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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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Hopson Development Holdings Limited, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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HOPSON DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

website: <http://www.irasia.com/listco/hk/hopson>

**DISCLOSEABLE AND
CONNECTED TRANSACTION**

**Independent Financial Adviser to the shareholders
of Hopson Development Holdings Limited**

JS CRESVALE
JS Cresvale International Limited

A letter from the Chairman of Hopson Development Holdings Limited is set out on pages 3 to 9 of this circular. A letter from JS Cresvale International Limited containing its advice to the shareholders of Hopson Development Holdings Limited is set out on pages 10 to 17 of this circular.

16th May, 2001

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DEFINITIONS

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

“associates”	the meaning given to that term in the Listing Rules
“Agreement”	a conditional agreement dated 25th April, 2001 entered into between Nambour and GT Science to establish Hopson Junjing
“Board”	board of Directors
“Company”	Hopson Development Holdings Limited
“Chairman”	Mr. Chu Mang Yee, the chairman of the Board
“Directors”	the directors of the Company
“DTZ”	DTZ Debenham Tie Leung Limited
“Gallopade Park – South Court”	a site between Zhongshan Avenue South and Chebei Road West in Tianhe District of Guangzhou, PRC
“Group”	the Company and its subsidiaries
“GT Science”	Guangzhou Tianhe Science and Technology Enterprises Development Company Limited, a company owned as to 65 per cent. by GD Zhujiang and 35 per cent. by an independent third party not connected with the Group or any of its directors, chief executives or substantial shareholders or any of its subsidiaries or their respective associates
“GD Zhujiang”	Guangdong Zhujiang Investment Company Limited
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hopson Junjing”	Guangzhou Hopson Junjing Real Estate Limited, a sino-foreign co-operative joint venture in the PRC for the development and construction of Gallopade Park – South Court

DEFINITIONS

“Hopson Keji”	Guangzhou Hopson Keji Garden Real Estate Limited
“Latest Practicable Date”	14th May, 2001, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“JS Cresvale”	JS Cresvale International Limited, an investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong) and the independent financial adviser to the Shareholders
“Independent Shareholders” or “Shareholders”	shareholders of the Company
“Junjing Transaction” or “Proposed Connected Transaction”	the proposed formation of Hopson Junjing
“Nambour”	Nambour Properties Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“Rmb”	Renminbi
“Sounda”	Sounda Properties Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Report”	the valuation report on Gallopade Park – South Court prepared by DTZ dated 16th May, 2001

For the purpose of this Circular, Rmb100 = HK\$92

LETTER FROM THE CHAIRMAN



HOPSON DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Executive Directors:

CHU Mang Yee (*Chairman*)
TSE Sai Tung, Stones (*Managing Director*)
AU YEUNG Fu, Anthony (*Deputy Chairman*)
XIANG Bin (*Deputy Chairman*)
AU Wai Kin
CHEUNG Fong Wing
LUK Wai Kei
XIAO Yan Xia

Independent Non-executive Directors:

YUEN Pak Yiu, Philip
LEE Tsung Hei, David
WONG Shing Kay, Oliver

Principal Office:

19th Floor
Wyndham Place
40-44 Wyndham Street
Central
Hong Kong

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

16th May, 2001

To the shareholders

Dear Sir and Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

1. INTRODUCTION

It was announced that on 25th April, 2001, the Group entered into the Agreement (conditional) with GT Science to establish Hopson Junjing, a sino-foreign co-operative joint venture in the PRC for the development and construction of commodity (commercial and residential) property with an initial construction area of approximately 332,500 square metres located on Gallopade Park-South Court in Tianhe District of Guangzhou, PRC.

2. THE AGREEMENT

The Agreement was entered into between Nambour and GT Science. The Agreement is conditional upon the approval of the Shareholders (excluding those Shareholders prohibited by the Listing Rules from voting on the resolution) voting at a special general meeting convened to approve the Agreement on the terms specified in the Agreement, or a waiver being granted

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by the Stock Exchange exempting the Agreement from the approval requirement, by no later than 60 days from the date of the Agreement (or such later date as the parties shall agree).

Upon fulfilment of the condition, the parties to the Agreement shall enter into a joint venture agreement in respect of Hopson Junjing within 30 days from the date such condition is fulfilled (or such later date as the parties shall agree).

A. Principal terms of the co-operative joint venture

Parties:	(i) Nambour; and (ii) GT Science
Business Scope:	Development, construction, sale, letting and management of commodity property of Gallopade Park – South Court
Total investment:	Rmb598.5 million (equivalent to HK\$550.62 million)
Registered capital:	Rmb199.5 million (equivalent to HK\$183.54 million)
Term:	30 years from the date of issue of the business licence of Hopson Junjing
Capital contribution and financing:	The whole amount of the registered capital will be contributed by Nambour and GT Science in cash in the ratio of 95 per cent. and 5 per cent. respectively. Nambour will arrange for financing of the difference between the amount of total investment and the amount of registered capital of Rmb399 million (equivalent to HK\$367.08 million). If there shall be capital requirements beyond the amount of the total investment, either Hopson Junjing or Nambour shall procure such further financing. The board of Hopson Junjing shall decide whether it is Hopson Junjing or Nambour that shall arrange for such further financing. Nambour's registered capital contribution shall be made by 12 instalments, the first payment of which shall be made within 3 months from the date of issue of the business licence of Hopson Junjing and the last payment of which shall be made within 60 months

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from the date of issue of the business licence of Hopson Junjing.

