, the PRC (Plot 10 Land)	1,455,000,000
<b>Group III — Property interests to be acquired by the Group</b>	
3. A reserved land located at No. 30 Renhepianqu, South part of Xinqu, Gaoxinqu, Chengdu City, Sichuan Province, the PRC (Plot 9 Land) (Note i)	No commercial value
<b>Grand Total:</b>	<u>1,758,000,000</u>

*Note:*

- i. In the course of our valuation, we have ascribed no commercial value to the property. As advised by the Company, the Group has entered into a State-owned Land Use Rights Grant Contract in respect of the property. Had the relevant State-owned Land Use Rights Certificate been obtained, the market value of the property as at 28 February 2009 assuming that all land premium has been fully paid would be RMB2,080,000,000.

## VALUATION CERTIFICATE

## Group I — Property interests held by the Group for under development

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 28 February 2009 (RMB)
1. The developing groups of Emerald Chengdu located at Fengshoujianqu, South part of Xinqu, Gaoxinqu, Chengdu City, Sichuan Province, the PRC (Plot 3 Land)	<p>As advised by the Company, upon its completion, the property will comprise 419 residential units with a total gross floor area of approximately 39,382.80 sq.m., commercial spaces (including retail podium and building #4) with a total gross floor area of approximately 9,873.23 sq.m. and 312 car parking spaces with a total floor area of approximately 11,208.39 sq.m.. There will be a total floor area of approximately 2,286.05 sq.m. allocated for communal uses.</p> <p>The developing groups of Emerald Chengdu (“the Development”) occupying a site with a land area of approximately 13,857.17 sq.m. that has planned to be developed with a total gross floor area of approximately 49,392.80 sq.m..</p> <p>As advised by the Company, the proposed development is expected to be completed by the end of 2009 or early 2010.</p> <p>The property is held under a State-owned Land Use Rights Certificate for terms expiring on 27 July 2077 for residential use and 27 July 2047 for commercial use.</p>	The property is under development.	303,000,000

## Notes:

- i. Pursuant to the following State-owned Land Use Rights Grant Contract, the land use rights of the Development, with a total site area of approximately 13,857.17 sq.m. have been contracted to be granted to 成都中天盈房地產開發有限公司 (Chengdu Zhongtianying Real Estate Development Co., Ltd.) (the "Project Company") with a consideration of RMB201,622,260.

State-owned Land Use Rights Grant Contract No.	Date of Contract	Site Area (sq.m)	User	Grantor
5101 Gao Xin Nan (2007) Chu Rang He Tong Di No. 22	27 July 2007	13,857.17	Chengdu Zhongtianying Real Estate Development Co., Ltd.	Chengdu City State-owned Land Resources Bureau

- ii. Pursuant to the following State-owned Land Use Rights Certificate, the land use rights of the Development, with a total site area of approximately 13,857.17 sq.m., in which the property is located, have been granted to the Project Company.

State-owned Land Use Rights Certificate No.	Site Area (sq.m)	Date of Issuance	Date of Expiry
Cheng Gao Guo Yong (2007) Di No. 6283	13,857.17	1 November 2007	Residential: 27 July 2077, commercial: 27 July 2047

- iii. Pursuant to the Construction Works Planning Permit and the Construction Works Commencement Permit, the planning and the commencement of the construction works of the Development with a total gross floor area of about 62,750.47 sq.m. have been approved.

- iv. We have been provided with the PRC legal opinion provided by the Company's PRC legal advisor, Jingtian & Gongcheng, which contains, inter alia, the following information:

- a) Pursuant to the State-owned Land Use Rights Certificate, the Project Company is the unique legal rights user. During the land use rights terms, the Project Company has the rights to occupy and use the land use rights of the property.
- b) The Project Company has the rights to transfer, lease, mortgage and dispose the land use rights of the property legally.
- c) The Project Company has obtained all the relevant construction permit from the relevant government authority for construction with a total GFA of approximately 62,750.47 sq.m.. Therefore, the Project Company has a completed and entire development rights of the property.
- d) Prime Way Enterprises Limited ("Prime Way"), a wholly-owned subsidiary of the Company, entered into a joint venture with the Investors with respect to the property on 8 October 2007 through its shareholding in Gain Right Limited. Gain Right Limited indirectly owns 100% of the Project Company. Gain Right Limited is owned as to 65% by Prime Way, as to 30% by Castor Investment TE Sub, Ltd. and as to 5% by Castor Investment, Ltd. (Castor Investment TE Sub, Ltd. and Castor Investment, Ltd. together known as the "Investors"). Pursuant to the joint venture agreement, the Investors have the rights to enjoy 35% of the benefits derived from the property. The Project Company is licensed to operate real estate development operation and residential development in the South part of Xinqu, Gaoxinqu, Chengdu City.

