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

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

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**HOPSON DEVELOPMENT HOLDINGS LIMITED**

**合生創展集團有限公司\***

*(incorporated in Bermuda with limited liability)*

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

**DISCLOSEABLE AND CONNECTED TRANSACTIONS**

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

**JS CRESVALE**

**JS Cresvale International Limited**

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A letter from the Chairman of the Company is set out on pages 7 to 27 of this circular. A letter from the Independent Board Committee and a letter from JS Cresvale containing its advice to the Independent Board Committee are set out on page 28 and pages 29 to 51 of this circular respectively.

A notice convening the SGM to be held at Aberdeen Room (Level 3), JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 20 February 2002, at 9.30 a.m. is set out on pages 76 to 77 of this circular. Whether or not you are able to attend, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion of the form of proxy will not preclude you from attending and voting in person at the meeting if you so desire.

31 January 2002

\* *for identification purposes only*

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following expressions have the respective meanings set out opposite them:*

“Announcement”	the announcement of the Company dated 9 January 2002 regarding the Transactions
“associates”	has the meaning given to that term in the Listing Rules
“Agreements”	the Lu Zhou Agreement, the Beifang Agreement, the YuJing Agreement, the Tianjin Agreement and the Cuijing Agreement
“Beifang Agreement”	the conditional agreement dated 8 January 2002 and entered into between Nambour and BJ Zhujiang to establish the Beifang JV
“Beifang JV”	Beijing Hopson Beifang Real Estate Development Limited, the sino-foreign cooperative joint venture proposed to be established pursuant to the Beifang Agreement
“BJ Zhujiang”	Beijing Zhujiang Real Estate Development Company Limited, a company established in the PRC, 60 per cent. and 40 per cent. of the registered capital of which are held by GD Zhujiang and GZ Construction respectively
“Board”	board of Directors
“Chairman”	Mr. Chu Mang Yee, the chairman of the Board
“Company”	Hopson Development Holdings Limited
“connected person”	has the meaning given to that term in the Listing Rules
“Construction Industrial”	Guangdong Construction Industrial Group Company, a company established in the PRC and an independent third party not connected with the Company or any of its directors, chief executives, substantial shareholders, subsidiaries or their respective associates

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## DEFINITIONS

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“Cuijing Agreement”	the conditional agreement dated 8 January 2002 and entered into between Hopeson, Yue Teng, Construction Industrial and GZ Development to establish the Cuijing JV
“Cuijing JV”	Guang Zhou Hopson Cuijing Real Estate Limited, the sino-foreign cooperative joint venture proposed to be established pursuant to the Cuijing Agreement
“Directors”	the directors of the Company
“DTZ”	DTZ Debenham Tie Leung Limited
“Group”	the Company and its subsidiaries
“GD Zhujiang”	Guangdong Zhujiang Investment Limited, a company established in the PRC and a substantial shareholder of certain existing subsidiaries of the Company in the PRC
“GZ Construction”	Guangdong Zhujiang Construction Company Limited, a company established in the PRC, controlled by and 60 per cent. of the registered capital of which is held by GD Zhujiang and its wholly-owned subsidiaries
“GZ Development”	Guangzhou Zhujiang Real Estate Development Company Limited, a company established in the PRC, 60 per cent. and 40 per cent. of the registered capital of which are held by GD Zhujiang and GZ Construction respectively
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hopeson”	Hopeson Holdings Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company

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## DEFINITIONS

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“Hopson Yijing”	Guangzhou Hopson Yijing Real Estate Limited, a sino-foreign cooperative joint venture proposed established to develop a site comprising part of Pleasant View Garden as more particularly described in the circular to shareholders of the Company dated 26 January 2000
“Independent Board Committee”	an independent committee of the Board comprising Messrs. Yuen Pak Yiu, Philip, Lee Tsung Hei, David, and Wong Shing Kay, Oliver established to advise the Independent Shareholders on the terms of the Transactions
“Independent Shareholders”	the shareholders of the Company other than Sounda and its associates
“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 Independent Board Committee
“Latest Practicable Date”	29 January 2002, 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
“Lu Zhou Agreement”	the conditional agreement dated 8 January 2002 and entered into between Pomeroy and BJ Zhujiang to establish the Lu Zhou JV
“Lu Zhou JV”	Beijing Hopson Lu Zhou Real Estate Development Limited, the sino-foreign cooperative joint venture proposed to be established pursuant to the Lu Zhou Agreement
“Nambour”	Nambour Properties Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company

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## DEFINITIONS

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“Original Joint Development Agreement”	the joint development agreement entered into on 16 February 2000 between Hopson Yijing, New Tai An, Hopson Lejing and Zhukuang (as respectively defined in the circular of the Company dated 26 January 2000) to jointly develop and construct commodity property on the site comprising four pieces of adjoining land at Guangzhou Main Road in Haizhu District of Guangzhou, the PRC
“Pleasant View Garden”	the commodity property development site located between the west side of Guangzhou Main Road and the south side of Lu Jiang Village and Feng He Village in Haizhu District of Guangzhou, the PRC to be developed and constructed under the Original Joint Development Agreement or the Supplemental Joint Development Agreement (as the case may be)
“Pomeroy”	Pomeroy Properties Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“PRC”	People’s Republic of China
“Rmb”	Renminbi
“SGM”	the special general meeting of the Company to be held on 20 February 2002 at which resolutions will be proposed to approve the Yijing-Cuijing Transaction, notice of which is set out on pages 76 to 77 of this circular
“Sounda”	Sounda Properties Limited, a company incorporated in the British Virgin Islands and the controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Hopson Yijing Agreements”	the supplemental joint venture agreement proposed to be entered into between Yue Teng, Construction Industrial, GD Zhujiang, Xin Nan Fang and Hopeson and the new joint venture agreement proposed to be entered into between GD Zhujiang, Xin Nan Fang and Hopeson, to amend certain terms of Hopson Yijing

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## DEFINITIONS

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“Supplemental Joint Development Agreement”	the supplemental joint development agreement to be entered into between New Tai An, Hopson Lejing, Hopson Yijing, Zhukuang and the Cuijing JV to amend and supplement certain terms of the Original Joint Development Agreement
“Tianjin Agreement”	the conditional agreement dated 8 January 2002 and entered into between Hopson and TJ Zhujiang to establish the Tianjin JV
“Tianjin JV”	Tianjin Hopson Zhujiang Real Estate Development Limited, the sino-foreign cooperative joint venture proposed to be established pursuant to the Tianjin Agreement
“TJ Zhujiang”	Tianjin Zhujiang Industrial Company Limited, a company established in the PRC, 60 per cent. and 40 per cent. of the registered capital of which are held by GD Zhujiang and GZ Construction respectively
“Transactions”	the Agreements, the Supplemental Joint Development Agreement and the proposed amendments to the terms of Hopson Yijing
“Valuation Report”	the valuation report on the sites to be developed by the Lu Zhou JV, the Beifang JV, the YuJing JV, the Tianjin JV and the Cuijing JV under the Agreements, prepared by DTZ for purposes of inclusion in this circular
“Xin Nan Fang”	Guangzhou Xin Nan Fang Real Estate Development Company Limited, a company established in the PRC indirectly owned as to 90.65 per cent. by Mr. Chu Muk Chi, a brother of the Chairman, and a PRC joint venture party of Hopson Yijing
“Yijing-Cuijing Transaction”	entry into the Supplemental Hopson Yijing Agreements, the Cuijing Agreement and the Supplemental Joint Development Agreement and transactions contemplated thereunder or incidental thereto

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## DEFINITIONS

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“Yue Teng”	Guangzhou Yue Teng Property Limited, a company established in the PRC and an independent third party not connected with the Company or any of its directors, chief executives, substantial shareholders, subsidiaries or their respective associates
“YuJing Agreement”	the conditional agreement dated 8 January 2002 and entered into between Hopeson and BJ Zhujiang to establish the YuJing JV
“YuJing JV”	Beijing Hopson YuJing Real Estate Development Limited, the sino-foreign cooperative joint venture proposed to be established pursuant to the YuJing Agreement

*For illustrative purposes of this circular, Rmb 106 = HK\$100*



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## LETTER FROM THE CHAIRMAN

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### HOPSON DEVELOPMENT HOLDINGS LIMITED

合生創展集團有限公司\*

*(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  
XIAO Yan Xia

*Head Office:*

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

*Independent Non-executive Directors:*

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

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

31 January 2002

*To the shareholders*

Dear Sir and Madam,

### DISCLOSEABLE AND CONNECTED TRANSACTIONS

#### A. INTRODUCTION

Pursuant to the Announcement, the Group announced that it had entered into the Agreements (conditional) with three connected persons of the Company to establish five sino-foreign co-operative joint ventures in the PRC for the development and construction of commodity (commercial and residential) property on various sites in Beijing and Guangzhou and a resort in Tianjin, the PRC. The Agreements together constitute a discloseable transaction and are also connected transactions of the Company. Further, two parcels of land previously targeted for development by Hopson Yijing are proposed to be developed by the Cuijing JV instead. Consequential amendments to the terms of Hopson Yijing pursuant to the Supplemental

\* *for identification purposes only*

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## LETTER FROM THE CHAIRMAN

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Yijing-Cuijing Agreements (as two of the joint venture partners of Hopson Yijing are connected persons of the Company), entry into the Supplemental Joint Development Agreement (as four of the parties will be connected persons of the Company) and the Cuijing Agreement would also constitute connected transactions for the Company.

The purpose of this circular is to give you further details of the Transactions and other relevant information.

### **B. THE AGREEMENTS**

#### **1. The Lu Zhou JV**

On 8 January 2002, Pomeroy and BJ Zhujiang entered into the Lu Zhou Agreement for the formation of the Lu Zhou JV, a sino-foreign co-operative joint venture for the development and construction of university student apartments and commodity (commercial and residential) property with a total gross floor area of approximately 234,000 square metres located in Bangzijing Village of the Sanjianfang Town in the Chaoyang District of Beijing, the PRC. BJ Zhujiang is a company owned as to 60 per cent. by GD Zhujiang and 40 per cent. by GZ Construction which is in turn controlled by and owned as to 60 per cent. by GD Zhujiang and its wholly-owned subsidiaries.

#### **Principal terms of the Lu Zhou JV**

Parties:	(i) Pomeroy; and  (ii) BJ Zhujiang
Business scope:	Development, construction, sale, letting and management of commodity property located in Bangzijing Village of the Sanjianfang Town in the Chaoyang District of Beijing, the PRC and provision of ancillary facilities and services
Total investment:	Rmb 300 million (approximately HK\$283.02 million)
Registered capital:	Rmb 100 million (approximately HK\$94.34 million)
Term:	30 years from the date of issue of the business licence of the Lu Zhou JV

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## LETTER FROM THE CHAIRMAN

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Capital contribution and financing: The registered capital will be contributed by Pomeroy and BJ Zhujiang in cash in the ratio of 70 per cent. and 30 per cent. respectively. The Lu Zhou JV will be responsible for arranging funding of capital requirements beyond the amount of the registered capital, including the difference between the total investment amount and the registered capital.

Registered capital contributions shall be made in cash by six instalments, the first of which shall be made within three months from the date of issue of the business licence of the Lu Zhou JV and the last of which shall be made within 36 months from the date of issue of the business licence of the Lu Zhou JV.

Land use right: The relevant parcel of land is collectively owned by the Bangzijing Village, which is independent of and not connected with the Company or any of its directors, chief executives, substantial shareholders, subsidiaries or their respective associates. By an agreement dated 9 March 2001, the Bangzijing Village Committee agreed to complete transfer the land use rights thereof to BJ Zhujiang for a total compensation amount of Rmb 168 million (approximately HK\$158.49 million), inclusive of all relocation costs. The total compensation amount was negotiated between the Bangzijing Village Committee and BJ Zhujiang on an arm's-length basis. Such amounts will ultimately be borne by the Lu Zhou JV pursuant to the reimbursement mechanism described below. Under the joint venture contract in respect of the Lu Zhou JV, BJ Zhujiang shall complete all procedures to transfer such land use rights to the Lu Zhou JV within 30 days (which may be extended to 60 days with the agreement of the parties) of the date on which the joint venture contract becomes effective (which was mis-stated as the date of the joint venture contract in the Announcement), at the cost of the Lu Zhou JV. In the event that the land use rights cannot be transferred to the Lu Zhou JV within the agreed time period, all obligations to contribute to the registered capital shall forthwith terminate and the parties shall commence procedures to wind up the Lu Zhou JV prior to the date on which the first instalment of capital contributions is to be made. The Lu Zhou JV will also prior to distribution of profits of the Lu Zhou JV reimburse BJ

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## LETTER FROM THE CHAIRMAN

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Zhujiang for all payments incurred in relation to acquisition of the land use rights prior to establishment of the Lu Zhou JV, such as land acquisition payments, settlement and site clearance costs, of which approximately Rmb 111 million (approximately HK\$104.72 million) has been paid to date and approximately Rmb 57 million (approximately HK\$53.77 million) remain outstanding and payable by BJ Zhujiang in three further instalments, the last of which is payable within 480 days of entry into possession of the land, pursuant to the agreement dated 9 March 2001 between the Bangzijing Village Committee and BJ Zhujiang. The estimated land grant fee of Rmb 30 million (approximately HK\$28.30 million) and all taxes and costs in relation to the transfer of land use rights (such as deed tax) will be payable by the Lu Zhou JV. The exact amount and payment mechanism of land grant fee will be negotiated between the Lu Zhou JV and the local land bureau upon entering into the grant of land use rights contract after establishment of the Lu Zhou JV, the Directors do not consider that the taxes and costs in relation to the transfer of land use rights to be material.

- Profit sharing: The profits and losses of the Lu Zhou JV will be shared and borne by Pomeroy and BJ Zhujiang in the ratio of 70 per cent. and 30 per cent. respectively.
- Board of directors: The board of directors comprising seven directors will be the highest authority of the Lu Zhou JV. Pomeroy and BJ Zhujiang shall be entitled to appoint five and two directors to the board of directors of the Lu Zhou JV respectively. The chairman of the board, who does not have a casting vote, shall be nominated by Pomeroy.
- Unanimous consent: The following actions shall require the unanimous consent of the directors of the Lu Zhou JV:–
- (1) the amendment of the articles of association of the Lu Zhou JV;
  - (2) the granting of any mortgage/charge in respect of the assets of the Lu Zhou JV;

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## LETTER FROM THE CHAIRMAN

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- (3) the increase, reduction or transfer of the registered capital of the Lu Zhou JV;
- (4) the dissolution of the Lu Zhou JV;
- (5) the consolidation or merger or change of structure of the Lu Zhou JV;
- (6) any other matters as decided by the directors of the Lu Zhou JV.

Liquidation: Liquidation procedures upon termination or winding-up of the Lu Zhou JV shall be made according to law; assets after completion of liquidation procedures shall be distributed in the same proportion as for profit sharing.

### 2. The Beifang JV

On 8 January 2002, Nambour and BJ Zhujiang entered into the Beifang Agreement for the formation of the Beifang JV, a sino-foreign co-operative joint venture for the development and construction of commodity (commercial and residential) property with a total gross floor area of approximately 750,000 square metres located on Xidawang Road in the Chaoyang District of Beijing, the PRC.