- Land use right: According to the Contract for Grant of State Owned Land Use Right No. (2001) 024 entered into between the Guangzhou Municipal State Land Bureau and GT Science on 22nd March, 2001, the Guangzhou Municipal State Land Bureau agreed to grant the land use rights of Gallopade Park – South Court to GT Science subject to certain terms and conditions. Under the joint venture agreement in respect of Hopson Junjing, GT Science shall apply to the relevant government authority to transfer the land use rights to Hopson Junjing by arranging Hopson Junjing to enter into a contract for grant of state owned land use rights with the Guangzhou Municipal State Land Bureau. Upon full payment of the land grant fee, the Certificate for the Use of State-Owned Land shall be issued in the name of Hopson Junjing.
- Land grant fee: The land grant fee in respect of Gallopade Park – South Court of Rmb125,588,446 shall be payable to the Guangzhou Municipal State Land Bureau semi-annually. The first instalment of 20 per cent. of the land grant fee was paid by GT Science on 23rd March, 2001. Hopson Junjing shall reimburse GT Science for its payment of the first instalment of the land grant fee. The remaining 80 per cent. of the land grant fee shall be made by 8 equal instalments semi-annually commencing from 30th September, 2001.
- Profit sharing: The profits and losses of Hopson Junjing will be borne by Nambour and GT Science in the ratio of 95 per cent. and 5 per cent. respectively.
- Other responsibilities: Hopson Junjing shall pay to GT Science the sum of Rmb404.5 million (equivalent to HK\$372.14 million), which includes the land acquisition and settlement costs of approximately Rmb341.90 million (equivalent to HK\$314.55 million) and the costs for site clearance and levelling and infrastructure (such as connection of basic utilities) incurred by GT Science, by quarterly

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payment within 2 years from the date of execution of the joint venture agreement in respect of Hopson Junjing. Such sum is agreed by the parties with reference to the fair market value of Gallopade Park – South Court based on DTZ’s valuation on Gallopade Park – South Court. Hopson Junjing shall also be responsible for payment of the remaining land grant fee of Rmb100,470,757 (equivalent to HK\$92.43 million) commencing from 30th September, 2001.

Board of directors: Nambour and GT Science shall be entitled to appoint 3 and 2 directors to the board of directors of Hopson Junjing respectively. The chairman of the board shall be nominated by Nambour and the vice-chairman by GT Science. The chairman shall have no casting vote.

Unanimous consent: The following actions shall require the unanimous consent of the directors of Hopson Junjing:

- (1) the amendment of the articles of association of Hopson Junjing;
- (2) the granting of any mortgage/charge in respect of the assets of Hopson Junjing;
- (3) the increase, reduction or transfer of the registered capital of Hopson Junjing;
- (4) the dissolution of Hopson Junjing;
- (5) the consolidation or merger or change of composition of Hopson Junjing;
- (6) any other matters which the directors of Hopson Junjing consider that unanimous consent is required therefor.

B. Reasons for the Agreement

As the Group is principally engaged in property development and also in property investment in Guangzhou and in the southern part of Guangdong Province, the Agreement is in the ordinary and usual course of business of the Group.

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By an agreement dated 1st September, 1997 entered into between Nambour and GT Science as amended by a supplemental agreement dated 21st May, 1998 and a second supplemental agreement dated 17th February, 2000, Nambour and GT Science formed Hopson Keji, a sino-foreign co-operative joint venture established for the development and construction of Gallopade Park. Gallopade Park is located on a site between North of Huangpu Avenue and South of Zhongshan Avenue in Tianhe District, Guangzhou, PRC. Brief descriptions of Gallopade Park, Hopson Keji and the said agreements have been disclosed in the prospectus of the Company dated 18th May, 1998, an announcement of the Company published on 8th December, 1999 and a circular of the Company dated 26th January, 2000.

Gallopade Park – South Court is adjacent to Gallopade Park. The Directors believe that by combining Gallopade Park and the Gallopade Park – South Court and thus developing both sites, the Group will enjoy economies of scale and reduce costs in the development and construction of both sites. Such joint development of the sites will also facilitate general planning as well as the provision and construction of corresponding facilities and amenities. In addition, the Group has established a good reputation for the Gallopade Park development. The Directors believe that such established reputation and goodwill will enhance the future sale of the commodity property in Gallopade Park – South Court.

The Directors (including the independent non-executive Directors) consider that the terms of the Agreement are arrived at after arm's length negotiation and on normal commercial terms which are fair and reasonable so far as the Shareholders are concerned.

C. Effects of the Junjing Transaction on the Group's financial position

The Junjing Transaction will be financed by the Group's internal resources, the on-going proceeds from sales of development properties and bank borrowings, if necessary. As payment of the Group's capital contribution under the Junjing Transaction shall be made by instalments, the Group does not anticipate that there will be any adverse effect on the Group's financial position.

3. DISCLOSEABLE TRANSACTION

Hopson Junjing's total investment of approximately Rmb598.50 million (equivalent to approximately HK\$550.62 million) represents approximately 25.91 per cent. of the consolidated net tangible assets of the Group as at 31st December, 2000. Accordingly, the Agreement constitutes a discloseable transaction of the Company under the Listing Rules.