- v. As advised by the Company, the development cost incurred up to 28 February 2009 was approximately RMB72,600,000 and the estimated outstanding construction cost to completion was approximately RMB197,700,000 (excluding marketing, finance and other indirect cost).

- vi. The capital value of the property as if completed as at 28 February 2009 is estimated to be RMB675,000,000.

- vii. A summary of major certificates/approvals is shown as follows.

a)	State-owned Land Use Rights Grant Contract	Yes
b)	State-owned Land Use Rights Certificate	Yes
c)	Construction Land Use Planning Permit	Yes
d)	Construction Works Planning Permit	Yes
e)	Construction Works Commencement Permit	Yes
f)	Pre-sale Permit	Yes
g)	Construction Works Completion Certified Report	N/A

## VALUATION CERTIFICATE

## Group II — Property interests held by the Group for future development

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 28 February 2009 (RMB)
2. A reserved land located at No. 38 Renhepianqu, South part of Xinqu, Gaoxinqu, Chengdu City, Sichuan Province, the PRC (Plot 10 Land)	<p>The property comprises a site with an area of approximately 70,954.48 sq.m..</p> <p>As advised by the Company, the total expected gross floor area of the buildings and structures to be constructed on the property is approximately 359,000 sq.m..</p> <p>The property is held under a State-owned Land Use Rights Certificate for two terms expiring on 27 July 2077 for residential use and 27 July 2047 for commercial use.</p>	The property is vacant.	1,455,000,000  (Date of acquisition of the property: 27 July 2007; Cost of acquisition: RMB1,346,361,005)

## Notes:

- i. Pursuant to the following State-owned Land Use Rights Grant Contract, the land use rights of the property, with a site area of approximately 70,954.48 sq.m. have been contracted to be granted to the Project Company with a consideration of RMB1,346,361,005.

State-owned Land Use Rights Grant Contract No.	Date of Contract	Site Area (sq.m)	User	Grantor
5101 Gao Xin Nan (2007) Chu Rang He Tong Di No. 24	27 July 2007	70,954.48	Chengdu Zhongtianying Real Estate Development Co., Ltd.	Chengdu City State-owned Land Resources Bureau

- ii. Pursuant to the following State-owned Land Use Rights Certificate, the land use rights of the property, with a site area of approximately 70,954.48 sq.m., have been granted to the Project Company.

State-owned Land Use Rights Certificate No.	Site Area (sq.m)	Date of Issuance	Date of Expiry
Cheng Gao Guo Yong (2008) Di No. 2040	70,954.48	11 April 2008	Residential: 27 July 2077, commercial: 27 July 2047

- iii. According to the 成都高新區建設項目總方案會審表(2008)170, the construction project planning of the property with a total gross floor area of about 474,351.25 sq.m. has been preliminarily approved by the government authority.

iv. We have been provided with the PRC legal opinion provided by the Company's PRC legal advisor, Jingtian & Gongcheng, which contains, inter alia, the following information:

- a) Pursuant to the State-owned Land Use Rights Certificate, the Project Company is the unique legal rights user. During the land use rights term, the Project Company has the rights to occupy and use the land use rights of the property.
- b) The Project Company has the rights to transfer, lease, mortgage and dispose the land use rights of the property legally.
- c) The Project Company has not obtained the Construction Works Commencement Permit which is behind the time of commencement of construction pursuant to the State-owned Land Use Rights Grant Contract and has not commenced the construction works within the period specified in the State-owned Land Use Rights Grant Contract.

According to the PRC Laws and the State-owned Land Use Rights Grant Contract, a 20% or below of the land premium may be charged on the Project Company as a fine as a result of the delay of construction commencement.

In light of the Sichuan earthquake in 2008, the Chengdu City People's Government issued Document No. (2008) 50 titled <關於促進房地產業恢復發展扶持居民安居置業的意見> on 15 June 2008, whereby it was announced that companies affected by the earthquake could apply for an extension of deadline for the payment of the land premium and commencement of construction.