#### Principal terms of the Beifang JV

Parties: (i) Nambour ; and  
(ii) BJ Zhujiang

Business scope: Development, construction, sale, letting and management of commodity property located on Xidawang Road in the Chaoyang District of Beijing, the PRC and provision of ancillary facilities and services

Total investment: Rmb 196 million (approximately HK\$184.91 million)

Registered capital: Rmb 78.4 million (approximately HK\$73.96 million)

Term: 30 years from the date of issue of the business licence of the Beifang JV

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## LETTER FROM THE CHAIRMAN

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Capital contribution and financing: The registered capital will be contributed by Nambour and BJ Zhujiang in cash in the ratio of 70 per cent. and 30 per cent. respectively. The Beifang JV will be responsible for arranging funding of capital requirements beyond the amount of the registered capital, including the difference between the total investment amount and the registered capital.

Registered capital contributions shall be made in cash by six instalments, the first of which shall be made within three months from the date of issue of the business licence of the Beifang JV and the last of which shall be made within 36 months from the date of issue of the business licence of Beifang JV.

Land use right: The land use rights and building ownership rights of the relevant parcel of land is owned by Beijing Chemical Factory and Beijing Chemical Group Company Limited, both of which are independent third parties not connected with the Company or any of its directors, chief executives, substantial shareholders, subsidiaries or their respective associates. By an agreement dated 26 April 2001, Beijing Chemical Factory and Beijing Chemical Group Company Limited agreed to transfer the land use rights and building ownership rights to BJ Zhujiang for a total compensation amount of Rmb 775 million (approximately HK\$731.13 million), and site clearance costs of Rmb 10 million (approximately HK\$9.43 million) which is separately payable to Beijing Chemical Factory. The total compensation amount was negotiated between Beijing Chemical Factory and Beijing Chemical Group Company Limited on the one hand, and BJ Zhujiang on the other hand, on an arm's-length basis. Such amounts will ultimately be borne by the Beifang JV pursuant to the reimbursement mechanism described below. Under the joint venture contract in respect of the Beifang JV, BJ Zhujiang shall complete all procedures to transfer such land use rights to the Beifang JV within 30 days (which may be extended to 60 days with the agreement of the parties) of the date on which the joint venture contract becomes effective (which was mis-stated as the date of the joint venture contract in the Announcement), at the cost of the Beifang JV. In the event that the land use rights cannot be transferred to the Beifang JV within the agreed time

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## LETTER FROM THE CHAIRMAN

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period, all obligations to contribute to the registered capital shall forthwith terminate and the parties shall commence procedures to wind up the Beifang JV prior to the date on which the first instalment of capital contributions is to be made. The Beifang JV will also prior to distribution of profits of the Beifang JV reimburse BJ Zhujiang for all payments incurred in relation to acquisition of the land use rights prior to establishment of the Beifang JV, such as land acquisition payments, settlement and site clearance costs, of which approximately Rmb 210 million (approximately HK\$198.11 million) has been paid to date and approximately Rmb 575 million (approximately HK\$542.45 million) remain outstanding and payable by BJ Zhujiang in eight further instalments, the last of which is payable within 550 days of entry into possession of the land, pursuant to the agreement dated 26 April 2001 between Beijing Chemical Factory, Beijing Chemical Group Company Limited and BJ Zhujiang. The estimated land grant fee of approximately Rmb 180 million (approximately HK\$169.81 million) and all taxes and costs in relation to the transfer of land use rights (such as deed tax) will be payable by the Beifang JV. The exact amount and payment mechanism of land grant fee will be negotiated between the Beifang JV and the local land bureau upon entering into the grant of land use rights contract after establishment of the Beifang JV, the Directors do not consider that the taxes and costs in relation to the transfer of land use rights to be material.

- Profit sharing: The profits and losses of the Beifang JV will be shared and borne by Nambour and BJ Zhujiang in the ratio of 70 per cent. and 30 per cent. respectively.
- Board of directors: The board of directors comprising seven directors will be the highest authority of the Beifang JV. Nambour and BJ Zhujiang shall be entitled to appoint five and two directors to the board of directors of the Beifang JV respectively. The chairman of the board, who does not have a casting vote, shall be nominated by Nambour.
- Unanimous consent: The same actions which require unanimous consent of the board of directors of the Lu Zhou JV also require unanimous consent of the board of directors of the Beifang JV.

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## LETTER FROM THE CHAIRMAN

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Liquidation: Liquidation procedures upon termination or winding-up of the Beifang JV shall be made according to law, assets after completion of liquidation procedures shall be distributed in the same proportion as for profit sharing.

### 3. The YuJing JV

On 8 January 2002, Hopeson and BJ Zhujiang entered into the YuJing Agreement for the formation of the YuJing JV, a sino-foreign co-operative joint venture for the development and construction of commodity (commercial and residential) property with a total gross floor area of approximately 300,000 square metres located on Qingnian Road in the Chaoyang District of Beijing, the PRC.

#### Principal terms of the YuJing JV

Parties: (i) Hopeson; and  
(ii) BJ Zhujiang

Business scope: Development, construction, sale, letting and management of commodity property located on Qingnian Road in the Chaoyang District of Beijing, the PRC and provision of ancillary facilities and services

Total investment: Rmb 194 million (approximately HK\$183.02 million)

Registered capital: Rmb 77.6 million (approximately HK\$73.21 million)

Term: 30 years from the date of issue of the business licence of the YuJing JV

Capital contribution and financing: The registered capital will be contributed by Hopeson and BJ Zhujiang in cash in the ratio of 70 per cent. and 30 per cent. respectively. The YuJing JV will be responsible for arranging funding of capital requirements beyond the amount of the registered capital, including the difference between the total investment amount and the registered capital.

Registered capital contributions shall be made in cash by six instalments, the first of which shall be made within three months from the date of issue of the business licence of the YuJing JV and the last of which shall be made within 36 months from the date of issue of the business licence of YuJing JV.



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## LETTER FROM THE CHAIRMAN

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Land use right: The land use rights to the relevant parcel of land is owned by Beijing Coal General Company First Factory (which is an independent third party not connected with the Company, or any of its directors, chief executives, substantial shareholders, subsidiaries or their respective associates) and zoned for storage use. By an agreement dated 1 August 2000, Beijing Coal General Company First Factory agreed to complete change of land use procedures and transfer the land use rights thereof to BJ Zhujiang for a total compensation amount of Rmb 325 million (approximately HK\$306.60 million), inclusive of all relocation costs. The total compensation amount was negotiated between Beijing Coal General Company First Factory and BJ Zhujiang on an arm's-length basis. Such amounts will ultimately be borne by the YuJing JV pursuant to the reimbursement mechanism described below. Under the joint venture contract in respect of the YuJing JV, BJ Zhujiang shall complete all procedures to transfer such land use rights to the YuJing JV within 30 days (which may be extended to 60 days with the agreement of the parties) of the date on which the joint venture contract becomes effective (which was mis-stated as the date of the joint venture contract in the Announcement), at the cost of the YuJing JV. In the event that the land use rights cannot be transferred to the YuJing JV within the agreed time period, all obligations to contribute to the registered capital shall forthwith terminate and the parties shall commence procedures to wind up the YuJing JV prior to the date on which the first instalment of capital contributions is to be made. The YuJing JV will also prior to distribution of profits of the YuJing JV reimburse BJ Zhujiang for all payments incurred in relation to acquisition of the land use rights prior to establishment of the YuJing JV, such as land acquisition payments, settlement and site clearance costs, of which approximately Rmb 40 million (approximately HK\$37.73 million) has been paid to date and approximately Rmb 285 million (approximately HK\$268.87 million) remain outstanding and payable by BJ Zhujiang in five further instalments, the last of which will be payable by 30 August 2003, pursuant to the agreement dated 1 August 2000 between Beijing Coal General Company First Factory and BJ Zhujiang. The joint venture contract in respect of the YuJing JV also provides that the land grant fee and all taxes and costs in relation to the transfer of land use

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## LETTER FROM THE CHAIRMAN

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rights (such as deed tax) will be payable by the YuJing JV. The exact amount and payment mechanism of land grant fee will be negotiated between the YuJing JV and the local land bureau upon entering into the grant of land use rights contract after establishment of the YuJing JV, the Directors do not consider that the taxes and costs in relation to the transfer of land use rights to be material.

Profit sharing: The profits and losses of the YuJing JV will be shared and borne by Hopeson and BJ Zhujiang in the ratio of 70 per cent. and 30 per cent. respectively.

Board of directors: The board of directors comprising seven directors will be the highest authority of the YuJing JV. Hopeson and BJ Zhujiang shall be entitled to appoint five and two directors to the board of directors of the YuJing JV respectively. The chairman of the board, who does not have a casting vote, shall be nominated by Hopeson.

Unanimous consent: The same actions which require unanimous consent of the board of directors of the Lu Zhou JV also require unanimous consent of the board of directors of the YuJing JV.

Liquidation: Liquidation procedures upon termination or winding-up of the YuJing JV shall be made according to law; assets after completion of liquidation procedures shall be distributed in the same proportion as for profit sharing.

#### **4. The Tianjin JV**

On 8 January 2002, Hopeson and TJ Zhujiang entered into the Tianjin Agreement for the formation of the Tianjin JV, a sino-foreign co-operative joint venture for the development and construction of a tourist and resort area (with commodity properties) with a total gross floor area of approximately 2,500,000 square metres located in Baodi District of Tianjin, the PRC.

##### **Principal terms of the Tianjin JV**

Parties: (i) Hopeson; and

(ii) TJ Zhujiang, a company established in the PRC and owned as to 60 per cent. by GD Zhujiang and 40 per cent. by GZ Construction, which is in turn controlled by and owned as to 60 per cent. by GD Zhujiang and its wholly-owned subsidiaries.

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## LETTER FROM THE CHAIRMAN

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Business scope:	Development, construction, sale, letting and management of commodity property located in the Baodi District of Tianjin, the PRC and provision of ancillary facilities and services
Total investment:	Rmb 180 million (approximately HK\$169.81 million)
Registered capital:	Rmb 72 million (approximately HK\$67.92 million)
Term:	30 years from the date of issue of the business licence of the Tianjin JV
Capital contribution and financing:	<p>The registered capital will be contributed by Hopeson and TJ Zhujiang in cash in the ratio of 70 per cent. and 30 per cent. respectively. The Tianjin JV will be responsible for arranging funding of capital requirements beyond the amount of the registered capital, including the difference between the total investment amount and the registered capital.</p> <p>Registered capital contributions shall be made in cash by six instalments, the first of which shall be made within three months from the date of issue of the business licence of the Tianjin JV and the last of which shall be made within 36 months from the date of issue of the business licence of the Tianjin JV.</p>
Land use right:	<p>By an agreement dated 22 August 2001, the People's Government of Baodi District agreed to grant land use rights over the relevant parcel of land for a land grant fee of Rmb 180 million (approximately HK\$169.81 million), which is inclusive of relocation compensation amounts and related taxes and costs. Under the joint venture contract in respect of the Tianjin JV, TJ Zhujiang shall complete all procedures to transfer such land use rights to the Tianjin JV within 30 days (which may be extended to 60 days with the agreement of the parties) of the date on which the joint venture contract becomes effective (which was mis-stated as the date of the joint venture contract in the Announcement), at the cost of the Tianjin JV. In the event that the land use rights cannot be transferred to the Tianjin JV within the agreed time period, all obligations to contribute to the registered capital shall forthwith terminate and the parties shall commence procedures to wind up the Tianjin JV prior</p>

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## LETTER FROM THE CHAIRMAN

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to the date on which the first instalment of capital contributions is to be made. The Tianjin JV will also prior to distribution of profits of the Tianjin JV reimburse TJ Zhujiang for all payments incurred in relation to acquisition of the land use rights prior to establishment of the Tianjin JV, of which approximately Rmb 10 million (approximately HK\$9.43 million) has been paid to date and approximately Rmb 170 million (approximately HK\$160.38 million) remain outstanding and payable in instalments based on the actual progress of site clearance and re-settlement.

**Profit sharing:** The profits and losses of the Tianjin JV will be shared and borne by Hopeson and TJ Zhujiang in the ratio of 70 per cent. and 30 per cent. respectively.

**Board of directors:** The board of directors comprising seven directors will be the highest authority of the Tianjin JV. Hopeson and TJ Zhujiang shall be entitled to appoint five and two directors to the board of directors of the Tianjin JV respectively. The chairman of the board, who does not have a casting vote, shall be nominated by Hopeson.

**Unanimous consent:** The same actions which require unanimous consent of the board of directors of the Lu Zhou JV also require unanimous consent of the board of directors of the Tianjin JV.

**Liquidation:** Liquidation procedures upon termination or winding-up of the Tianjin JV shall be made according to law; assets after completion of liquidation procedures shall be distributed in the same proportion as for profit sharing.

### **5. The Cuijing JV**

The two parcels of land originally intended to be developed by Hopson Yijing as part of Pleasant View Garden, together with one other adjacent parcel of land will be the site of a proposed new development of the Group, which will also form part of Pleasant View Garden. On 8 January 2002, Hopeson, Yue Teng, Construction Industrial and GZ Development entered into the Cuijing Agreement for the formation of the Cuijing JV for the development and construction of the Cuijing site with a total gross floor area of approximately 74,000 square metres located between the west side of Guangzhou Main Road and the south side of Lu Jiang Village and Feng He Village in Haizhu District of Guangzhou, the PRC.

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## LETTER FROM THE CHAIRMAN

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### Principal terms of the Cuijing JV

Parties:	(i) Hopeson;  (ii) Yue Teng;  (iii) Construction Industrial; and  (ii) GZ Development, a company established in the PRC, 60 per cent. and 40 per cent. of the registered capital of which are held by GD Zhujiang and GZ Construction respectively
Business scope:	Development, construction, sale, letting and management of commodity property located on the west side of Guangzhou Main Road and the south side of Lu Jiang Village and Feng He Village in Haizhu District of Guangzhou, the PRC and provision of ancillary facilities and services
Total investment:	Rmb 133.87 million (approximately HK\$126.29 million)
Registered capital:	Rmb 53.55 million (approximately HK\$50.52 million)
Term:	20 years from the date of issue of the business licence of the Cuijing JV
Capital contribution and financing:	<p>The registered capital will be contributed entirely by Hopeson in cash. The Cuijing JV will be responsible for arranging funding of capital requirements beyond the amount of the registered capital, including the difference between the total investment amount and the registered capital.</p> <p>Registered capital contributions shall be made in cash by six instalments, the first of which shall be made within three months from the date of issue of the business licence of the Cuijing JV and the last of which shall be made within 36 months from the date of issue of the business licence of the Cuijing JV.</p>
Land use right:	The land use rights to the three parcels of land are held by Yue Teng, Construction Industrial and GZ Development respectively. Under the joint venture contract in respect of the Cuijing JV, Yue Teng and Construction Industrial shall

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## LETTER FROM THE CHAIRMAN

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respectively assist the Cuijing JV in all procedures to transfer the land use rights and obtain the right to development over their respective parcels of land to the Cuijing JV, and GZ Development shall complete all procedures to transfer the land use rights to its parcel of land to the Cuijing JV, all at the cost of the Cuijing JV, including the estimated land grant fees of Rmb 30.6 million (approximately HK\$28.87 million), the exact amount of which has yet to be determined as the land grant contracts for the two parcels of land to be contributed by Yue Teng and Construction Industrial have yet to be entered into. The Cuijing JV will also reimburse GZ Development and Hopeson for all payments incurred in relation to acquisition of the land use rights prior to establishment of the Cuijing JV, of which approximately Rmb 7.67 million (approximately HK\$7.24 million) has been paid to date and approximately Rmb 14.30 million (approximately HK\$13.49 million) remain outstanding and payable. No reimbursements are due to Yue Teng or Construction Industrial as payments due by them in relation to acquisition of land use rights have been made on their behalf by Hopeson.