4. CONNECTED TRANSACTION

GD Zhujiang is a company established in the PRC and a substantial shareholder of certain subsidiaries of the Company. GT Science, being 65 per cent. owned by GD Zhujiang, is a connected person of the Company under the Listing Rules.

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Accordingly, the Agreement constitutes a connected transaction for the Company under the Listing Rules and is subject to the approval of the Shareholders (excluding those Shareholders prohibited by the Listing Rules from voting on the resolution) voting at a special general meeting convened to approve the Agreement pursuant to Rule 14.26 of the Listing Rules.

5. WAIVER

Under Rule 14.26 of the Listing Rules, the Agreement is subject to the approval of the Shareholders (excluding those Shareholders prohibited by the Listing Rules from voting on the resolution) voting at a special general meeting convened to approve the Agreement. Sounda which beneficially owns 63.75 per cent. of the issued share capital of the Company as at the Latest Practicable Date has confirmed in writing that in the event that Shareholders' approval in respect of the Agreement is required, it will vote, or procure the voting of the shares in the Company in which Sounda and its associates are interested, in favour of the Agreement. GD Zhujiang and GT Science and their respective associates will be the "connected persons" required to abstain from voting at the meeting to approve the Agreement. However, neither of them has any control over any shares in the Company. Accordingly, no Shareholders will be required to abstain from voting.

Since the passing of any resolution in respect of the Agreement by the Shareholders will be a foregone conclusion and no Shareholders will be required to abstain from voting, the expense to the Company of holding a Shareholders' meeting would be an unnecessary expense. In view of the aforesaid, the Company has applied to the Stock Exchange for a waiver from the requirement under the Listing Rules for the Company to hold a general meeting to seek Shareholders' approval in respect of the Agreement.

6. FURTHER INFORMATION

JS Cresvale has been appointed as the independent financial adviser to advise the Shareholders on whether the terms of the Agreement are fair and reasonable in so far as the Shareholders are concerned. DTZ has been appointed to prepare the Valuation Report.

Your attention is drawn to the letter from JS Cresvale to the Shareholders set out on pages 10 to 17 of this circular which contains the recommendation of JS Cresvale to the Shareholders in relation to the Agreement and the principal factors and reasons considered by JS Cresvale in arriving at its recommendation.

Your attention is also drawn to the Valuation Report set out in Appendix I and the general information set out in Appendix II.

LETTER FROM THE CHAIRMAN

7. RECOMMENDATION

The Board having taken into account the “Reasons for the Agreement” as set out above, the principal factors and reasons considered by JS Cresvale and the advice of JS Cresvale, considers that the terms of the Agreement are fair and reasonable so far as the Company and the Shareholders are concerned and would recommend the Shareholders to vote in favour of the Agreement if a Shareholders’ meeting is required to be held.

8. INDEPENDENT DIRECTORS’ VIEW

The independent non-executive directors of the Company, namely Messrs. Yuen Pak Yiu, Philip, Lee Tsung Hei, David and Wong Shing Kay, Oliver, also consider that the terms of the Agreement are fair and reasonable so far as the Company and the Shareholders are concerned and would recommend the Shareholders to vote in favour of the Agreement if a Shareholders’ meeting is required to be held.

By Order of the Board,
Chu Mang Yee
Chairman

LETTER FROM JS CRESVALE

The following is the text of a letter prepared by JS Cresvale International Limited for the purposes of inclusion in this circular.

JS CRESVALE

JS Cresvale International Limited
6th and 7th Floors
Asia Pacific Finance Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

16th May, 2001

Shareholders of Hopson Development Holdings Limited

Dear Madam/Sir,

PROPOSED CONNECTED TRANSACTION IN RELATION TO THE INCORPORATION OF HOPSON JUNJING

We, JS Cresvale, refer to our appointment by the Company as the independent financial adviser to advise the Independent Shareholders with respect to the Proposed Connected Transaction, details of which are set out in the circular (the “Circular”) to the Independent Shareholders dated 16th May, 2001, of which the text of this letter forms part. Terms and expressions used herein shall have the same meaning as those used in the Circular unless the context otherwise requires.

JS Cresvale has been engaged to advise the Independent Shareholders as to whether or not the terms of the Proposed Connected Transaction are fair and reasonable in so far as the Independent Shareholders are concerned. The Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to their individual positions.

Pursuant to the Listing Rules, the Proposed Connected Transaction constitutes a connected transaction for the Company and will require approval by the Independent Shareholders at a special general meeting. However, neither GD Zhujiang, GT Science nor their respective associates who will be the connected persons have any control over any shares in the Company. Accordingly, all Shareholders are considered as Independent Shareholders in so far as the Proposed Connected Transaction is concerned and no Shareholders will be required to abstain from voting.

LETTER FROM JS CRESVALE

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors for which they are solely responsible, are true and accurate at the time they were made and continue to be so at the date hereof. We have also assumed that the Valuation Report is fair and accurate in all respects and that all information and representations made are true and accurate.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and the representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquires, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors, nor have we conducted an independent investigation into the business and affairs of the Company or any of their respective subsidiaries.

Unless otherwise stated, the exchange rate used in this letter is HK\$1 = RMB1.087 which is the same as the exchange rate adopted in the Valuation Report.