As advised by the Company, the Project Company has applied to the Chengdu City State-owned Resource Bureau and relevant government authority for an extension of the deadline to commence the construction. Pursuant to the Document No. (2008) 50 issued by Chengdu City People's Government on 15 June 2008, had the Project Company obtained the relevant approval from the relevant government authority, the possibility that the Project Company will be punished by the Chengdu City State-owned Resource Bureau is relatively low. In the meanwhile, the Company confirmed that the Project Company did not receive any notice of punishment from the Chengdu City State-owned Resource Bureau regarding this issue.

- d) The Company confirmed that, other than the issues of the delay of construction commencement and the idling of land, the Project Company's occupancy and use of the property do not violate any PRC law or regulation. Thus, the land use rights of the property will not be resumed, re-entered, sued or in any other adversely situation.
- e) Prime Way Enterprises Limited ("Prime Way"), a wholly-owned subsidiary of the Company, entered into a joint venture with the Investors with respect to the property on 8 October 2007 through its shareholding in Gain Right Limited. Gain Right Limited owns 100% of the Project Company. Gain Right Limited is owned as to 65% by Prime Way, as to 30% by Castor Investment TE Sub, Ltd. and as to 5% by Castor Investment, Ltd. (Castor Investment TE Sub, Ltd. and Castor Investment, Ltd. together known as the "Investors"). Pursuant to the joint venture agreement, the Investors have the rights to enjoy 35% of the benefits derived from the property. The Project Company is licensed to operate real estate development operation and residential development in the South part of Xinqu, Gaoxinqu, Chengdu City.

v. A summary of major certificates/approvals is shown as follows.

a)	State-owned Land Use Rights Grant Contract	Yes
b)	State-owned Land Use Rights Certificate	Yes
c)	Construction Land Use Planning Permit	N/A
d)	Construction Works Planning Permit	N/A
e)	Construction Works Commencement Permit	N/A
f)	Pre-sale Permit	N/A
g)	Construction Works Completion Certified Report	N/A

## VALUATION CERTIFICATE

## Group III — Property interests to be acquired by the Group

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 28 February 2009 (RMB)
3. A reserved land located at No. 30 Renhepianqu, South part of Xinqu, Gaoxinqu, Chengdu City, Sichuan Province, the PRC (Plot 9 Land)	The property comprises a site with an area of approximately 115,749.47 sq.m..  As advised by the Company, the total expected gross floor area of the buildings and structures to be constructed on the property is approximately 514,000 sq.m..	The property is vacant.	No commercial value  (Date of acquisition: 27 July 2007; Cost of acquisition: RMB2,074,809,190)

## Notes:

- i. Pursuant to the following State-owned Land Use Rights Grant Contract, the land use rights of the property, with a site area of approximately 115,749.47 sq.m. have been contracted to be granted to the Project Company with a consideration of RMB2,074,809,190.

State-owned Land Use Rights Grant Contract No.	Date of Contract	Site Area (sq.m)	User	Grantor
5101 Gao Xin Nan (2007) Chu Rang He Tong Di No. 23	27 July 2007	115,749.47	Chengdu Zhongtianying Real Estate Development Co., Ltd.	Chengdu City State-owned Land Resources Bureau

- ii. We were advised that the Group has paid the land premium partially out of the total payment up to the date of valuation. The State-owned Land Use Rights Certificate of the property is expected to be obtained upon full payment of the land premium.
- iii. We have been provided with the PRC legal opinion provided by the Company's PRC legal advisor, Jingtian & Gongcheng, which contains, inter alia, the following information:
- The terms of the State-owned Land Use Rights Grant Contract No. 5101 Gao Xin Nan (2007) Chu Rang He Tong Di No.23 have fulfilled all the PRC laws and regulations. The said contract is legal, valid and legally binding on both parties.
  - The Project Company has not yet paid the land premium according to the schedule agreed in the State-owned Land Use Rights Grant Contract. According to the PRC Laws and the State-owned Land Use Rights Grant Contract, if the overdue is more than 6 months, the State-owned Land Use Rights Grant Contract may be terminated and a 30% of the land premium may be charged on the Project Company as a default fine.

In light of the Sichuan earthquake in 2008, the Chengdu City People's Government issued Document No. (2008) 50 titled <關於促進房地產業恢復發展扶持居民安居置業的意見> on 15 June 2008, whereby it was announced that companies affected by the earthquake could apply for an extension of deadline for the payment of the land premium and commencement of construction.