- Profit sharing: The profits and losses of the Cuijing JV will be shared and borne by Hopeson, Yue Teng, Construction Industrial and GZ Development in the ratio of 97:1:1:1.
- Board of directors: The board of directors comprising seven directors will be the highest authority of the Cuijing JV. Hopeson shall be entitled to appoint four directors and each of Yue Teng, Construction Industrial and GZ Development shall be entitled to appoint one director to the board of directors of the Cuijing JV respectively. The chairman of the board, who does not have a casting vote, shall be nominated by Hopeson.
- Unanimous consent: The same actions which require unanimous consent of the board of directors of the Lu Zhou JV also require unanimous consent of the board of directors of the Cuijing JV.
- Liquidation: Liquidation procedures upon termination or winding-up of the Cuijing JV shall be made according to law; assets after completion of liquidation procedures shall be distributed in the same proportion as for profit sharing.

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## LETTER FROM THE CHAIRMAN

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### **6. Condition**

All of the Agreements are conditional upon the approval by the shareholders of the Company as a connected transaction of the Company pursuant to the Listing Rules, or a waiver being granted by the Stock Exchange exempting the shareholder approval requirement, by no later than 60 days from the date of the relevant Agreement (or such later date as the parties shall agree).

Upon fulfilment of the condition, the relevant parties to the Agreements shall enter into joint venture agreements in respect of the respective joint venture to which the relevant Agreement relates within 30 days from the date such condition is fulfilled (or such later date as the parties shall agree).

### **7. Reasons for the Agreements**

The Group had prior to the Agreements principally engaged in property development in the Guangdong Province of the PRC. With the increasing demand for upmarket residential properties in Beijing, the accession of the PRC to the World Trade Organisation and Beijing being the host city of the 2008 Olympic Games, the Directors consider that the Agreements (other than the Cuijing Agreement) provide a good opportunity for the Group to enter into the potentially lucrative Beijing-Tianjin property market.

The Cuijing site comprises three adjacent parcels of land, two of which have been previously targeted by the Group for development by Hopson Yijing as part of Pleasant View Garden. Regrouping the three parcels of land under the Cuijing site allows the Group to continue with construction of Pleasant View Garden without delay in the planned development schedule, while at the same time offering the Group an opportunity to take advantage of the economies of scale and ancillary facilities and amenities of the other sites comprising Pleasant View Garden to develop the adjacent Cuijing site.

The Directors consider that the Agreements are in the ordinary and usual course of business of the Company, that the terms have been negotiated on an arm's-length basis and on normal commercial terms, and are fair and reasonable so far as the shareholders of the Company are concerned.

### **8. Effects of the Agreements on the Group's Financial Position**

The Group's capital contributions under the Agreements 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 contributions under the Agreements shall be made by instalments, the Group does not anticipate that there will

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## LETTER FROM THE CHAIRMAN

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be any adverse effect on the Group's financial position and the Directors consider that the Group should be able to maintain a comfortable cash position for investing in these new joint-ventures.

### **9. Discloseable and Connected Transactions**

The joint ventures to be established pursuant to the Agreements will be formed with total investment costs of Rmb 1,003,870,000 (approximately HK\$947,050,000), of which the Group's contribution to the total registered capital amounts to Rmb 283,150,000 (approximately HK\$267,120,000). The Agreements together constitute a discloseable transaction of the Company as the total investment amount represents approximately 43.3 per cent. of the net tangible assets of the Group as at 30 June 2001, being the date to which the latest published accounts of the Group were made up.

GD Zhujiang, a substantial shareholder of certain subsidiaries of the Company, is a connected person of the Company. BJ Zhujiang, TJ Zhujiang and GZ Development, all being controlled by and 84 per cent. directly and indirectly owned by GD Zhujiang, are also respectively connected persons of the Company. Accordingly, each of the Agreements constitutes a connected transaction under the Listing Rules and is subject to the approval of the shareholders of the Company (excluding those shareholders prohibited by the Listing Rules from voting on the resolution) voting at a special general meeting convened to approve the Agreements pursuant to Rule 14.26 of the Listing Rules. Since none of GD Zhujiang, BJ Zhujiang, TJ Zhujiang and GZ Development and their associates has any control over any shares in the Company, no shareholder of the Company will be required to abstain from voting pursuant to Rule 14.26 of the Listing Rules in respect of the Agreement (other than the Cuijing Agreement); and Sounda, which beneficially owns 63.62 per cent. of the issued share capital of the Company, has given written approval of the Agreements, the passing of any resolution in respect of the Agreements (other than the Cuijing Agreement) by the shareholders of the Company will be a foregone conclusion. In view of the aforesaid, the Company has applied to the Stock Exchange for a waiver from the requirement under Rule 14.26 of the Listing Rules for the Company to hold a general meeting to seek shareholders' approval in respect of the Agreements (other than the Cuijing Agreement). The Cuijing Agreement will be subject to the approval of the shareholders of the Company at the SGM at which Sounda and its associates will abstain from voting.

### **C. HOPSON YIJING AND CONNECTED TRANSACTION**

It was disclosed in an announcement of the Company of 7 December 1999 and a circular to shareholders dated 26 January 2000 that the Group proposed to establish Hopson Yijing, a sino-foreign cooperative joint venture, for the development and construction of a site which was to form part of Pleasant View Garden. The formation of Hopson Yijing constituted a



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## LETTER FROM THE CHAIRMAN

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connected transaction of the Company as Xin Nan Fang and GD Zhujiang, two of the joint venture partners of Hopson Yijing were connected persons of the Company. Xin Nan Fang is indirectly owned as to 90.65 per cent. by Mr. Chu Muk Chi, a brother of the Chairman and controlling shareholder of the Company and is accordingly a connected person of the Company under the Listing Rules. The independent shareholders of the Company had approved the formation of Hopson Yijing at a special general meeting of the Company held on 14 February 2000. However, as the acquisition of land use rights to two parcels of land which were originally intended to be contributed by Yue Teng and Construction Industrial to Hopson Yijing have been delayed, the Directors have decided to carve out such two parcels of land from the Hopson Yijing project so as not to delay overall construction and completion of Pleasant View Garden. The proposed amendments to the terms of Hopson Yijing pursuant to the Supplemental Hopson Yijing Agreements as detailed below will constitute a connected transaction of the Company as Xin Nan Fang and GZ Development will be parties, and subject to approval by the shareholders of the Company at the SGM at which Sounda and its associates will abstain from voting. Save for consequential drafting amendments and deletion of spent provisions, there are no other amendments to the terms of Hopson Yijing under the Supplemental Hopson Yijing Agreements.

	<b>Original term</b>	<b>Proposed amended term</b>
<b>Parties</b>	(1) GD Zhujiang (2) Xin Nan Fang (3) Yue Teng (4) Construction Industrial (5) Hopson	(1) GD Zhujiang (2) Xin Nan Fang (3) Hopson
<b>Site developed</b>	穗規地證字[1996]第586號 穗規地證字[1996]第730號 穗規地證字[1996]第599號 穗城規南片地字[1996]第4號 totalling 119,667 sq. metres	穗規地證字[1996]第586號 穗城規南片地字[1996]第4號 totalling 93,746 sq. metres
<b>Total gross floor area</b>	239,334 sq. metres	124,683 sq. metres
<b>Total investment amount</b>	Rmb 239,334,000	Rmb 205,100,000
<b>Registered capital</b>	Rmb 95,750,000	Rmb 82,040,000
<b>Contribution to registered capital and sharing of profits and losses</b>	(1) 34.8 per cent. (2) 5.2 per cent. (5) 60 per cent.	(1) 34.8 per cent. (2) 5.2 per cent. (3) 60 per cent.

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## LETTER FROM THE CHAIRMAN

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<b>Instalment schedule of contributions to registered capital</b>	15 per cent. within three months of issue of business licence	15 per cent. within three months of issue of business licence
	Ten half-yearly instalments of eight per cent. each starting from within 12 months of issue of business licence	Ten quarterly instalments of eight per cent. each starting from within six months of issue of business licence
	Last five per cent. within 72 months after issue of business licence	Last five per cent. within 36 months after issue of business licence
<b>Site clearance and settlement costs (to be reimbursed by joint venture)</b>	Rmb 20,000,000 for穗城規南片地字[1996]第4號 to the People's Government of Haizhu District; Rmb 4,200,000 to Yue Teng and Construction Industrial; Rmb 168,000 per mu (or Rmb 251.95 per sq. metre) of additional land cleared plus the unit price as set out in the relevant land requisition agreement for穗規地證字[1996]第730號 and 穗規地證字[1996]第599號 to Yue Teng and Construction Industrial	Rmb 20,000,000 for穗城規南片地字[1996]第4號 to the People's Government of Haizhu District
<b>Term</b>	30 years from the date of issue of the business licence	20 years from the date of issue of the business licence
<b>Dispute resolution</b>	To be submitted for arbitration to the Shenzhen office of the China International Economic and Trade Arbitration Commission or any party may bring proceedings in any people's court with jurisdiction	Any party may bring proceedings in any people's court with jurisdiction
<b>Purchases of raw, ancillary, transportation and office materials and equipment</b>	All other circumstances being equal, priority to be given to domestic products	May be purchased from within or outside the PRC

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## LETTER FROM THE CHAIRMAN

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### D. JOINT DEVELOPMENT AGREEMENT AND CONNECTED TRANSACTION

It was disclosed in the circular of the Company dated 26 January 2000 that Hopson Yijing was to enter into an agreement with New Tai An, Hopson Lejing and Zhukuang (as respectively defined in the circular of the Company dated 26 January 2000) to jointly develop and construct Pleasant View Garden, a commodity property on the site comprising four pieces of adjoining land at Guangzhou Main Road in Haizhu District of Guangzhou, the PRC. Such agreement was entered into on 16 February 2000 (the “Original Joint Development Agreement”). As the two parcels of land originally intended to be developed by Hopson Yijing will now be developed by the Cuijing JV, a supplemental joint development agreement (the “Supplemental Joint Development Agreement”) is proposed to be entered into as soon as practicable upon formation of the Cuijing JV between the original parties of the Original Joint Development Agreement and the Cuijing JV to amend and supplement certain terms of the Original Joint Development Agreement.

New Tai An, Hopson Lejing and Hopson Yijing are connected persons of the Company by virtue of the substantial shareholding of GD Zhujiang in them, the entry into the Supplemental Joint Development Agreement thus constitutes a connected transaction for the Company, and subject to approval by the shareholders of the Company at the SGM at which Sounda and its associates will abstain from voting. A summary of all the terms of the Original Joint Development Agreement amended and supplemented by the Supplemental Joint Development Agreement is set out below:

Parties	Original Joint Development Agreement	Supplemental Joint Development Agreement
	(1) New Tai An (2) Hopson Lejing (3) Hopson Yijing (4) Zhukuang	(1) New Tai An (2) Hopson Lejing (3) Hopson Yijing (4) Zhukuang (5) Cuijing JV
<b>Site developed by Hopson Yijing</b>	穗規地證字[1996]第586號 穗規地證字[1996]第730號 穗規地證字[1996]第599號 穗城規南片地字[1996]第4號 totalling 119,667 sq. metres	穗規地證字[1996]第586號 穗城規南片地字[1996]第4號 totalling 93,746 sq. metres
<b>Site developed by Cuijing JV</b>	N/A	穗規地證字[1996]第730號 穗規地證字[1996]第599號 穗規地證字[1996]第706號 totalling 41,318 sq. metres

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## LETTER FROM THE CHAIRMAN

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<b>Proportionate share of construction costs and taxes</b>	(1) 4.13%	(1) 3.96%
	(14,174 sq. metres)	(14,174 sq. metres)
	(2) 56.21%	(2) 53.79%
	(192,637 sq. metres)	(192,637 sq. metres)
	(3) 34.92	(3) 26.18%
	(119,667 sq. metres)	(93,746 sq. metres)
	(4) 4.74%	(4) 4.54%
	(16,249 sq. metres)	(16,249 sq. metres)
		(5) 11.53%
		(41,318 sq. metres)

<b>Committee membership</b>	Each party to nominate one member with Hopson Yijing's nominee to act as chairman	One additional committee member to be appointed by the Cuijing JV
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The Directors consider that there will not be any adverse material impact on the profitability of the overall Pleasant View Garden project as a result of the proposed amendments to the terms of Hopson Yijing pursuant to the Supplemental Hopson Yijing Agreements and the Supplemental Joint Development Agreement.

### **E. SGM**

The notice convening the SGM to be held at Aberdeen Room (Level 3), JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 20 February, 2002 at 9.30 a.m. for the purpose of considering and, if thought fit, passing ordinary resolutions ("Resolutions") to approve (i) the Supplemental Hopson Yijing Agreements, (ii) the Supplemental Joint Development Agreement, and (iii) the Cuijing Agreement is set out on pages 76 to 77 of this circular.

In view of its relationship with Xin Nan Fang as described above, Sounda and its associates will abstain from voting in respect of all resolutions at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not shareholders of the Company intend to attend the meeting in person, they are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the head office of the Company at 19th Floor, Wyndham Place, 40-44 Wyndham Street, Central, Hong Kong as soon as practicable and in any event by not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the SGM should they so desire.

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## LETTER FROM THE CHAIRMAN

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### F. RECOMMENDATION

The Independent Board Committee, having taken into account the advice of JS Cresvale, considers that the terms of the Agreements, the proposed amended terms to Hopson Yijing pursuant to the Supplemental Hopson Yijing Agreements and the Supplemental Joint Development Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly and on the basis of the aforesaid, the Independent Board Committee recommends the Independent Shareholders to accept the advice of JS Cresvale and to vote in favour of all the ordinary resolutions to be proposed at the SGM to approve the Yijing-Cuijing Transaction.

### G. FURTHER INFORMATION

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

Your attention is drawn to the letter from the Independent Board Committee, the letter from JS Cresvale to the Independent Board Committee set out on pages 28 to 51 of this circular which contains its recommendation in relation to the Transactions and the principal factors and reasons considered by JS Cresvale in arriving at its recommendation, and to the other information set out in the appendices.