SUMMARY OF THR PROPOSED CONNECTED TRANSACTION

On 25th April, 2001, the Group entered into the Agreement for the formation of Hopson Junjing, a sino-foreign co-operative joint venture for the development and construction of commodity (commercial and residential) property with a construction area of approximately 332,500 sq.m. located on Gallopade Park – South Court in Tianhe District, Guangzhou Municipality, Guangdong Province, the PRC.

The PRC joint venture party of Hopson Junjing is GT Science which is owned as to 65% by GD Zhujiang. GD Zhujiang is also a substantial shareholder of certain subsidiaries of the Company. As such, GT Science is considered to be a connected person under the Listing Rules and the Agreement is therefore a connected transaction of the Company under the Listing Rules.

The Agreement is conditional upon the approval of the Independent Shareholders voting at a special general meeting convened to approve the Agreement. Upon fulfilment of such condition, the parties to the Agreement shall enter into a joint venture agreement in respect of Hopson Junjing within 30 days from the date such condition is fulfilled (or such later date as the parties shall agree). As mentioned above, no Shareholders will be required to abstain from

LETTER FROM JS CRESVALE

voting. Sounda which beneficially owned 63.75% of the issued share capital of the Company as at the Latest Practicable Date has irrevocably confirmed in writing that in the event that Shareholders' approval in respect of the Agreement is required, it will vote, or procure the voting of the shares in the Company in which Sounda and its associates are interested, in favour of the Agreement. As such, the passing of any resolution in respect of the Agreement by the Shareholders will be a foregone conclusion, the expense to the Company incurred in relation to holding a Shareholders' meeting would be unnecessary. In view of the aforesaid, the Company has applied to the Stock Exchange for a waiver from the requirement under the Listing Rules for the Company to hold a general meeting to seek Shareholders' approval in respect of the Agreement.

INFORMATION ON HOPSON JUNJING

We set out below the principal terms of the proposed co-operative joint venture for your information:

Parties	(i) Nambour; and (ii) GT Science
Business Scope	: Development, construction, sale, letting and management of the commodity property of Gallopade Park – South Court
Total investment	: RMB598.5 million (equivalent to approximately HK\$550.6 million)
Registered capital	: RMB199.5 million (equivalent to approximately HK\$183.5 million)
Term	: 30 years from the date of issue of the business licence of Hopson Junjing
Capital contribution and financing	: The whole amount of the registered capital will be contributed by Nambour and GT Science in cash in the ratio of 95% and 5% respectively. Nambour will arrange for financing of the difference between the amount of total investment and the amount of registered capital of RMB399 million (equivalent to approximately HK\$367.1 million). If there shall be capital requirements beyond the amount of the total investment, either Hopson Junjing or Nambour shall procure such further financing. The board of Hopson Junjing shall decide whether it is Hopson Junjing or Nambour that shall arrange for such further financing.

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Nambour's registered capital contribution shall be made by 12 instalments, the first payment of which shall be made within 3 months from the date of issue of the business licence of Hopson Junjing and the last payment of which shall be made within 60 months from the date of issue of the business licence of Hopson Junjing.

- Land use right : According to the Contract for Grant of State Owned Land Use Right No. (2001)024 entered into between the Guangzhou Municipal State Land Bureau (廣州市國土局) and GT Science on 22nd March, 2001, the Guangzhou Municipal State Land Bureau (廣州市國土局) agreed to grant the land use rights of Gallopade Park – South Court to GT Science subject to certain terms and conditions. Under the joint venture agreement in respect of Hopson Junjing, GT Science shall apply to the relevant government authority to transfer the land use rights to Hopson Junjing by arranging Hopson Junjing to enter into a contract for grant of state owned land use rights with the Guangzhou Municipal State Land Bureau (廣州市國土局). Upon full payment of the land grant fee, the certificate for the use of state-owned land shall be issued in the name of Hopson Junjing.
- Land grant fee : The land grant fee in respect of Gallopade Park – South Court of Rmb125,588,446 shall be payable to the Guangzhou Municipal State Land Bureau (廣州市國土局) semi-annually. The first instalment of 20% of the land grant fee was paid by GT Science on 23rd March, 2001. Hopson Junjing shall reimburse GT Science for its payment of the first instalment of the land grant fee.
- Profit sharing : The profits and losses of Hopson Junjing will be borne by Nambour and GT Science in the ratio of 95% and 5% respectively.
- Other responsibilities : Hopson Junjing shall pay to GT Science the sum of RMB404.5 million (equivalent to approximately HK\$372.1 million), which includes the land acquisition and settlement costs of approximately RMB341.9 million (equivalent to approximately HK\$314.5 million) and the costs for site clearance, levelling and infrastructure (such as connection of basic utilities) incurred by GT Science, by quarterly payment within 2 years

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from the date of execution of the joint venture agreement in respect of Hopson Junjing. Such sum is agreed by the parties with reference to the fair market value of Gallopade Park – South Court based on the Valuation Report. Hopson Junjing shall also be responsible for payment of the remaining land grant fee of approximately RMB100.4 million (equivalent to approximately HK\$92.4 million) by 8 semi-annual instalments commencing from 30th September, 2001.