The Project Company has applied to the Chengdu City State-owned Resource Bureau for the deferral of land premium payment approval. Pursuant to the Document No. (2008) 50 issued by Chengdu City People's Government on 15 June 2008, had the Project Company obtained the relevant approval from the relevant government authority, the possibility that the Project Company will be punished by the Chengdu City State-owned Resource Bureau is relatively low. In the meanwhile, the Company confirmed that the Project Company

did not receive any notice of punishment from the Chengdu City State-owned Resource Bureau regarding this issue. There is no legal impediment for the Group to obtain the State-owned Land Use Rights Certificate provided that the Project Company has fully settled the land premium within the stipulated period of time.

- c) The Project Company has not obtained the Construction Works Commencement Permit which is behind the time of commencement of construction pursuant to the State-owned Land Use Rights Grant Contract and has not commenced the construction works within the period specified in the State-owned Land Use Rights Grant Contract. According to the PRC Laws and the State-owned Land Use Rights Grant Contract, a 20% or below of the land premium may be charged on the Project Company as a fine. As advised by the Company, the Project Company has also applied to the Chengdu City State-owned Resource Bureau and relevant government authority for an extension of the deadline to commence the construction. Pursuant to the Document No. (2008) 50 issued by Chengdu City People's Government on 15 June 2008, had the Project Company obtained the relevant approval from the relevant government authority, the possibility that the Project Company will be punished by the Chengdu City State-owned Resource Bureau is relatively low. In the meanwhile, The Company confirmed that the Project Company did not receive any notice of punishment from the Chengdu City State-owned Resource Bureau regarding this issue.
  - d) The Company confirmed that, other than the issues of the delay of construction and the idling of land, the Project Company does not violate any PRC law or regulation.
  - e) As confirmed by the Company, the Project Company has paid the land premium of RMB1,494,885,514 and the outstanding land premium to acquire the land use rights of the property is approximately RMB579,923,676.
  - f) Prime Way Enterprises Limited ("Prime Way"), a wholly-owned subsidiary of the Company, entered into a joint venture with the Investors with respect to the property on 8 October 2007 through its shareholding in Gain Right Limited. Gain Right Limited owns 100% of the Project Company. Gain Right Limited is owned as to 65% by Prime Way, as to 30% by Castor Investment TE Sub, Ltd. and as to 5% by Castor Investment, Ltd. (Castor Investment TE Sub, Ltd. and Castor Investment, Ltd. together known as the "Investors"). Pursuant to the joint venture agreement, the Investors have the rights to enjoy 35% of the benefits derived from the property. The Project Company is licenced to operate real estate development operation and residential development in South part of Xinqu, Gaoxinqu, Chengdu City.
- iv. Had the Group obtained the relevant State-owned Land Use Rights Certificates and the land premium fully settled, as at the date of valuation, the capital value of the property is estimated to be RMB2,080,000,000.
- v. A summary of major certificates/approvals is shown as follows.
- |    |                                                |     |
|----|------------------------------------------------|-----|
| a) | State-owned Land Use Rights Grant Contract     | Yes |
| b) | State-owned Land Use Rights Certificate        | N/A |
| c) | Construction Land Use Planning Permit          | N/A |
| d) | Construction Works Planning Permit             | N/A |
| e) | Construction Works Commencement Permit         | N/A |
| f) | Pre-sale Permit                                | N/A |
| g) | Construction Works Completion Certified Report | N/A |

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, no Directors or chief executive of the Company, save as disclosed below, had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”), to be notified to the Company and the Stock Exchange:

### Interests in the Company

Name of Director	Long position/ short position	Nature of interests	Approximate number of shares held <i>(Note 1)</i>	Approximate percentage of shareholding
Kong Jian Min <i>(Notes 2, 3 and 4)</i>	Long Position	Interest of a controlled corporation	1,714,441,500	66.10%
Kong Jian Tao <i>(Notes 2 and 3)</i>	Long Position	Interest of a controlled corporation	1,687,500,000	65.06%
Kong Jian Nan <i>(Notes 2 and 3)</i>	Long Position	Interest of a controlled corporation	1,687,500,000	65.06%
He Wei Zhi	Long Position	Interest of spouse	10,000 <i>(Note 5)</i>	0.00039%