By Order of the Board,  
**Chu Mang Yee**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### HOPSON DEVELOPMENT HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

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

*To the Independent Shareholders  
of Hopson Development Holdings Limited*

31 January 2002

Dear Sir or Madam,

### DISCLOSEABLE AND CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to the circular dated 31 January 2002 issued by the Company, of which this letter forms part (the “Circular”). Terms used in this letter shall have the same meanings defined elsewhere in the Circular unless the context requires otherwise.

The Independent Board Committee comprising Messrs. Yuen Pak Yiu, Philip, Lee Tsung Hei, David and Wong Shing Kay, Oliver has been appointed to advise you in respect of the Transactions, details of which are set out in the Circular. JS Cresvale has been appointed to advise the Independent Board Committee regarding the Transactions.

#### RECOMMENDATION

Having taking into account the principal factors, reasons considered by and the advice of JS Cresvale, we consider that the terms of the Agreements, the proposed amended terms to Hopson Yijing pursuant to the Supplemental Hopson Yijing Agreements and the Supplemental Joint Development Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly and on the basis of the aforesaid, we recommend that the Independent Shareholders accept the advice of JS Cresvale and vote in favour of all the resolutions to be proposed at the SGM.

#### FURTHER INFORMATION

We wish to draw your attention to the letter from the Chairman, as set out on pages 7 to 27 of the Circular, and the letter from JS Cresvale which contains its advice to the Independent Board Committee in respect of the Transactions, as set out on pages 29 to 51 of the Circular. Your attention is also drawn to the other information contained in the appendices to this Circular.

Yours faithfully,  
for and on behalf of  
the Independent Board Committee

**Yuen Pak Yiu, Philip**  
*Independent  
non-executive Director*

**Lee Tsung Hei, David**  
*Independent  
non-executive Director*

**Wong Shing Kay, Oliver**  
*Independent  
non-executive Director*

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## LETTER FROM JS CRESVALE

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*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  
7th Floor  
Asia Pacific Finance Tower  
Citibank Plaza  
3 Garden Road  
Central  
Hong Kong

The Independent Board Committee  
19th Floor, Wyndham Place  
40-44 Wyndham Street  
Central  
Hong Kong

31 January 2002

Dear Sirs,

**PROPOSED DISCLOSEABLE AND CONNECTED TRANSACTIONS  
IN RELATION TO THE FORMING OF JOINT-VENTURE PROJECTS**

On 8 January 2002, the Agreements (conditional) were entered into between the Group and three connected persons (BJ Zhujiang, TJ Zhujiang and GZ Development) of the Company to establish five sino-foreign co-operative joint ventures in the PRC for the development and construction of commodity (commercial and residential) property on various sites in Beijing and Guangzhou and a resort in Tianjin, the PRC. The joint ventures to be established pursuant to the Agreements will be formed with a total investment costs of RMB 1,003,870,000 (approximately HK\$947,050,000), of which the Group's contribution to the total registered capital amounts to RMB 283,150,000 (approximately HK\$267,120,000). Accordingly, the Agreements together constitute a discloseable transaction and each one is also a connected transaction of the Company under the Listing Rules and is subject to the approval of the shareholders of the Company (excluding those shareholders prohibited by the Listing Rules from voting on the resolution) voting at a special general meeting convened to approve the Agreements.

Since none of GD Zhujiang, BJ Zhujiang, TJ Zhujiang and GZ Development and their associates has any control over any shares in the Company, no shareholder of the Company will be required to abstain from voting pursuant to Rule 14.26 of the Listing Rules in respect of the Agreements (other than the Cuijing Agreement); and Sounda, which beneficially owns approximately 63.62 per cent. of the issued share capital of the Company, has given written

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## LETTER FROM JS CRESVALE

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approval of the Agreements, the passing of any resolution in respect of the Agreements (other than the Cuijing Agreement) by the shareholders of the Company will be a foregone conclusion.

Further, two parcels of land previously targeted for development by Hopson Yijing are proposed to be developed by the Cuijing JV instead. As a result, the Company intends to enter into the Supplemental Hopson Yijing Agreements and the Supplemental Joint Development Agreement. As two of the joint venture partners of Hopson Yijing are connected persons of the Company, the Cuijing Agreement, the Supplemental Hopson Yijing Agreements and the Supplemental Joint Development Agreement will constitute connected transactions of the Company and subject to approval by the Independent Shareholders at the SGM at which Sounda and its associates will abstain from voting.

We have been appointed to act as the independent financial adviser to the Independent Board Committee to advise on whether the terms of the Agreements, the Supplemental Hopson Yijing Agreements and the Supplemental Joint Development Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Details of the Agreements, the Supplemental Hopson Yijing Agreements and the Supplemental Joint Development Agreement are contained in the section headed “Letter From The Chairman” in this circular (the “Circular”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

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.



## LETTER FROM JS CRESVALE

Unless otherwise stated, the exchange rate used in this letter is HK\$100 = RMB106 which is the same exchange rate adopted in the Circular.

### SUMMARY OF THE AGREEMENTS

Proposed joint-venture	Location	Business scope	Total GFA (sq.m.)	Joint-venture parties	Total investment <i>(million RMB)</i>	Registered capital <i>(million RMB)</i>	Interest held
							by the joint-venture parties <i>(%)</i>
1. The Lu Zhou JV	Chaoyang District, Beijing	Development and construction of university student apartments and commodity property	234,000	(i) Pomeroy; (ii) BJ Zhujiang	300	100	(i) 70 (ii) 30
2. The Beifang JV Zhujiang	Chaoyang District, Beijing	Development and construction of commodity property	750,000	(i) Nambour; (ii) BJ Zhujiang	196	78.4	(i) 70 (ii) 30
3. The YuJing JV	Chaoyang District, Beijing	Development and construction of commodity property	300,000	(iii) Hopeson; (iv) BJ Zhujiang	194	77.6	(i) 70 (ii) 30
4. The Tianjin JV	Baodi District, Tianjin	Development and construction of a tourist resort area	2,500,000	(i) Hopeson; (ii) TJ Zhujiang	180	72	(i) 70 (ii) 30
5. The Cujing JV	Haizhou District Guangzhou	New development of commodity property comprising part of the Pleasant View Garden	74,000	(i) Hopeson; (ii) Yue Teng; (iii) Construction Industrial; (iv) GZ Development	133.87	53.55	(i) 97 (ii) 1 (iii) 1 (iv) 1

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## LETTER FROM JS CRESVALE

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion relating to the terms of the Agreements, the proposed amended terms to Hopson Yijing pursuant to the Supplemental Hopson Yijing Agreements and the Supplemental Joint Development Agreement, we have taken into consideration, inter alia, the following principal factors:

### PRINCIPAL BUSINESS AND STRATEGY OF THE GROUP

The Group is principally engaged in property development and management in Guangzhou Municipality and in the southern part of Guangdong Province, the PRC. The Group currently has interests in over 10 existing and completed property development projects in Guangzhou and in the southern part of Guangdong Province. We understand that it is the strategy of the Group to concentrate on the development of large-scale residential complexes in Guangzhou Municipality and also to expand its businesses to other metropolis of the PRC. With the accession of the PRC to the WTO and Beijing being the host city of the 2008 Olympic Games, the Directors believe that there will be an increasing demand for upmarket commercial and residential properties in Beijing.

We concur with the Directors' view that the Agreements concerning the forming of the five sino-foreign cooperative joint-ventures to undertake new property development projects in Guangzhou, Beijing and Tianjin are in the ordinary and normal course of the Group and will provide good opportunities for the Group to enter into the high growth property market in the PRC. We are also of the view that the Agreements would replenish the Group's land bank and be in line with the Group's development strategy. In addition, we are also of the view that the Supplemental Hopson Yijing Agreements and the Supplemental Joint Development Agreement under which the Group will regroup various sites to continue the construction of Pleasant View Garden in Guangzhou are in the ordinary and usual course of business of the Group.

### RELATIONSHIP WITH THE CONNECTED PERSONS

All connected persons (with the exception of Xin Nan Fang directly and indirectly in the Cuijing Agreement, the Supplemental Hopson Yijing Agreements and the Supplemental Joint Development Agreement) as referred to in the Circular merely relate to the Group by the virtue of the fact that they are subsidiaries of a substantial shareholder of certain subsidiaries of the Group in the PRC. We note that these connected persons (with the exception of Xin Nan Fang) are neither related to the Directors nor the other substantial shareholders of the Company. Thus, none of the Directors or substantial shareholders of the Company has any interest in the Agreements, the Supplemental Hopson Yijing Agreements and the Supplemental Joint Development Agreement (except Mr. Chu Mang Yee and Sounda by virtue of their relationship with Xin Nan Fang), other than their directorships or shareholding interests in the Company.

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## LETTER FROM JS CRESVALE

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### THE LU ZHOU JV

#### Reasons for the joint-venture

The Group proposes to enter into the Lu Zhou JV for the development and construction of commodity property on a site with a total gross floor area of approximately 234,000 sq.m. (the “Lu Zhou site”) located in Bangzijing Village of the Sanjianfang Town in the Chaoyang District of Beijing, the PRC. Given the principal business and strategy of the Group stated above, we are of the view that the Lu Zhou JV is in the ordinary and normal course of business and is in line with the development strategy of the Group.

#### Principal terms of the joint-venture

We understand from the Directors that the terms of the proposed Lu Zhou JV are arrived at after arm’s length negotiation with the other joint-venture party. Principal terms of the joint-venture are set out below:

Parties:	(i) Pomeroy; and  (ii) BJ Zhujiang
Total investment:	RMB 300 million (approximately HK\$283.02 million)
Registered capital:	RMB 100 million (approximately HK\$94.34 million)
Capital contribution and financing:	The registered capital will be contributed by Pomeroy and BJ Zhujiang in cash in the ratio of 70 per cent. and 30 per cent. respectively. The Lu Zhou JV will be responsible for arranging funding of capital requirements beyond the amount of the registered capital.  Registered capital contributions shall be made by six instalments, the first of which shall be made within three months from the date of issue of the business licence of the Lu Zhou JV and the last of which shall be made within 36 months from the date of issue of the business licence of the Lu Zhou JV.
Land use right:	The relevant parcel of land is collectively owned by the Bangzijing Village. By an agreement dated 9 March 2001, the Bangzijing Village Committee agreed to complete transfer the land use rights thereof to BJ Zhujiang for a total compensation amount of RMB 168 million (approximately HK\$158.49 million)

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payable by BJ Zhujiang, inclusive of all relocation costs. Under the joint venture contract in respect of the Lu Zhou JV, BJ Zhujiang shall complete all procedures to transfer such land use rights to the Lu Zhou JV within 30 days (which may be extended to 60 days with the agreement of the parties) of the date on which the joint venture contract becomes effective, at the cost of the Lu Zhou JV. In the event that the land use rights cannot be transferred to the Lu Zhou JV within the agreed time period, all obligations to contribute to the registered capital shall forthwith terminate and the parties shall commence procedures to wind up the Lu Zhou JV prior to the date on which the first instalment of capital contributions is to be made. The Lu Zhou JV will also, prior to distribution of profits of the Lu Zhou JV, reimburse BJ Zhujiang for all payments incurred in relation to acquisition of the land use rights prior to establishment of the Lu Zhou JV, such as land acquisition payments, settlement and site clearance costs. In addition, the estimated land grant fee of RMB 30 million (approximately HK\$28.30 million) and all relevant taxes will be payable by the Lu Zhou JV. The exact amount and payment mechanism of land grant fee will be negotiated between the Lu Zhou JV and the local land bureau upon entering into the grant of land use rights contract after the establishment of the Lu Zhou JV.

Profit sharing: The profits and losses of the Lu Zhou JV will be shared and borne by Pomeroy and BJ Zhujiang in the ratio of 70 per cent. and 30 per cent. respectively.

### **Valuation**

Pursuant to the Valuation Report, the appraised capital value of the Lu Zhou site as at 15 December 2001 amounted to approximately RMB338 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.

The Lu Zhou JV's aggregate acquisition cost ("Lu Zhou Acquisition Cost") of the Lu Zhou site will be approximately RMB198 million including the payment of the land acquisition and settlement costs, the cost of site clearance and land grant fees. Accordingly, the appraised capital value of the Lu Zhou site represents a premium of approximately 71 per cent. to the Lu Zhou Acquisition Cost to be incurred by the Lu Zhou JV.

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### **Capital contribution and profit sharing ratio**

The profit sharing ratio of the joint venture parties, Pomeroy and BJ Zhujiang, are in line with their respective capital contribution ratio for the registered capital of the Lu Zhou JV. Thus, the terms relating to capital contribution and profit sharing available to the Group under the Lu Zhou JV are no less favourable than those available to the other joint venture party, BJ Zhujiang.

### **Land acquisition and related costs**

The Lu Zhou JV shall reimburse BJ Zhujiang prior to distribution of profits for all the costs incurred in relation to the acquisition of the land use rights, settlement and clearance of the site amounting to approximately RMB 168 million (approximately HK\$158.49 million), of which approximately RMB 111 million (approximately HK\$104.72 million) has been paid to date and approximately RMB 57 million (approximately HK\$53.77 million) remain outstanding and payable by BJ Zhujiang in three further instalments, the last of which is payable within 480 days of entry into possession of the land. This total amount will be reimbursed to BJ Zhujiang prior to distribution of profits by the Lu Zhou JV and represents the actual amount of cost for the acquisition and related costs incurred.

As such, we are of the view that the terms of the Lu Zhou Agreement are fair and reasonable.

### **THE BEIFANG JV**

#### **Reasons for the joint-venture**

The Group proposes to enter into the Beifang JV for the development and construction of commodity property on a site with a total gross floor area of approximately 750,000 sq.m. (the “Beifang site”) located on Xidawang Road in the Chaoyang District of Beijing, the PRC. Given the principal business and strategy of the Group stated above, we are of the view that the Beifang JV is in the ordinary and normal course of business and is in line with the development strategy of the Group.

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### Principal terms of the joint-venture

We understand from the Directors that the terms of the proposed Beifang JV are arrived at after arm's length negotiation with the other joint-venture party. Principal terms of the joint-venture are set out below:

Parties:	(i) Nambour ; and  (ii) BJ Zhujiang
Total investment:	Rmb 196 million (approximately HK\$184.91 million)
Registered capital:	Rmb 78.4 million (approximately HK\$73.96 million)
Capital contribution and financing:	The registered capital will be contributed by Nambour and BJ Zhujiang in cash in the ratio of 70 per cent. and 30 per cent. respectively. The Beifang JV will be responsible for arranging funding of capital requirements beyond the amount of the registered capital.

Registered capital contributions shall be made by six instalments, the first of which shall be made within three months from the date of issue of the business licence of the Beifang JV and the last of which shall be made within 36 months from the date of issue of the business licence of the Beifang JV.