We understand from the Directors that the Proposed Connected Transaction will be financed by the Group's internal resources, the on-going proceeds from sales of the development properties and bank borrowings, if necessary.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion relating to the Proposed Connected Transaction, we have taken into consideration, inter alia, the following principal factors:

1. Valuation

Pursuant to the Valuation Report, the appraised capital value of Gallopade Park – South Court as at 31st March, 2001 amounted to HK\$860 million in which the Group's proposed attributable interest of 95% amounted to HK\$817 million. Such valuation was arrived at by adopting direct comparison approach assuming sale of the property in existing state with immediate vacant possession and by making reference to comparable site transaction and land prices as available in the relevant market. This valuation methodology is within the parameters as set out in the Listing Rules.

Hopson Junjing's aggregate acquisition cost ("Acquisition Cost") of Gallopade Park – South Court will be approximately RMB530.1 million (equivalent to approximately HK\$487.7 million) including the payment of RMB404.5 million (equivalent to approximately HK\$372.1 million) to GT Science for the land acquisition and settlement costs and the costs for site clearance, leveling and infrastructure incurred by GT Science and the aggregate land grant fee of approximately RMB125.6 million (equivalent to approximately HK\$115.5 million) payable to the Guangzhou Municipal State Land Bureau (廣州市國土局) and GT Science. Accordingly, the Acquisition Cost represents a discount of approximately 43% to the appraised capital value of Gallopade Park – South Court as at 31st March, 2001 pursuant to the Valuation Report.

2. Development Strategy of the Group

The Group is principally engaged in property development and investment in Guangzhou Municipality. Pursuant to the report released by Guangdong Provincial Statistics Bureau (廣東省統計局), both the gross domestic product value of Guangzhou Municipality and the disposable income of the residents of Guangzhou Municipality recorded double-digit growth rates in 2000 when compared with 1999. According to Guangzhou Municipal Statistics Bureau (廣州市統計局), due to the improvement of the macroeconomic environment of Guangzhou Municipality, and the implementation of the Guangzhou Municipal Government's three-year plan including town planning and infrastructure projects, the real estate market of Guangzhou Municipality has become active and pre-sales and sales of high-rising residential apartments in Guangzhou in 2000 were increased by approximately 10% and 18% respectively from 1999 in terms of gross floor area.

The Group's ten existing residential development projects were high-rising apartment projects in Guangzhou Municipality as at the Latest Practicable Date. We understand that it is the Group's development strategy to continue to concentrate on the development of large-scale high-rising residential complexes. Statistics showed that selling prices of high-rising residential units in Guangzhou Municipality remained relatively stable in 2000. As such, the Directors expect increasing sales volume to be the growth engine of return to the Shareholders. Accordingly, we believe that the Proposed Connected Transaction would replenish the Group's land bank and be in line with the Group's development strategy.

3. Established Brand Awareness of Gallopade Park

According to the official statistics released by the Guangzhou Municipal Land and Housing Administrative Bureau (廣州市國土房管局), top ten best-selling property development projects accounted for about one-tenth of the total residential transaction volume in Guangzhou Municipality in 2000 and Gallopade Park was among the top ten best-selling property development projects in terms of gross floor area in Guangzhou Municipality for two consecutive years from 1999.

Nambour entered into a cooperative joint venture contract with GT Science on 1st September, 1997 to form Hopson Keji for the development and construction of Gallopade Park. Gallopade Park which has a site area of approximately 179,667 sq.m. and a proposed construction gross floor area of approximately 565,750 sq.m. is located in Tianhe District, one of the fastest growing commercial and residential areas of Guangzhou Municipality. In view of the substantial value potential of Gallopade Park, Nambour entered into a supplemental cooperative joint venture agreement with GT Science on 17th February, 2000 amending the original joint venture terms in respect of Hopson Keji for increasing Nambour's interest in Hopson Keji from 70% to 95%. In line with the Directors' estimate, Gallopade Park was well received by the market. As at 25th April, 2001, construction of gross floor area of

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approximately 398,941 sq.m. and approximately 322,902 sq.m. of Gallopade Park had been completed and sold respectively, representing approximately 71% and 57% of the proposed construction of gross floor area of approximately 565,750 sq.m. of Gallopade Park respectively. Therefore, a new site adjacent to Gallopade Park will replenish the Group's land bank in that area and be likely to enable the Group to continue to capitalise on the established brand name of and consumer confidence in Gallopade Park.

The Gallopade Park – South Court which has a site area of 250,000 sq.m. and a proposed gross floor area of 332,500 sq.m. is adjacent to Gallopade Park. We concur with the Directors' view that joint development of Gallopade Park and Gallopade Park – South Court will facilitate the planning of Gallopade Park – South Court including the provision and construction of corresponding facilities and amenities, and sharing of Gallopade Park's facilities and amenities will enhance the value of Gallopade Park – South Court. In addition, the Group has established a good reputation for the Gallopade Park development. We further concur with the Directors' view that such established reputation and goodwill of Gallopade Park will facilitate the future pre-sale or sale of the commodity property in Gallopade Park – South Court.

4. Major Shareholder

No Directors have interests in Hopson Junjing except for their respective indirect shareholdings in Hopson Junjing via the Company. The Directors believe that such situation will remain to be true after the Proposed Connected Transaction. As such, we have reason to believe that the Directors, Sounda and the minority shareholders of the Company are in the same position in respect of the Proposed Connected Transaction.

RISK FACTORS

The Independent Shareholders should note that the Proposed Connected Transaction involves a new property development project in the PRC and is subject to risks associated with property development business in the PRC, which mainly relate to property development and property investment in the PRC.