#### Notes:

- Share(s) of HK\$0.10 each in the capital of the Company.
- Plus Earn Consultants Limited (“**Plus Earn**”) is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan. Therefore, Kong Jian Min, Kong Jian Tao and Kong Jian Nan are deemed to be interested in 1,612,500,000 Shares through their interests in Plus Earn.
- Right Rich Consultants Limited (“**Right Rich**”) is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan. Therefore, Kong Jian Min, Kong Jian Tao and Kong Jian Nan are deemed to be interested in 75,000,000 Shares through their interests in Right Rich.
- Hero Fine Group Limited (“**Hero Fine**”) is legally and beneficially owned as to 100% by Kong Jian Min and Kong Jian Min is therefore deemed to be interested in 26,941,500 Shares through his interest in Hero Fine.
- These Shares are held and beneficially owned by Wang Yanlei, the spouse of He Wei Zhi.

## Interests in the associated corporations of the Company

Name of Director	Associated Corporations	Number of shares	Approximate percentage of shareholding in associated corporations
Kong Jian Min	Plus Earn	765	76.50%
	Right Rich	765	76.50%
Kong Jian Tao	Plus Earn	150	15.00%
	Right Rich	150	15.00%
Kong Jian Nan	Plus Earn	85	8.50%
	Right Rich	85	8.50%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code or to be disclosed pursuant to the requirements of the Takeovers Code.

None of the Directors or proposed directors is a director or employee of a company which has an interest in the Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO.

### 3. SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, according to the list of substantial shareholders extracted from the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)), the following companies or persons had an interest or short position in the shares and the register of interests kept by the Company under section 336 of the SFO and so far as is known to the Directors, no other person other than a Director whose interests are disclosed above, had an interest or short position in the shares and 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, or, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or had any option in respect of such capital:

Name	Capacity	Number of shares (Note 1)	Percentage of issued share capital
Plus Earn (Note 2)	Beneficial owner	1,612,500,000	62.17%

*Notes:*

- Share(s) of HK\$0.10 each in the capital of the Company.
- Plus Earn is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan.

#### 4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation).

#### 5. LITIGATION

No member of the Group was engaged in any litigation or arbitration proceedings of material importance as at the Latest Practicable Date and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

#### 6. COMPETING INTEREST

As at the Latest Practicable Date, in so far as the Directors are aware, none of the Directors or their respective associates was interested in any business which competes or is likely to compete with the business of the Group, which is required to be disclosed pursuant to the Listing Rules.

#### 7. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, the announcement of the Company dated 23 January 2009 and the final results announcement of the Company dated 17 April 2009 for the year ended 31 December 2008, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, being the date to which the latest published audited accounts of the Company were made up.

#### 8. EXPERTS' QUALIFICATIONS AND CONSENTS

Each of VC Capital and CB Richard Ellis Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

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

<b>Name</b>	<b>Qualification</b>
VC Capital	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
CB Richard Ellis Limited	An independent professional property valuer

As at the Latest Practicable Date, VC Capital and CB Richard Ellis Limited did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2007, being the date to which the latest audited financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**9. GENERAL**

- (a) 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 2007, being the date to which the latest published audited accounts of the Group were made up, and up to the Latest Practicable Date.
- (b) 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. Tsui Kam Tim, a member of the Hong Kong Institute of Certified Public Accountants.
- (d) The registered office of the Company is at Cricket Square, Hutchins Drive, Grand Cayman KY1-1111, Cayman Islands and the principal place of business in the Hong Kong is at Room 6407, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (e) The Hong Kong branch share registrar and the transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (f) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Room 6407, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including 8 May 2009:

- (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 2007;
- (c) the letter from the Independent Board Committee to the Shareholders, the text of which is set out on page 7 of this circular;
- (d) the letter of advice from VC Capital to the Independent Board Committee and the Shareholders, the text of which is set out on pages 8 to 12 of this circular;
- (e) the valuation report issued by CB Richard Ellis Limited on the Project as set out in Appendix I to this circular;
- (f) the written consents of VC Capital and CB Richard Ellis Limited referred to in the paragraph headed "Experts' Qualifications and Consents" in this Appendix;
- (g) the agreement between the Investors and Prime Way in relation to the transfer of the Investor Shares as evidenced by the instruments of transfer and the memorandum containing the terms relating to the Transfer; and
- (h) this circular.