Land use right:	The land use rights and building ownership rights of the relevant parcel of land is owned by Beijing Chemical Factory and Beijing Chemical Group Company Limited. By an agreement dated 26 April 2001, Beijing Chemical Factory and Beijing Chemical Group Company Limited agreed to transfer the land use rights and building ownership rights to BJ Zhujiang for a total compensation amount of Rmb 785 million (approximately HK\$740.56 million) payable by BJ Zhujiang, inclusive of site clearance costs. Under the joint venture contract in respect of the Beifang JV, BJ Zhujiang shall complete all procedures to transfer such land use rights to the Beifang JV within 30 days (which may be extended to 60 days with the agreement of the parties) of the date on which the joint venture contract becomes effective, at the cost of the Beifang JV. In the event that the land use rights cannot be transferred to the Beifang JV within the agreed time period, all obligations to contribute to the registered capital shall
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forthwith terminate and the parties shall commence procedures to wind up the Beifang JV prior to the date on which the first instalment of capital contributions is to be made. The Beifang JV will also, prior to distribution of profits of the Beifang JV, reimburse BJ Zhujiang for all payments incurred in relation to acquisition of the land use rights prior to establishment of the Beifang JV, such as land acquisition payments, settlement and site clearance costs. In addition, the estimated land grant fee of approximately Rmb 180 million (approximately HK\$169.81 million) and all relevant taxes will be payable by the Beifang JV. The exact amount and payment mechanism of land grant fee will be negotiated between Beifang JV and the local land bureau upon entering into the grant of land use rights contract after the establishment of the Beifang JV.

Profit sharing: The profits and losses of the Beifang JV will be shared and borne by Nambour and BJ Zhujiang in the ratio of 70 per cent. and 30 per cent. respectively.

### **Valuation**

Pursuant to the Valuation Report, the appraised capital value of the Beifang site as at 15 December 2001 amounted to approximately RMB1,200 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.

The Beifang JV's estimated aggregate acquisition cost ("Beifang Acquisition Cost") of the Beifang site will be approximately RMB965 million including the payment of the land acquisition and settlement costs, the cost of site clearance and land grant fees. Accordingly, the appraised capital value of the Beifang site represents a premium of approximately 24 per cent. to the Beifang Acquisition Cost to be incurred by the Beifang JV.

### **Capital contribution and profit sharing ratio**

The profit sharing ratio of the joint venture parties, Nambour and BJ Zhujiang, are in line with their respective capital contribution ratio for the registered capital of the Beifang JV. Thus, the terms relating to capital contribution and profit sharing available to the Group under the Beifang JV are no less favourable than those available to the other joint venture party, BJ Zhujiang.

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### Land acquisition and related costs

The Beifang JV shall reimburse BJ Zhujiang for all the costs incurred in relation to the acquisition of the land use rights amounting to approximately RMB 785 million (approximately HK\$740.56 million), of which approximately RMB 210 million (approximately HK\$198.11 million) has been paid to date and approximately RMB 575 million (approximately HK\$542.45 million) remain outstanding and payable by BJ Zhujiang in eight further instalments, the last of which will be payable within 550 days of entry into possession of the land. The total amount will be reimbursed to BJ Zhujiang prior to distribution of profits by the Beifang JV and represents the actual amount of cost for the acquisition and related costs incurred.

As such, we are of the view that the terms of the Beifang Agreement are fair and reasonable.

### THE YUJING JV

#### Reasons for the joint-venture

The Group proposes to enter into the YuJing JV for the development and construction of commodity property on a site with a total gross floor area of approximately 300,000 sq.m. (the “YuJing site”) located on Qingnian Road in the Chaoyang District of Beijing, the PRC. Given the principal business and strategy of the Group stated above, we are of the view that the Beifang JV is in the ordinary and normal course of business and is in line with the development strategy of the Group.

#### Principal terms of the joint-venture

We understand from the Directors that the terms of the proposed YuJing JV are arrived at after arm’s length negotiation with the other joint-venture party. Principal terms of the joint-venture are set out below:

Parties:	(i) Hopeson; and  (ii) BJ Zhujiang
Total investment:	Rmb 194 million (approximately HK\$183.02 million)
Registered capital:	Rmb 77.6 million (approximately HK\$73.21 million)
Capital contribution and financing:	The registered capital will be contributed by Hopeson and BJ Zhujiang in cash in the ratio of 70 per cent. and 30 per cent. respectively. The YuJing JV will be responsible for arranging funding of capital requirements beyond the amount of the registered capital.



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Registered capital contributions shall be made by six instalments, the first of which shall be made within three months from the date of issue of the business licence of the YuJing JV and the last of which shall be made within 36 months from the date of issue of the business licence of the YuJing JV.

Land use right:

By an agreement dated 1 August 2000, Beijing Coal General Company First Factory agreed to complete change of land use procedures and transfer the land use rights thereof to BJ Zhujiang for a total compensation amount of Rmb 325 million (approximately HK\$306.60 million) payable by BJ Zhujiang, inclusive of all relocation costs. Under the joint venture contract in respect of the YuJing JV, BJ Zhujiang shall complete all procedures to transfer such land use rights to the YuJing JV within 30 days (which may be extended to 60 days with the agreement of the parties) of the date on which the joint venture contract becomes effective, at the cost of the YuJing JV. In the event that the land use rights cannot be transferred to the YuJing JV within the agreed time period, all obligations to contribute to the registered capital shall forthwith terminate and the parties shall commence procedures to wind up the YuJing JV prior to the date on which the first instalment of capital contributions is to be made. The YuJing JV will also, prior to distribution of profits of the YuJing JV, reimburse BJ Zhujiang for all payments incurred in relation to acquisition of the land use rights prior to the establishment of the YuJing JV, such as land acquisition payments, settlement and site clearance costs. In addition, the joint venture contract of the YuJing JV also provides that the land grant fee and all relevant taxes will be payable by the YuJing JV. The exact amount and payment mechanism of land grant fee will be negotiated between the YuJing JV and the local land bureau upon entering into the grant of land use rights contract after the establishment of the YuJing JV.

Profit sharing:

The profits and losses of the YuJing JV will be shared and borne by Hopeson and BJ Zhujiang in the ratio of 70 per cent. and 30 per cent. respectively.

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### **Valuation**

Pursuant to the Valuation Report, the appraised capital value of the YuJing site as at 15 December 2001 amounted to approximately RMB467 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.

The YuJing JV's estimated aggregate acquisition cost ("YuJing Acquisition Cost") of the YuJing site will be approximately RMB367 million including the payment of the land acquisition and settlement costs, the cost of site clearance as well as the land grant fees which are estimated by the Directors of approximately RMB 42 million. Accordingly, the appraised capital value of the YuJing site represents a premium of approximately 27.2 per cent. to the YuJing Acquisition Cost to be incurred by the YuJing JV.

### **Capital contribution and profit sharing ratio**

The profit sharing ratio of the joint venture parties, Hopeson and BJ Zhujiang, are in line with their respective capital contribution ratio for the registered capital of the YuJing JV. Thus, the terms relating to capital contribution and profit sharing available to the Group under the YuJing JV are no less favourable than those available to the other joint venture party, BJ Zhujiang.

### **Land acquisition and related costs**

The YuJing JV shall reimburse BJ Zhujiang for all the costs incurred in relation to the acquisition of the land use rights, settlement and clearance costs of the site amounting to approximately RMB 325 million (approximately HK\$306.60 million), of which approximately RMB 40 million (approximately HK\$37.73 million) has been paid to date and approximately RMB 285 million (approximately HK\$268.87 million) remain outstanding and payable in five further instalments, the last of which will be payable by 30 August 2003. The total amount will be reimbursed to BJ Zhujiang prior to distribution of profits by the YuJing JV and represents the actual amount of cost for the acquisition and related costs incurred.

As such, we are of the view that the terms of the YuJing Agreement are fair and reasonable.

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### THE TIANJIN JV

#### Reasons for the joint-venture

The Group proposes to enter into the Tianjin JV for the development and construction of a tourist and resort area (with commodity properties) on a site with a total gross floor area of approximately 2,500,000 sq.m. (the “Tianjin site”) located in Baodi District of Tianjin, the PRC. Given the principal business and strategy of the Group stated above, we are of the view that the Tianjin JV is in the ordinary and normal course of business and is in line with the development strategy of the Group.

#### Principal terms of the joint-venture

We understand from the Directors that the terms of the proposed Tianjin JV are arrived at after arm’s length negotiation with the other joint-venture party. Principal terms of the joint-venture are set out below:

Parties:	(i) Hopeson; and  (ii) TJ Zhujiang
Total investment:	Rmb 180 million (approximately HK\$ 169.81 million)
Registered capital:	Rmb 72 million (approximately HK\$67.92 million)
Capital contribution and financing:	The registered capital will be contributed by Hopeson and TJ Zhujiang in cash in the ratio of 70 per cent. and 30 per cent. respectively. The Tianjin JV will be responsible for arranging funding of capital requirements beyond the amount of the registered capital.  Registered capital contributions shall be made by six instalments, the first of which shall be made within three months from the date of issue of the business licence of the Tianjin JV and the last of which shall be made within 36 months from the date of issue of the business licence of the Tianjin JV.
Land use right:	By an agreement dated 22 August 2001, the People’s Government of Baodi District agreed to grant land use rights over the relevant parcel of land for a land grant fee of Rmb 180 million (approximately HK\$169.81 million) payable by TJ Zhujiang, which is inclusive of relocation compensation amounts and

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related taxes and costs. Under the joint venture contract in respect of the Tianjin JV, TJ Zhujiang shall complete all procedures to transfer such land use rights to the Tianjin JV within 30 days (which may be extended to 60 days with the agreement of the parties) of the date on the joint venture contract becomes effective, at the cost of the Tianjin JV. In the event that the land use rights cannot be transferred to the Tianjin JV within the agreed time period, all obligations to contribute to the registered capital shall forthwith terminate and the parties shall commence procedures to wind up the Tianjin JV prior to the date on which the first instalment of capital contributions is to be made. The Tianjin JV will also, prior to distribution of profits of the Tianjin JV, reimburse TJ Zhujiang for all payments incurred in relation to acquisition of the land use rights prior to establishment of the Tianjin JV.

Profit sharing: The profits and losses of the Tianjin JV will be shared and borne by Hopeson and TJ Zhujiang in the ratio of 70 per cent. and 30 per cent. respectively.

### **Valuation**

Pursuant to the Valuation Report, the appraised capital value of the Tianjin site as at 15 December 2001 amounted to approximately RMB290 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.

The Tianjin JV's estimated aggregate acquisition cost ("Tianjin Acquisition Cost") of the Tianjin site will be approximately RMB180 million including the payment of the land acquisition and settlement costs, the cost of site clearance and land grant fees. Accordingly, the appraised capital value of the Tianjin site represents a premium of approximately 61 per cent. to the Tianjin Acquisition Cost to be incurred by the Tianjin JV.

### **Capital contribution and profit sharing ratio**

The profit sharing ratio of the joint venture parties, Hopeson and TJ Zhujiang, are in line with their respective capital contribution ratio for the registered capital of the Tianjin JV. Thus, the terms relating to capital contribution and profit sharing available to the Group under the Tianjin JV are no less favourable than those available to the other joint venture party, TJ Zhujiang.

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### **Land acquisition and related costs**

The Tianjin JV shall reimburse TJ Zhujiang for all the costs incurred in relation to the acquisition of the land use rights of the site amounting to approximately RMB 180 million (approximately HK\$169.81 million), of which approximately RMB 10 million (approximately HK\$9.43 million) has been paid to date and approximately RMB 170 million (approximately HK\$160.38 million) remain outstanding and payable in instalments based on the actual progress of site clearance and re-settlement. The total amount will be reimbursed to TJ Zhujiang prior to distribution of profits by the Tianjin JV and represents the actual amount of cost for the acquisition and related costs incurred.

As such, we are of the view that the terms of the Tianjin Agreement are fair and reasonable.

### **THE CUIJING JV**

#### **Reasons for the joint-venture**

The Group proposes to enter into the Cuijing JV for the development and construction of a site with a total gross floor area of approximately 74,000 sq.m. (the “Cuijing site”) located in between the west side of Guangzhou Main Road and the south side of Lu Jiang Village and Feng He Village in Haizhu District of Guangzhou, the PRC. The Cuijing site comprises three adjacent parcels of land, among which two of them have been previously targeted by the Group for development under Hopson Yijing as part of Pleasant View Garden and one other adjacent parcel of land, all of which will also form part of Pleasant View Garden.

We concur with the Directors’ belief that regrouping the three parcels of land allows the Group to continue with the construction of Pleasant View Garden without further delay in the development schedule and at the same time enables the Group to take advantage of the economies of scale and ancillary facilities and amenities of the other sites comprising Pleasant View Garden to develop the adjacent Cuijing site.

#### **Principal terms of the joint-venture**

We understand from the Directors that the terms of the proposed Cuijing JV are arrived at after arm’s length negotiation with other joint-venture parties. Principal terms of the joint-venture are set out below:

- Parties:
- (i) Hopeson;
  - (ii) Yue Teng;

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(iii) Construction Industrial; and

(iv) GZ Development

Total investment: Rmb 133.87 million (approximately HK\$126.29 million)

Registered capital: Rmb 53.55 million (approximately HK\$50.52 million)

Capital contribution and financing: The registered capital will be contributed entirely by Hopeson in cash. The Cuijing JV will be responsible for arranging funding of capital requirements beyond the amount of the registered capital.

Registered capital contributions shall be made by six instalments, the first of which shall be made within three months from the date of issue of the business licence of the Cuijing JV and the last of which shall be made within 36 months from the date of issue of the business licence of the Cuijing JV.

Land use right: The land use rights to the three parcels of land are currently held by Yue Teng, Construction Industrial and GZ Development respectively. Under the joint venture contract in respect of the Cuijing JV, Yue Teng and Construction Industrial shall respectively assist the Cuijing JV in all procedures to transfer the land use rights and obtain the right to development over their respective parcels of land to Cuijing JV and GZ Development shall complete all procedures to transfer the land use rights to its parcel of land to the Cuijing JV, all at the cost of the Cuijing JV, including the estimated land grant fees of RMB 30.6 million (approximately HK\$28.87 million), the exact amount of which has yet been determined as the land grant contracts for the two parcels of land to be contributed by Yue Teng and Construction Industrial have yet to be entered into. The Cuijing JV will also reimburse Hopeson, for all payments incurred in relation to acquisition of the land use rights prior to establishment of the Cuijing JV. No reimbursements are due to Yue Teng or Construction Industrial as payments due by them in relation to acquisition of land use rights have been made on their behalf by Hopeson.

Profit sharing: The profits and losses of the Cuijing JV will be shared and borne by Hopeson, Yue Teng, Construction Industrial and GZ Development in the ratio of 97:1:1:1.

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### **Valuation**

Pursuant to the Valuation Report, the appraised capital value of the Cuijing site as at 15 December 2001 amounted to approximately RMB123 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.

We understand from the Company that the Cuijing JV's estimated aggregate acquisition cost ("Cuijing Acquisition Cost") of the Cuijing site will be approximately RMB53.5 million including the payment of the land acquisition, settlement costs and the cost of site clearance amounting to approximately RMB 22 million and land grant fees together with related taxes of approximately RMB 31.5 million. Accordingly, the appraised capital value of the Cuijing site represents a premium of approximately 130 per cent. to the Cuijing Acquisition Cost to be incurred by the Cuijing JV.