Property Development Risks

The development of Gallopade Park – South Court will involve many of the risks associated with large scale construction projects, including the risks that (i) construction may not be completed on schedule or within budget; (ii) government approvals may take more time and resources to obtain than expected; and (iii) Gallopade Park – South Court may not achieve anticipated sales, rent or occupancy levels. Furthermore, as private property ownership in the PRC is still in its early stage of development, it is difficult to predict with certainty how much demand will develop for properties in the PRC including Gallopade Park – South Court. No assurance can be given that such events will not occur in a manner that would adversely affect the future earning potential and the financial results of the Group.

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Property Investment Risks

The revenue and value of Gallopade Park – South Court may be affected by a number of factors including local economic climate, real estate market and the proximity and quality of competing projects. In addition, Gallopade Park – South Court may also be affected by such factors as changes in governmental regulations, the availability of financing, changes in tax laws or rates, and potential environmental or other legal liabilities. No assurance can be given that these factors will not have any adverse effect on the Group’s financial or other prospects in respect of Gallopade Park – South Court.

Therefore, the Independent Shareholders should be aware of the nature and the risks associated with the Proposed Connected Transaction.

OPINION AND RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the terms of the Proposed Connected Transaction are fair and reasonable in so far as the Independent Shareholders are concerned. We also note that due to the reasons set out in the section of “Summary of the Proposed Connected Transaction” above, the Company has applied to the Stock Exchange for a waiver from the requirement under the Listing Rules for the Company to hold a special general meeting to seek Shareholders’ approval in respect of the Agreement. Nevertheless, we would advise the Independent Shareholders that the terms of the Proposed Connected Transaction are fair and reasonable in so far as the Independent Shareholders are concerned.

Yours faithfully,

For and on behalf of

JS CRESVALE INTERNATIONAL LIMITED

Michael Ng

Director and Head of Corporate Finance



Formerly C Y Leung & Company
原梁振英測量師行

16th May, 2001

The Directors
Hopson Development Holdings Limited
19th Floor
Wyndham Place
44 Wyndham Street
Central
Hong Kong

Dear Sirs,

**Re: The proposed Gallopade Park – South Court situated on the south side of
Zhongshan Avenue, Tianhe District, Guangzhou, Guangdong Province, the
People’s Republic of China**

INSTRUCTIONS, PURPOSE AND DATE OF VALUATION

In accordance with the instructions of Hopson Development Holdings Limited (the “Company”) for us to value the interest proposed to be attributable to the Company and its subsidiaries (hereinafter together referred to as the “Group”) in the captioned property situated in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of this property interest as at 31st March, 2001 (the “date of valuation”) for public disclosure purpose.

BASIS OF VALUATION

Our valuation of the property represents its open market value which we would define as intended to mean “an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;

- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property interest on the open market without the benefit of a deferred terms contract, leaseback, management agreement, joint venture or any similar arrangements which would serve to increase the value of such property interest.

In valuing the property which is situated in the PRC, we have assumed that transferable land use rights in respect of the property for a specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have also assumed that the grantee or the user of the property has free and uninterrupted rights to use or to assign the property for the whole of the unexpired term as granted. We have relied on the advice given by the Group and the Group’s legal adviser on PRC law regarding the title to and the Group’s proposed interest in the property.

No allowance has been made in our valuation 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 outgoing of an onerous nature which could affect value.

METHOD OF VALUATION

In forming our opinion of the value of the property which is currently a vacant site, we have valued it by Direct Comparison Approach assuming sale of the property in existing state with immediate vacant possession and by making reference to comparable site transaction and land prices as available in the relevant market.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, development potential, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in the valuation certificate attached are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information supplied. Unless otherwise stated, we have not been able to carry out on-site measurement to verify the site and floor areas of the property and we have assumed that the areas shown on the copies of the documents handed to us are correct.

TITLE INVESTIGATION

We have been provided with copies of documents in relation to the title to the property. However, we have not carried out searches to verify the ownership of the property and to ascertain any amendment which may not appear on the copies handed to us.

SITE INSPECTION

We have inspected the property. However, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc. for the future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no unexpected extraordinary expenses or delays will be incurred during the construction period.

CURRENCY & EXCHANGE RATE

Unless otherwise stated, all money amounts stated herein are in Hong Kong dollars. We are advised by the Group to adopt in our valuation the exchange rate of HK\$92=RMB100 which was the approximate exchange rate prevailing as at the date of valuation and there has been no significant fluctuation in such exchange rate between that date and the date of this letter.

Our valuation certificate is attached below.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K. F. Chan
Registered Professional Surveyor (GP),
A.H.K.I.S., M.R.I.C.S.
Director

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

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st March, 2001
The proposed Gallopade Park – South Court situated on the south side of Zhongshan Avenue, Tianhe District, Guangzhou, Guangdong Province, the PRC	<p>The property comprises an irregular-shaped site with an area of approximately 253,695 sq.m. (2,730,773 sq.ft.).</p> <p>The property is planned to be developed into a commercial/residential development with a total gross floor area of approximately 460,000 sq.m. (4,951,440 sq.ft.).</p> <p>The land use rights of the property have been granted for respective terms of 70 years for residential use, 40 years for commercial, tourism and entertainment uses and 50 years for industrial and other uses from 22nd March, 2001.</p>	The property is currently vacant.	<p>HK\$860,000,000</p> <p>(95% interest proposed to be attributable to the Group: HK\$817,000,000)</p>

Notes:

- (1) As advised by the Group, the initial phase of the proposed development is planned to comprise a total gross floor area of approximately 332,500 sq.m.. Our opinion of the breakdown of capital value in respect of the initial phase and the remaining phase is set forth as follows:

	Approximate gross floor area	Capital value in existing state as at 31st March, 2001
Initial phase	332,500 sq.m.	HK\$622,000,000
Remaining phase	127,500 sq.m.	HK\$238,000,000

- (2) According to Planning Permit for Construction Land No. (1997) 0136 issued by Guangzhou Urban Planning Bureau on 8th October, 1997, the land user of a piece of land situated on the south side of Zhongshan Avenue and west side of Chebei Road is 廣州天河科技園實業發展有限公司 (Guangzhou Tianhe Science and Technology Enterprises Development Company Limited) (“GT Science”).

- (3) According to Contract for Grant of State-owned Land Use Rights No. (2001) 024 entered into between Guangzhou Municipal State Land Bureau (the “Grantor”) and GT Science (the “Grantee”) on 22nd March, 2001, the Grantor agreed to grant the land use rights of the property to the Grantee on the terms and conditions as cited, inter alia, below:

- (i) Location : south of Zhongshan Avenue, north of Huangpu Avenue and southwest of 廣氮花園
- (ii) Site area : 253,695 sq.m.
- (iii) Land use term : 70 years for residential use, 40 years for commercial, tourism and entertainment uses and 50 years for industrial and other uses from the date of this contract
- (iv) Use of land : Residential
- (v) Land grant fee : RMB125,588,446
- (vi) Plot ratio : 1.81
- (vii) Total gross floor area : 460,000 sq.m., being 11,659 sq.m. for commercial use, 436,433 sq.m. for residential use and 11,908 for other use (including 3,500 sq.m. for primary school, 3,000 sq.m. for nursery use, 150 sq.m. for housing committee/cultural station use and 50 sq.m. for refuge collection station/public toilet use)

N.B.: As advised by the Group, the 1st instalment of 20% of the aforesaid land grant fee was paid by GT Science on 23rd March, 2001 and the remaining 80% shall be made by 8 equal instalments semi-annually commencing on 30th September, 2001.

- (4) According to Document No. (2001) 155 issued by Guangzhou Construction Committee on 5th March, 2001, consent has been given to GT Science to jointly develop the property with Nambour Properties Limited.
- (5) As advised by the Group, a co-operative joint venture contract is proposed to be entered into between GT Science (“Party A”) and Nambour Properties Limited. (“Party B”) pursuant to which the parties shall agree to incorporate a co-operative joint venture company. The salient terms and conditions stipulated in the said proposed contract are cited, inter alia, as follows:

- (i) Name of the company : Guangzhou Hopson Junjing Real Estate Limited (廣州合生駿景房地產有限公司) (the “CJV”)
- (ii) Period of operation : 30 years from the date of issue of the business licence of the CJV
- (iii) Joint venture project : Development, construction, sale, lease and management of commodity housing situated on a site of approximately 250,000 sq.m. and with a total gross floor area of approximately 332,500 sq.m. (uses, site area and gross floor area are subject to approval of the planning authorities)
- (iv) Total investment amount : RMB598,500,000
- (v) Registered capital : RMB199,500,000
- (vi) Party A’s contribution : to provide the land use rights of the property and 5% of the registered capital
- (vii) Party B’s contribution : to provide 95% of the registered capital and other development capital
- (viii) Profit/Loss sharing : Party A : 5%
Party B : 95%

- (ix) CJV's responsibilities : (a) the development, sale, management and leasing of the property; (b) to pay the land grant fee and (c) to pay Party A the pre-development cost in the amount of RMB404,500,000 by quarterly payment within two years from the date of this contract.

Our valuation of the Group's proposed interest in the property is based on the capital contribution and profit sharing of the Group as stipulated in the said proposed co-operative contract.

- (6) The opinion of the Group's legal adviser on PRC law states, inter alia, that:-
- (i) GT Science duly entered into Contract for Grant of State-owned Land Use Rights No. (2001) 024 (the "Grant Contract") with Guangzhou Municipal State Land Bureau on 22nd March, 2001 which is legally enforceable.
- (ii) Subject to compliance with the terms of the Grant Contract and payment of land grant fee in accordance with the time schedule stipulated in the Grant Contract, GT Science is entitled to transfer the land use rights of the property to the CJV.
- (iii) When transferring the land use rights of the property to the CJV, GT Science may enter into a contract for transfer of State-owned land use rights (the "Transfer Contract") with the CJV and make application and tax payment to the relevant government authorities within 30 days from the date of signing the contract, or obtain consent of Guangzhou Municipal State Land Bureau to change the grantee of the Grant Contract to the CJV. Upon full payment of the land grant fee in accordance with the Grant Contract or Transfer Contract, as the case may be, a proper title certificate in respect of the land use rights of the property will be issued in favour of the CJV.
- (7) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:
- (i) GT Science 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 rights at no extra land premium or other onerous payment payable to the government;
- (ii) all land premium and other costs of ancillary utilities services have been settled in full;
- (iii) the planning and design of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities;
- (iv) the property may be disposed of freely to both local and overseas purchasers; and
- (v) the proposed co-operative contract as mentioned in Note (5) above is lawfully binding and will be executed.
- (8) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:
- | | |
|--------------------------------------------------------|-----|
| Certificate for the Use of State-owned Land | No |
| Contract for Grant of State-owned Land Use Rights | Yes |
| Planning Permit for Construction Land | Yes |
| Planning Permit for Construction Works | N/A |
| Building Ownership Certificate/Real Estate Certificate | N/A |
| Permit for Pre-sale | N/A |
| Business Licence | N/A |