### **Capital contribution and profit sharing ratio**

The whole amount of the registered capital of the Cuijing JV are contributed by Hopeson while the land use rights of the three parcels of land are contributed at no costs to the Cuijing JV by Yue Teng, Construction Industrial and GZ Development. The profits and losses of the Cuijing JV are shared in the ratio of 97%, 1%, 1% and 1% respectively. This implies that Hopeson contributes the registered capital of the Cuijing JV in return of its 97% entitlement in the future profits of the Cuijing JV.

Taking into consideration the value of the land use rights contributed by Yue Teng, Construction Industrial and GZ Development to the Cuijing JV as implied by the independent valuation of the Cuijing site and the ultimate profit sharing interest of the Group in the Cuijing JV, we are of the view that terms relating to capital contribution and profit sharing available to the Group under the Cuijing JV are no less favourable than those available to other parties of the Cuijing JV, namely, Yue Teng, Construction Industrial and GZ Development.

### **Land acquisition and related costs**

The Cuijing JV shall reimburse GZ Development and Hopeson for all the costs paid in relation to the acquisition of the land use rights of the relevant parcels of lands, of which approximately RMB 7.67 million (approximately RMB 7.24 million) has been paid to date and approximately RMB 14.30 million (approximately HK\$13.49 million) remain outstanding and payable.

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Yue Teng, Construction Industrial and GZ Development's contributions to Cuijing JV are the respective land use rights to the three parcels of land. We understand from the Directors that the Group made payments on behalf of Yue Teng and Construction Industrial because the Group had identified the development potential of the two parcels of lands, and the land use rights for the two parcels of lands would not have been secured without the connections of the PRC joint-venture parties. Such amount represents the actual amount of cost for the acquisition and related costs incurred.

Taking into consideration the value of the land use rights contributed by Yue Teng, Construction Industrial and GZ Development to the Cuijing JV as implied by the independent valuation of the Cuijing site and the ultimate profit sharing interest of the Group in the Cuijing JV, we are of the view that the arrangements made for transferring the land use rights of the three parcels of land to the Cuijing JV under the Cuijing JV are fair and reasonable to the Group.

As such, we are of the view that the terms of the Cuijing Agreement are fair and reasonable.

### **AMENDMENTS TO HOPSON YIJING**

#### **Reasons for the transaction**

On 27 February 2001, the Group established Hopson Yijing, a sino-foreign cooperative joint venture, for the development and construction of a site which was to form part of the Pleasant View Garden. However, as the acquisition of land use rights to two parcels of land which were originally intended to be contributed by Yue Teng and Construction Industrial to Hopson Yijing have been delayed, the Directors have decided to carve out such two parcels of land from the Hopson Yijing project so as not to delay overall construction and completion of Pleasant View Garden.

Pursuant to the proposed amendments to the terms of Hopson Yijing, the Group proposed to establish the Cuijing JV and to enter into the Supplemental Joint Development Agreement upon the formation of the Cuijing JV and to include the Cuijing JV for the development and construction of the Pleasant View Garden. In other words, the proposed amendments to the terms of Hopson Yijing, the Cuijing JV and the Supplemental Joint Development Agreement in effect result in regrouping the lands to be developed under Pleasant View Garden. As stated in the above on the reasons for the Cuijing JV, we concur with the Directors' view that regrouping the lands will facilitate the construction plan of Pleasant View Garden and will not have any adverse material impact on the profitability of the overall Pleasant View Garden project. In addition, given the principal business and strategy of the Group we are of the view that the amendments to the terms of Hopson Yijing are in the ordinary and normal course of business and are in line with the development strategy of the Group.



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## LETTER FROM JS CRESVALE

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### Principal terms of the transaction

We understand from the Directors that the proposed amended terms of the joint venture under the Hopson Yijing pursuant to the Supplemental Hopson Yijing Agreements are arrived at after arm's length negotiation with the joint venture parties. Pursuant to the amendments, two of the original joint-venture parties, namely Yue Teng and Construction Industrial as well as their respective two parcel lands will be removed from Hopson Yijing. Principal terms of the amendments are set out below:

	<u>Original term</u>	<u>Proposed amended term</u>
<b>Parties</b>	(1) GD Zhujiang (2) Xin Nan Fang (3) Yue Teng (4) Construction Industrial (5) Hopeson	(1) GD Zhujiang (2) Xin Nan Fang (3) Hopeson
<b>Site developed</b>	穗規地證字[1996]第586號 穗規地證字[1996]第730號 穗規地證字[1996]第599號 穗城規南片地字[1996]第4號 totalling 119,667 sq. m.	穗規地證字[1996]第586號 穗城規南片地字[1996]第4號 totalling 93,746 sq. m.
<b>Total gross floor area</b>	239,334 sq. m.	124,683 sq. m.
<b>Total investment amount</b>	Rmb 239,334,000	Rmb 205,100,000
<b>Registered capital</b>	Rmb 95,750,000	Rmb 82,040,000
<b>Contribution to registered capital and sharing of profits and losses</b>	(1) 34.8 per cent. (2) 5.2 per cent. (5) 60 per cent.	(1) 34.8 per cent. (2) 5.2 per cent. (3) 60 per cent.

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### **Capital contribution and profit sharing ratio**

The profit sharing ratio of the remaining three joint venture parties, GD Zhujiang, Xin Nan Fang and Hopson are in line with their respective capital contribution ratio for the registered capital according to the amended terms to the Hopson Yijing. Thus, the terms relating to capital contribution and profit sharing available to the Group under amended terms of the Hopson Yijing are no less favourable than those available to the other joint venture parties.

### **Land acquisition and related costs**

Under the amended terms of Hopson Yijing, it shall continue to reimburse GD Zhujiang for all the costs incurred in relation to the acquisition of the land use right, settlement and clearance costs of the site of the remaining piece of land. The reimbursement represents the actual amount of cost for the acquisition and related costs incurred and will be reimbursed after verification by Hopson Yijing.

As such, we are of the view that the terms of the Supplemental Hopson Yijing Agreements are fair and reasonable.

## **SUPPLEMENTAL JOINT DEVELOPMENT AGREEMENT**

### **Reasons for the transaction**

On 16 February 2000, Hopson Yijing entered into an agreement with New Tai An, Hopson Lejing and Zhukuang (as respectively defined in the circular of the Company dated 26 January 2000) to jointly develop and construct commodity property on the site comprising four pieces of adjoining land at Guangzhou Main Road in Haizhu District of Guangzhou, the PRC. As the two parcels of land originally intended to be developed by Hopson Yijing will now be developed by the Cuijing JV, a Supplemental Joint Development Agreement is proposed to be entered into as soon as practicable upon formation of the Cuijing JV between the original parties of the Original Joint Development Agreement and the Cuijing JV to amend and supplement certain terms of the Original Joint Development Agreement.

As stated in the above on the reasons for the Cuijing JV and the proposed amendments to the terms of Hopson Yijing, we concur with the Directors' view that regrouping the lands will facilitate the construction plan of Pleasant View Garden and will not have any adverse material impact on the profitability of the overall Pleasant View Garden project. Further, given the principal business and strategy of the Group, we are of the view that the Supplemental Joint Development Agreement is in the ordinary and normal course of business and is in line with the development strategy of the Group.

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## LETTER FROM JS CRESVALE

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A summary of the terms of the Original Joint Development Agreement amended and supplemented by the Supplemental Joint Development Agreement is set out below:

	<u>Original Joint Development Agreement</u>	<u>Supplemental Joint Development Agreement</u>
<b>Parties</b>	(1) New Tai An (2) Hopson Lejing (3) Hopson Yijing (4) Zhukuang	(1) New Tai An (2) Hopson Lejing (3) Hopson Yijing (4) Zhukuang (5) Cuijing JV
<b>Site developed by Hopson Yijing</b>	穗規地證字[1996]第586號 穗規地證字[1996]第730號 穗規地證字[1996]第599號 穗城規南片地字[1996]第4號 totalling 119,667 sq. m.	穗規地證字[1996]第586號 穗城規南片地字[1996]第4號 totalling 93,746 sq. m.
<b>Site developed by the Cuijing JV</b>	N/A	穗規地證字[1996]第730號 穗規地證字[1996]第599號 穗規地證字[1996]第706號 totalling 41,318 sq. m.
<b>Proportionate share of construction costs and taxes</b>	(1) 4.13% (14,174 sq. m.) (2) 56.21% (192,637 sq. m.) (3) 34.92% (119,667 sq. m.) (4) 4.74% (16,249 sq. m.)	(1) 3.96% (14,174 sq. m.) (2) 53.79% (192,637 sq. m.) (3) 26.18% (93,746 sq. m.) (4) 4.54% (16,249 sq. m.) (5) 11.53% (41,318 sq. m.)
<b>Committee membership</b>	Each party to nominate one member with Hopson Yijing's nominee to act as chairman	One additional committee member to be appointed by the Cuijing JV

### Sharing of construction costs and taxes

The construction costs and taxes will be shared in accordance with each party's respective site area, therefore, the terms relating to construction costs and taxes sharing available to the Group under Supplemental Joint Development Agreement are no less favourable than those available to the other parties.

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## LETTER FROM JS CRESVALE

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### Representation

Since pursuant to adding of the Cuijing JV into the Supplemental Joint Development Agreement, the Cuijing JV will entitle to one additional member seat in the committee for voting. Therefore, the terms relating to representation of the Cuijing JV under the Supplemental Joint Development Agreement are no less favourable than those available to the other parties.

As such, we are of the view that the terms of the Supplemental Joint Development Agreement are fair and reasonable.

### FINANCIAL IMPACT

The five joint-ventures will require a total investment costs of RMB 1,003,870,000 (approximately HK\$947,050,000), of which the Group's contribution to the total registered capital amount to RMB 283,150,000 (approximately HK\$267,120,000). The Group intends to finance such additional capital commitment by internal resources, the on-going proceeds from sales of development properties and bank borrowings, if necessary.

The audited consolidated net assets of the Group as at 31 December 2000 amounted to HK\$2,125,249,000 and the unaudited consolidated net assets of the Group as at 30 June 2001 amounted to HK\$2,185,093,000. Considering the Group's net assets value, the fact that the capital contributions in respect of the new investments are to be paid by installments and that the Group is able to generate revenue from the sales of its existing properties projects, we concur with the Directors' view that the Group should be able to maintain a comfortable cash position for investing in these new joint-venture projects.

### FUTURE PROSPECT AND RISK FACTORS

With an increasing demand in the upmarket residential properties in Beijing and the accession of the PRC to the World Trade Organisation and Beijing being the host city of the 2008 Olympic Games, the growth potential in the property market in Beijing and nearby cities in the PRC is huge. Since the Agreements will effectively increase the Group's landbank by an additional gross floor area of 3,858,000 sq.m. in Beijing, Tianjin and Guangzhou, we concur with the Directors' view that with an increased landbank and the improved property market in Beijing and other major cities in the PRC, the Group will be able to enter the high growth Beijing-Tianjin property market.

**The Independent Shareholders should note that the Agreements involve new property development projects in the PRC and are subject to risks associated with property development business in the PRC, which mainly relate to the property market in the PRC, relevant government policies and approvals, financing, construction and joint venture**

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## LETTER FROM JS CRESVALE

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**risks. There is a possibility that undesired results may occur under these transactions. Therefore, the Independent Shareholders should carefully consider the nature and the risks associated with the Agreements.**

### **OPINION AND RECOMMENDATION**

Taking into consideration the above principal factors with regard to the terms of the Agreements, the proposed amended terms to Hopson Yijing pursuant to the Supplemental Hopson Yijing Agreements and the Supplemental Joint Development Agreement, in particular the overall business development strategy of the Group, the financial impact and the future prospect of the Group, we are of the opinion that the terms of the Agreements, the proposed amended terms to Hopson Yijing pursuant to the Supplemental Hopson Yijing Agreements and the Supplemental Joint Development Agreement are fair and reasonable in so far as the Independent Shareholders are concerned. 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 approval from the shareholders of the Company in respect of the Agreements (other than the Cuijing Agreement). Accordingly, we would advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions in respect of the Cuijing Agreement, the Supplemental Hopson Yijing Agreements and the Supplemental Joint Development Agreement.

Yours faithfully,  
For and on behalf of  
**JS Cresvale International Limited**  
**Michael Ng**  
*Director and Head of Corporate Finance*



31st January, 2002

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

Dear Sirs,

**RE: VARIOUS PROPERTIES**

**Instructions, Purpose & 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 various properties (as per the “Summary of Valuations” set out below) 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 these property interests as at 15th December, 2001 (the “date of valuation”) for the incorporation in the circular of the Company dated 31st January, 2002.

**Basis of Valuation**

Our valuation of each of the properties 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 valuations have been made on the assumption that the owner sells the property interests 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 interests.

In valuing the properties which are situated in the PRC, we have assumed that transferable land use rights in respect of the properties for respective specific terms 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 grantees or the users of the respective properties have free and uninterrupted rights to use or to assign the properties 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 respective properties.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are 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 properties which are currently undeveloped, we have valued each of them by Direct Comparison Approach assuming sale of the respective properties 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 valuations. 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 properties 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 titles to the respective properties. However, we have not carried out searches to verify the ownership of the properties and to ascertain any amendment which may not appear on the copies handed to us.

**Site Inspection**

We have inspected the properties. 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 valuations are 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 Renminbi (“RMB”) which is the lawful currency of the PRC. For reference purpose, the exchange rate between Hong Kong dollars and RMB was HK\$1=RMB1.06 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 valuations are summarised below and the valuation certificate is attached.

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.



## SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 15th December, 2001 <i>RMB</i>	Interest proposed to be attributable to the Group	Capital value proposed to be attributable to the Group as at 15th December, 2001 <i>RMB</i>
1. A site situated at No. 23 Xidawang Road, Chaoyang District, Beijing, the PRC	1,200,000,000	70%	840,000,000
2. A site situated at Bangzijing Village, Sanjianfang Town, Chaoyang District, Beijing, the PRC	338,000,000	70%	236,600,000
3. A site situated on the west side of Qingnian Road, Chaoyang District, Beijing, the PRC	467,000,000	70%	326,900,000
4. A site situated on the east side of Jin-Ji Freeway, Zhou Liang Zhuang Xiang, Baodi District, Tianjin, the PRC	290,000,000	70%	203,000,000
5. A site situated on the west side of Guangzhou Main Road and the south side of Lu Jiang Village and Feng He Village, Haizhu District, Guangzhou, Guangdong Province, the PRC	123,000,000	97%	119,310,000
Grand total:			<u>1,725,810,000</u>

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 15th December, 2001
1. A site situated at No. 23 Xidawang Road, Chaoyang District, Beijing, the PRC	<p>The property is planned to comprise a site with an area of 299,250 sq.m. (3,221,127 sq.ft.).</p> <p>The property is planned to be developed into a commercial/residential development with a total gross floor area of 750,000 sq.m. (8,073,000 sq.ft.).</p> <p>The land use rights of the property will be granted for respective terms of 70 years for residential use, 40 years for commercial use and 50 years for other uses from the date of issue of the Certificate for the Use of State-owned Land.</p>	The property is currently vacant.	<p>HK\$1,200,000,000</p> <p>(70% interest proposed to be attributable to the Group: HK\$840,000,000)</p>

*Notes:*

- (1) According to the Agreement entered into between 北京珠江房地產開發有限公司 (Beijing Zhujiang Real Estate Development Co., Ltd.) (“BJ Zhujiang”) (“Party A”) and Nambour Properties Limited (“Party B”) on 8th January, 2002, the parties shall establish a co-operative joint venture company to develop the property. The salient terms and conditions stipulated in the proposed co-operative joint venture contract attached to the said agreement are cited, inter alia, as follows:–

- (i) Name of the company : Beijing Hopson Beifang Real Estate Development Limited (北京合生北方房地產開發有限公司) (“Beifang JV”)
- (ii) Scope of business : Development, construction, sale, letting and management of commodity housing situated on a site of 299,250 sq.m. and with a total gross floor area of 750,000 sq.m. (uses and gross floor area are subject to approval of the planning authorities)
- (iii) Total investment amount : RMB196,000,000
- (iv) Registered capital : RMB78,400,000
- (v) Capital contribution : Party A : RMB23,520,000 (30% of registered capital)  
Party B : RMB54,880,000 (70% of registered capital)
- (vi) Profit/Loss sharing : Party A : 30%  
Party B : 70%
- (vii) Period of operation : 30 years from the date of issue of the business licence

As advised by the Group, BJ Zhujiang is responsible for the payment of a compensation amount of RMB775,000,000 and site clearance cost of RMB10,000,000, of which approximately RMB210,000,000 has been paid to date and approximately RMB575,000,000 remain outstanding and payable by BJ Zhujiang. Such amount will ultimately be borne by Beifang JV by reimbursement to BJ Zhujiang. Beifang JV will also be responsible for the land grant fee in an estimated amount of RMB180,000,000, subject to the negotiation between BJ Zhujiang and the local land bureau.

**Our valuation of the Group's proposed interest in the property is based on the profit/loss sharing of the Group as stipulated in the said proposed co-operative joint venture contract.**

- (2) The opinion of the Group's legal adviser on PRC law states, inter alia, that:–
- (i) 北京化工實驗廠 (Beijing Chemical Factory) and 北京化學工業集團有限責任公司 (Beijing Chemical Group Company Limited) are entitled to entered into a land use rights transfer contract and its 1st supplemental agreement both dated 26th April, 2000 (the "Transfer Contract") with BJ Zhujiang and the Transfer Contract is legally binding.
  - (ii) Pursuant to the Transfer Contract, Beijing Chemical Factory and Beijing Chemical Group Company Limited have agreed to transfer the land use rights of the property to BJ Zhujiang and BJ Zhujiang has agreed to pay the resettlement compensation and demolition fees.
  - (iii) Upon performing its responsibilities stated in the Transfer Contract and complying with the relevant laws and regulations, BJ Zhujiang is entitled to obtain the land use rights of the property after entering into Contract for Grant of State-owned Land Use Rights with the relevant land administrative bureau and settlement of land grant fee. The usual terms of land use rights are 70 years for residential use, 40 years for commercial use and 50 years for industrial uses.
  - (iv) By virtue of obtaining the land use rights of the property, BJ Zhujiang may transfer, let and/or mortgage such land use rights.
  - (v) The development of residential housing on the property is in compliance with the master development planning of Beijing.
  - (vi) BJ Zhujiang and Nambour Properties Limited shall establish a co-operative joint venture company to be named Beifang JV which shall develop real estate project on the site comprising the property. By virtue of obtaining written consent of Beijing Chemical Factory and Beijing Chemical Group Company Limited, such change in development scenario does not contradict with the terms and conditions stipulated in the Transfer Contract.
  - (vii) The legal establishment of Beifang JV shall subject to the entering of a co-operative joint venture contract ("JV Contract") between BJ Zhujiang and Nambour Properties Limited and certain government's approvals. The proposed JV Contract has yet to be signed, registered and approved.
  - (viii) By virtue of the conditions stipulated in the proposed JV Contract, BJ Zhujiang shall transfer the land use rights of the property to Beifang JV and is responsible for all resettlement and demolition works of the land, handling application to the relevant government authorities and site connections and levelling. The proposed JV Contract has yet to be signed and registered such that the land use rights of the land have yet to be transferred to Beifang JV.
- (3) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:–
- (i) Beifang JV will be in possession of a proper legal title to the property and will be 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 would 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 third parties; and
  - (v) the proposed co-operative joint venture contract as mentioned in Note (1) above is lawfully binding and will be executed.
- (4) 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	N/A
Contract for Grant of State-owned Land Use Rights	N/A
Planning Permit for Construction Land	N/A
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

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 15th December, 2001
2. A site situated at Bangzijing Village, Sanjianfang Town, Chaoyang District, Beijing, the PRC	<p>The property is planned to comprise a site with an area of 253,000 sq.m. (2,723,292 sq.ft.).</p> <p>The property is planned to be developed into a commercial/residential development with a total gross floor area of 234,000 sq.m. (2,518,776 sq.ft.).</p> <p>The land use rights of the property will be granted for respective terms of 70 years for residential use, 40 years for commercial use and 50 years for other uses from the date of issue of the Certificate for the Use of State-owned Land.</p>	The property is currently vacant.	<p>HK\$338,000,000</p> <p>(70% interest proposed to be attributable to the Group: HK\$236,600,000)</p>

*Notes:*

- (1) According to the Agreement entered into between BJ Zhujiang (“Party A”) and Pomeroy Properties Limited (“Party B”) on 8th January, 2002, the parties shall establish a co-operative joint venture company to develop the property. The salient terms and conditions stipulated in the proposed co-operative joint venture contract attached to the said agreement are cited, inter alia, as follows:–
- (i) Name of the company : Beijing Hopson Lu Zhou Real Estate Development Limited (北京合生綠洲房地產開發有限公司) (“Lu Zhou JV”)
- (ii) Scope of business : Development, construction, sale, letting and management of commodity housing situated on a site of 253,000 sq.m. and with a total gross floor area of 234,000 sq.m. (uses and gross floor area are subject to approval of the planning authorities)
- (iii) Total investment amount : RMB300,000,000
- (iv) Registered capital : RMB100,000,000
- (v) Capital contribution : Party A : RMB30,000,000 (30% of registered capital)  
Party B : RMB70,000,000 (70% of registered capital)
- (vi) Profit/Loss sharing : Party A : 30%  
Party B : 70%
- (vii) Period of operation : 30 years from the date of issue of the business licence

As advised by the Group, BJ Zhujiang is responsible for the payment of a compensation amount of RMB168,000,000, of which approximately RMB111,000,000 has been paid to date and approximately RMB57,000,000 remain outstanding and payable by BJ Zhujiang. Such amount will ultimately be borne by Lu Zhou JV by reimbursement to BJ Zhujiang. Lu Zhou JV will also be responsible for the land grant fee in an estimated amount of RMB30,000,000, subject to the negotiation between the Lu Zhou JV and the local land bureau.

**Our valuation of the Group's proposed interest in the property is based on the profit/loss sharing of the Group as stipulated in the said proposed co-operative joint venture contract.**

- (2) The opinion of the Group's legal adviser on PRC law states, inter alia, that:–
- (i) 北京市朝陽區三間房鄉榔子井村民委員會 (Bangzijing Village Committee) is entitled to entered into a land requisition contract (the "Contract") with BJ Zhujiang dated 9th March, 2001 and the Contract is legally binding.
  - (ii) Pursuant to the Contract, Bangzijing Village Committee has agreed the requisition of the land use rights of the property by BJ Zhujiang and BJ Zhujiang has agreed to pay the compensation fees.
  - (iii) Upon performing its responsibilities stated in the Contract and complying with the relevant laws and regulations, BJ Zhujiang is entitled to obtain the land use rights of the property after entering into Contract for Grant of State-owned Land Use Rights with the relevant land administrative bureau and settlement of land grant fee. The usual terms of the land use rights are 70 years for residential use, 40 years for commercial use and 50 years for industrial uses.
  - (iv) By virtue of obtaining the land use rights of the property, BJ Zhujiang may transfer, let and/or mortgage such land use rights.
  - (v) The development of residential housing on the property is in compliance with the master development planning of Beijing.
  - (vi) BJ Zhujiang and Pomeroy Properties Limited shall establish a co-operative joint venture company to be named Lu Zhou JV which shall develop real estate project on the site comprising the property. By virtue of obtaining written consent of Bangzifang Village Committee, such change in development scenario does not contradict with the terms and conditions stipulated in the Contract.
  - (vii) The legal establishment of Lu Zhou JV shall subject to the entering of a co-operative joint venture contract ("JV Contract") between BJ Zhujiang and Pomeroy Properties Limited and certain government's approvals. The proposed JV Contract has yet to be signed, registered and approved.
  - (viii) By virtue of the conditions stipulated in the proposed JV Contract, BJ Zhujiang shall transfer the land use rights of the property to Lu Zhou JV and is responsible for all resettlement and demolition works of the land, handling application to the relevant government authorities and site connections and levelling. The proposed JV Contract has yet to be signed and registered such that the land use rights of the land have yet to be transferred to Lu Zhou JV.
- (3) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:–
- (i) Lu Zhou JV will be in possession of a proper legal title to the property and will be 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 would 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 third parties; and

- (v) the proposed co-operative joint venture contract as mentioned in Note (1) above is lawfully binding and will be executed.
- (4) 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	N/A
Contract for Grant of State-owned Land Use Rights	N/A
Planning Permit for Construction Land	N/A
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

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 15th December, 2001
3. A site situated on the west side of Qingnian Road, Chaoyang District, Beijing, the PRC	<p>The property is planned to comprise a site with an area of 210,000 sq.m. (2,260,440 sq.ft.).</p> <p>The property is planned to be developed into a commercial/residential development with a total gross floor area of 300,000 sq.m. (3,229,200 sq.ft.).</p> <p>The land use rights of the property will be granted for respective terms of 70 years for residential use, 40 years for commercial use and 50 years for other uses from the date of issue of the Certificate for the Use of State-owned Land.</p>	The property is currently vacant.	<p>HK\$467,000,000</p> <p>(70% interest proposed to be attributable to the Group: HK\$326,900,000)</p>

*Notes:*

- (1) According to the Agreement entered into between BJ Zhujiang (“Party A”) and Hopson Holdings Limited (“Party B”) on 8th January, 2002, the parties shall establish a co-operative joint venture company to develop the property. The salient terms and conditions stipulated in the proposed co-operative joint venture contract attached to the said agreement are cited, inter alia, as follows:–
- (i) Name of the company : Beijing Hopson YuJing Real Estate Development Limited (北京合生愉景房地產開發有限公司) (“YuJing JV”)
- (ii) Scope of business : Development, construction, sale, letting and management of commodity housing situated on a site of 210,000 sq.m. and with a total gross floor area of 300,000 sq.m. (uses and gross floor area are subject to approval of the planning authorities)
- (iii) Total investment amount : RMB194,000,000
- (iv) Registered capital : RMB77,600,000
- (v) Capital contribution : Party A : RMB23,280,000 (30% of registered capital)  
Party B : RMB54,320,000 (70% of registered capital)
- (vi) Profit/Loss sharing : Party A : 30%  
Party B : 70%
- (vii) Period of operation : 30 years from the date of issue of the business licence



As advised by the Group, BJ Zhujiang is responsible for the payment of a compensation amount of RMB325,000,000, of which approximately RMB40,000,000 has been paid to date and approximately RMB285,000,000 remain outstanding and payable by BJ Zhujiang. Such amount will ultimately be borne by YuJing JV by reimbursement to BJ Zhujiang. YuJing JV will also be responsible for the land grant fee in an estimated amount of RMB42,000,000, subject to the negotiation between the YuJing JV and the local land bureau.

**Our valuation of the Group's proposed interest in the property is based on the profit/loss sharing of the Group as stipulated in the said proposed co-operative joint venture contract.**

- (2) The opinion of the Group's legal adviser on PRC law states, inter alia, that:–
- (i) 北京市煤炭總公司一廠 (Beijing Coal General Company First Factory) has entered into a transfer of development rights contract (the "Contract") with BJ Zhujiang dated 1st August, 2000 and the Contract is legally binding.
  - (ii) The development of the property is subject to the approval of the department-in-charge of Beijing Coal General Company First Factory, Beijing Planning Committee and Beijing Construction Committee and the completion of land grant procedure.
  - (iii) Pursuant to the Contract, Beijing Coal General Company First Factory has agreed to transfer the land use rights of the property to BJ Zhujiang and BJ Zhujiang has agreed to pay the compensation fees.
  - (iv) Upon performing its responsibilities stated in the Contract and complying with the relevant laws and regulations, BJ Zhujiang is entitled to obtain the land use rights of the property after entering into Contract for Grant of State-owned Land Use Rights with the relevant land administrative bureau and settlement of land grant fee. The usual terms of the land use rights are 70 years for residential use, 40 years for commercial use and 50 years for industrial uses.
  - (v) By virtue of obtaining the land use rights of the property, BJ Zhujiang may transfer, let and/or mortgage such land use rights.
  - (vi) The development of residential housing on the property is in compliance with the master development planning of Beijing.
  - (vii) BJ Zhujiang and Hopeson Holdings Limited shall establish a co-operative joint venture company to be named YuJing JV which shall develop real estate project on the site comprising the property. By virtue of obtaining written consent of Beijing Coal General Company 1st Factory, such change in development scenario does not contradict with the terms and conditions stipulated in the Contract.
  - (viii) The legal establishment of YuJing JV shall subject to the entering of a co-operative joint venture contract ("JV Contract") between BJ Zhujiang and Hopeson Holdings Limited and certain government's approvals. The proposed JV Contract has yet to be signed, registered and approved.
  - (ix) By virtue of the conditions stipulated in the proposed JV Contract, BJ Zhujiang shall transfer the land use rights of the property to YuJing JV and is responsible for all resettlement and demolition works of the land, handling application to the relevant government authorities and site connections and levelling. The proposed JV Contract has yet to be signed and registered such that the land use rights of the land have yet to be transferred to YuJing JV.
- (3) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:–
- (i) YuJing JV will be in possession of a proper legal title to the property and will be 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 would 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 third parties; and
  - (v) the proposed co-operative joint venture contract as mentioned in Note (1) above is lawfully binding and will be executed.
- (4) 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	N/A
Contract for Grant of State-owned Land Use Rights	N/A
Planning Permit for Construction Land	N/A
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

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 15th December, 2001
4. A site situated on the east side of Jin-Ji Freeway, Zhou Liang Zhuang Xiang, Baodi District, Tianjin, the PRC	<p>The property is planned to comprise a site with an area of 12,000,000 sq.m. (129,168,000 sq.ft.).</p> <p>The property is planned to be developed into a commercial/residential development with a total gross floor area of 2,500,000 sq.m. (26,910,000 sq.ft.).</p> <p>The land use rights of the property will be granted for respective terms of 70 years for residential use, 40 years for commercial use and 50 years for other uses from the date of issue of the Certificate for the Use of State-owned Land.</p>	The property is currently vacant.	<p>HK\$290,000,000</p> <p>(70% interest proposed to be attributable to the Group: HK\$203,000,000)</p>

*Notes:*

- (1) According to the Agreement entered into between 天津珠江實業有限公司 (Tianjin Zhujiang Industrial Co., Ltd.) (“TJ Zhujiang”) (“Party A”) and Hopeson Holdings Limited (“Party B”) on 8th January, 2002, the parties shall establish a co-operative joint venture company to develop the property. The salient terms and conditions stipulated in the proposed co-operative joint venture contract attached to the said agreement are cited, inter alia, as follows:–
- (i) Name of the company : Tianjin Hopson Zhujiang Real Estate Development Limited (天津合生珠江房地產開發有限公司) (“Tianjin JV”)
- (ii) Scope of business : Development, construction, sale, letting and management of commodity housing situated on a site of 12,000,000 sq.m. and with a total gross floor area of 2,500,000 sq.m. (uses and gross floor area are subject to approval of the planning authorities)
- (iii) Total investment amount : RMB180,000,000
- (iv) Registered capital : RMB72,000,000
- (v) Capital contribution : Party A : RMB21,600,000 (30% of registered capital)  
Party B : RMB50,400,000 (70% of registered capital)
- (vi) Profit/Loss sharing : Party A : 30%  
Party B : 70%
- (vii) Period of operation : 30 years from the date of issue of the business licence

As advised by the Group, the land grant fee in respect of the land use rights of the property is in the amount of RMB180,000,000. TJ Zhujiang shall complete all procedures to transfer land use rights of the property to Tianjin JV at the cost of Tianjin JV. Tianjin JV shall reimburse TJ Zhujiang for all payments incurred in relation to acquisition of the land use rights, of which approximately RMB10,000,000 has been paid to date and approximately RMB170,000,000 remain outstanding and payable subject to the actual progress of site clearance and resettlement.