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard 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, the interests of the Directors in the issued share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) were as follows:

Name	Notes	Number of shares beneficially held	
		Personal	Corporate
Chu Mang Yee	(a)	–	637,500,000
Au Wai Kin	(b)	–	37,500,000
Cheung Fong Wing	(c)	–	38,000,000
Luk Wai Kei	(c)	–	38,000,000

Notes:

- (a) These Shares are held by Sounda, a company wholly-owned by Mr. Chu Mang Yee and ICEA (Nominees) Limited, a nominee company.
- (b) These Shares are held by Yield Plentiful Incorporated, a company wholly-owned by Mr. Au Wai Kin.
- (c) These Shares are held by Ommaney Properties Limited which is 60 % owned by Mr. Cheung Fong Wing and 20 % owned by Ms. Luk Wai Kei, and their interests as disclosed are duplicated.

As at the Latest Practicable Date, the following Directors had interests recorded in the register kept under section 29 of the SDI Ordinance being options granted under the existing share option scheme of the Company to subscribe for Shares in the Company:

Name	Number of shares under option
Tse Sai Tung, Stones	5,000,000

Details of the share options granted to Mr. Tse Sai Tung, Stones are as follows:

Date of Grant	Subscription price per share (HK\$)	Number of share options granted
14th July, 1998	1.49	2,000,000
14th January, 1999	0.61	1,000,000
14th July, 1999	1.00	1,000,000
14th January, 2000	0.75	1,000,000
		<hr/>
		5,000,000

Save as disclosed herein, none of the Directors and chief executives of the Company had any interests in the equity or debt securities of the Company and its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or which were required, pursuant to Section 29 of the SDI Ordinance, 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 Companies to be notified to the Company and the Stock Exchange.

No contract, commitment or agreement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, either directly or indirectly, subsisted at the date of this circular.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which since 31st December, 2000, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the persons (not being a Director or the chief executive of the Company) who were, 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 meetings of

the Company and the amount of such persons' interests in such securities, together with particulars of any options in respect of such capital, were as follows:

Name	Number of issued shares
Sounda	637,500,000

Save as disclosed herein, there is no person known to the Directors, who, as at the Latest Practicable Date, was, directly or indirectly, interested in 10 % or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of the Company or had any options in respect of such capital.

4. SERVICE AGREEMENT

Each of the executive Directors, save and except Mr. Au Yeung Fu, Anthony and Ms. Luk Wai Kei, has entered into a service agreement with the Company. The service agreement of each of the Chairman, Mr. Tse Sai Tung, Stones, Mr. Au Wai Kin and Mr. Cheung Fong Wing is for a term of three years from 1st January, 1998 and thereafter automatically renewed and terminable by either party by three months' notice. The service agreement of Mr. Xiang Bin is for a term of five years commencing from 15th February, 2001 and thereafter automatically renewed and terminable by either party by three months' notice. The service agreement of Ms. Xiao Yan Xia is for a term of three years commencing from 18th April, 2001 and upon the expiration of 15 months from the commencement date of the term terminable by either party by three months' notice.

Save as disclosed herein, none of the Directors has entered or proposed to enter into any service agreement with any member of the Group which is not terminable within one year without payment of compensation (other than statutory compensation).

5. EXPERT

The following is the qualification of the experts who have given an opinion or advice contained in this circular:

Name	Qualification
JS Cresvale	Investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
DTZ	International property advisers

The valuation report was compiled by DTZ for incorporation herein. The letter and recommendation were given by JS Cresvale as of the date of this circular for incorporation herein.

6. EXPERT'S DISCLOSURE OF INTEREST AND CONSENT

As at the Latest Practicable Date, neither JS Cresvale nor DTZ has any shareholding, directly or indirectly, in any member of the Group or the right to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, neither JS Cresvale nor DTZ has any interest, direct or indirect, in any assets which since 31st December, 2000, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of JS Cresvale and DTZ has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its valuation report and letter in the form and context in which they respectively appear.

7. MATERIAL CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st December, 2000, the date to which the latest published audited financial statements of the Group were made up.

8. SECRETARY

The secretary of the Company is Ms. Mok Wai Kun, Barbara, a solicitor practising in Hong Kong.

9. LITIGATION

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal office in Hong Kong at 19th Floor, Wyndham Place, 40-44 Wyndham Street, Central, Hong Kong during normal business hours up to and including 30th May, 2001:

- (a) the Agreement;
- (b) the service agreements referred to in paragraph 4 of this appendix;

- (c) the letter from JS Cresvale to the Shareholders, the text of which is set out on pages 10 to 17 of this circular;
- (d) the Valuation Report, the text of which is set out on pages 18 to 24 of this circular;
- (e) the letters of consent referred to in paragraph 6 of this appendix;
- (f) the memorandum of association and bye-laws of the Company; and
- (g) the annual report of the Company for the year ended 31st December, 2000.