**Our valuation of the Group's proposed interest in the property is based on the profit/loss sharing of the Group as stipulated in the said proposed co-operative joint venture contract.**

- (2) The opinion of the Group's legal adviser on PRC law states, inter alia, that:–
- (i) The People's Government of Baodi District has entered into a joint development contract (the "Contract") with Tianjin Zhujiang and the Contract is legally binding. The Contract is originally entered into by Guangdong Zhujiang Investment Limited ("GD Zhujiang"). According to an agreement entered into among GD Zhujiang, TJ Zhujiang and the People's Government of Baodi District, all rights and obligations of GD Zhujiang pursuant to the Contract have been transferred to TJ Zhujiang.
  - (ii) Pursuant to the Contract, the People's Government of Baodi District has agreed to grant the land use rights of the property to TJ Zhujiang by phases and TJ Zhujiang has agreed to pay the land premium.
  - (iii) Upon performing its responsibilities stated in the Contract and complying with the relevant laws and regulations, TJ Zhujiang is entitled to obtain the land use rights of the property by phases after entering into Contracts for Grant of State-owned Land Use Rights with the relevant land administrative bureau and settlement of land grant fee. The usual terms of the land use rights are 70 years for residential use, 40 years for commercial use and 50 years for industrial uses.
  - (iv) By virtue of obtaining the land use rights of the property, TJ Zhujiang may transfer, let and/or mortgage such land use rights.
  - (v) The development of the property is in compliance with the master development planning of Tianjin.
  - (vi) TJ Zhujiang and Hopeson Holdings Limited shall establish a co-operative joint venture company to be named Tianjin JV which shall develop real estate project on the site comprising the property. By virtue of obtaining written consent of the People's Government of Baodi District, such change in development scenario does not contradict with the terms and conditions stipulated in the Contract.
  - (vii) The legal establishment of Tianjin JV shall subject to the entering of a co-operative joint venture contract ("JV Contract") between TJ Zhujiang and Hopeson Holdings Limited and certain government's approvals. The proposed JV Contract has yet to be signed, registered and approved.
  - (viii) By virtue of the conditions stipulated in the proposed JV Contract, TJ Zhujiang shall transfer the land use rights of the property to Tianjin JV and is responsible for all resettlement and demolition works of the land, handling application to the relevant government authorities and site connections and levelling. The proposed JV Contract has yet to be signed and registered such that the land use rights of the land have yet to be transferred to Tianjin JV.
- (3) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:–
- (i) Tianjin JV will be in possession of a proper legal title to the property and will be 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 would 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 third parties; and
  - (v) the proposed co-operative joint venture contract as mentioned in Note (1) above is lawfully binding and will be executed.
- (4) 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	N/A
Contract for Grant of State-owned Land Use Rights	N/A
Planning Permit for Construction Land	N/A
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

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 15th December, 2001
5. A site situated on the west side of Guangzhou Main Road and the south side of Lu Jiang Village and Feng He Village, Haizhu District, Guangzhou, Guangdong Province, the PRC	<p>The property is planned to comprise a site with an area of 41,318 sq.m. (444,747 sq.ft.).</p> <p>The property is planned to be developed into a commercial/residential development with a total gross floor area of 74,000 sq.m. (796,536 sq.ft.).</p> <p>The land use rights of the property will be granted for respective terms of 70 years for residential use, 40 years for commercial, tourism and entertainment uses and 50 years for other uses.</p>	The property is currently partly under site clearing works.	<p>HK\$123,000,000</p> <p>(97% interest proposed to be attributable to the Group: HK\$119,310,000)</p>

*Notes:*

(1) According to the Agreement entered into among 廣州市粵騰房地產有限公司 (Guangzhou Yue Teng Property Limited) (“Party A”), 廣州建設實業集團公司 (Guangdong Construction Industrial Group Company) (“Party B”), 廣州珠江房地產開發中心有限公司 (Guangzhou Zhujiang Real Estate Development Company) (“Party C”) and Hopeson Holdings Limited (“Party D”) on 8th January, 2002, the parties shall establish a co-operative joint venture company to develop the property. The salient terms and conditions stipulated in the proposed co-operative joint venture contract attached to the said agreement are cited, inter alia, as follows:–

- (i) Name of the company : Guangzhou Hopson Cuijing Real Estate Limited (廣州合生翠景房地產有限公司) (“Cuijing JV”)
- (ii) Scope of business : Development, construction, sale, letting and management of commodity housing situated on a site of 41,318 sq.m. and with a total gross floor area of 74,000 sq.m. (uses and gross floor area are subject to approval of the planning authorities)
- (iii) Total investment amount : RMB133,870,000
- (iv) Registered capital : RMB53,550,000
- (v) Capital contribution : Party A : land use rights of a portion of the property  
Party B : land use rights of a portion of the property  
Party C : land use rights of a portion of the property  
Party D : RMB53,550,000 (100% of registered capital)
- (vi) Profit/Loss sharing : Party A : 1%  
Party B : 1%  
Party C : 1%  
Party D : 97%
- (vii) Period of operation : 20 years from the date of issue of the business licence

As advised by the Group, Parties A, B and C shall respectively assist Cuijing JV in obtaining the land use rights of the property at the cost of Cuijing JV, including an estimated land grant fee together with related taxes in the amount of RMB31,532,000. Cuijing JV shall also reimburse Party D for all payments incurred in relation to acquisition of the land use rights, of which approximately RMB7,670,000 has been paid to date and approximately RMB14,300,000 remain outstanding and payable. No reimbursements are due to Parties A and B as payments due by them in relation to acquisition of land use rights have been made on their behalf by Party D.

**Our valuation of the Group's proposed interest in the property is based on the profit/loss sharing of the Group as stipulated in the said proposed co-operative joint venture contract.**

- (2) The opinion of the Group's legal adviser on PRC law states, inter alia, that:–
- (i) Guangzhou Yue Teng Property Limited, Guangdong Construction Industrial Group Company, Guangzhou Zhujiang Real Estate Development Company and Hopeson Holdings Limited shall establish a co-operative joint venture company to be named Cuijing JV which shall develop real estate project on the site comprising the property. The legal establishment of Cuijing JV shall subject to the entering of a co-operative joint venture contract (“JV Contract”) among the various parties and certain government's approvals. The proposed JV Contract has yet to be signed, registered and approved.
  - (ii) Cuijing JV shall complete the land grant procedure by entering into Contract for Grant of State-owned Land Use Rights with the relevant land administrative bureau and settlement of land grant fee. Such procedure has yet to be completed.
  - (iii) Upon entering into Contracts for Grant of State-owned Land Use Rights and settlement of land grant fee, Cuijing JV is entitled to the land use rights of the property. The usual terms of the land use rights are 70 years for residential use, 40 years for commercial use and 50 years for industrial uses.
  - (iv) By virtue of obtaining the land use rights of the property, Cuijing JV may transfer, let and/or mortgage such land use rights.
  - (v) The development of the property is in compliance with the master development planning of Guangzhou.
- (3) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:–
- (i) Cuijing JV will be in possession of a proper legal title to the property and will be 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 would 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 third parties; and
  - (v) the proposed co-operative joint venture contract as mentioned in Note (1) above is lawfully binding and will be executed.

- (4) 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	N/A
Contract for Grant of State-owned Land Use Rights	N/A
Planning Permit for Construction Land	N/A
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
Tse Sai Tung, Stones		200,000	–
Xiao Yan Xia		100,000	–

*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 per cent. owned by Mr. Cheung Fong Wing and 20 per cent. owned by his spouse.

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	3,000,000

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

Date of Grant	Subscription price per share (HK\$)	Granted	Number of share options	
			Exercised	Balance unexercised as at Latest Practicable Date
14 July 1998	1.49	2,000,000		2,000,000
14 January 1999	0.61	1,000,000	1,000,000	–
14 July 1999	1.00	1,000,000		1,000,000
14 January 2000	0.75	1,000,000	1,000,000	–
				3,000,000

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 31 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 per cent. 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:

<b>Name</b>	<b>Number of issued shares</b>
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 per cent. 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) DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors, has entered into a service agreement with the Company. The service agreement of each of the Chairman, Mr. Au Wai Kin and Mr. Cheung Fong Wing is for a term of three years from 1 January 1998 and thereafter automatically renewed and terminable by either party by three months' notice. The service agreement of Mr. Tse Sai Tung, Stones is for a term of two years commencing from 1 January 2001, and thereafter automatically renewed and terminable by either party by three months' notice. The service agreement of Mr. Au Yeung Fu, Anthony is for a term of one year commencing from 1 January 2001, 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 15 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 18 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. EXPERTS**

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

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

**6. EXPERTS' 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 31 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 31 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 claims 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 head office in Hong Kong at 19th Floor, Wyndham Place, 40-44 Wyndham Street, Central, Hong Kong during normal business hours up to and including 15 February 2002:

- (a) the Agreements;
- (b) the Supplemental Hopson Yijing Agreements;
- (c) the Original Joint Development Agreement;
- (d) the Supplemental Joint Development Agreement;
- (e) the service agreements referred to in paragraph 4 of this appendix;
- (f) the letter from JS Cresvale, the text of which is set out on pages 29 to 51 of this circular;
- (g) the valuation report from DTZ, the text of which is set out on pages 52 to 70 of this circular; and
- (h) the letters of consent referred to in paragraph 6 of this appendix.

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## NOTICE OF SGM

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### HOPSON DEVELOPMENT HOLDINGS LIMITED

合生創展集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

**NOTICE IS HEREBY GIVEN** that a Special General Meeting of Hopson Development Holdings Limited (the “Company, and together with its subsidiaries, the “Group”) will be held at Aberdeen Room (Level 3), JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 20 February 2002 at 9.30 a.m. for the purposes of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions:

#### **ORDINARY RESOLUTION NO. 1**

“**THAT** the supplemental joint venture agreement (the “Supplemental Hopson Yijing Agreement”, a copy of a draft of which has been tabled at the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) to be entered into between Guangzhou Yue Teng Property Limited, Guangdong Construction Industrial Group Company, Guangdong Zhujiang Investment Limited (“GD Zhujiang”), Guangzhou Xin Nan Fang Real Estate Development Company Limited (“Xin Nan Fang”) and Hopeson Holdings Limited (“Hopeson”) to amend certain terms of the original joint venture agreement (a copy of which has been tabled at the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification) of Guangzhou Hopson Yijing Real Estate Limited (“Hopson Yijing”) and the new joint venture agreement (the “New Hopson Yijing Agreement” , a copy of a draft of which has been tabled at the meeting marked “C” and signed by the chairman of the meeting for the purpose of identification) to be entered into between GD Zhujiang, Xin Nan Fang and Hopeson be and are hereby approved, subject to such amendments as the directors of Hopeson shall consider necessary, desirable or expedient, such approval to be conclusively evidenced by their signature on the Supplemental Hopson Yijing Agreement and the New Hopson Yijing Agreement, **AND THAT** the directors of Hopeson be and are hereby authorized to do all such acts and things and execute all such documents as they may in their absolute discretion consider necessary or desirable to give effect to the Supplemental Hopson Yijing Agreement and the New Hopson Yijing Agreement and the transactions contemplated thereby or incidental thereto.”

\* *for identification purposes only*

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## NOTICE OF SGM

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### ORDINARY RESOLUTION NO. 2

“**THAT** subject to Ordinary Resolution No.1 being passed, the conditional agreement (the “Cuijing Agreement”) entered into between Hopeson, Guangzhou Yue Teng Property Limited, Guangdong Construction Industrial Group Company and Guangzhou Zhujiang Real Estate Development Company Limited on 8 January 2002 (a copy of which has been tabled at this meeting marked “D” and signed by the chairman of the meeting for the purpose of identification) be and is hereby approved, confirmed and ratified; **THAT** the joint venture agreement (a copy of a draft of which was attached to the Cuijing Agreement) to be entered into between the same parties for the formation of Guang Zhou Hopson Cuijing Real Estate Limited (the “Cuijing JV”) be and is hereby approved, subject to such amendments as the directors of Hopeson shall consider necessary, desirable or expedient, such approval to be conclusively evidenced by their signature on the joint venture agreement, **AND THAT** the directors of Hopeson be and are hereby authorized to do all such acts and things and execute all such documents as they may in their absolute discretion consider necessary or desirable to give effect to the joint venture agreement and the transactions contemplated thereby or incidental thereto.”

### ORDINARY RESOLUTION NO. 3

“**THAT** subject to Ordinary Resolution Nos.1 and 2 being passed, the supplemental joint development agreement (the “Supplemental Joint Development Agreement”, a copy of a draft of which has been tabled at this meeting marked “E” and signed by the chairman of the meeting for the purpose of identification) to be entered into between the Cuijing JV, Guangdong Hopson Lejing Real Estate Limited (“Hopson Lejing”), Hopson Yijing, Guangdong New Tai An Real Estate Limited (“New Tai An”) and Guangzhou Zhukuang Real Estate Development Co., Ltd. to amend and supplement certain terms of the joint development agreement entered into between the latter four parties on 16 February 2000 (a copy of which has been tabled at this meeting marked “F” and signed by the chairman of the meeting for the purpose of identification) be and is hereby approved, subject to such amendments as the Group’s representatives on the respective board of directors of the Cuijing JV, Hopson Lejing, Hopson Yijing and New Tai An shall consider necessary, desirable or expedient, such approval to be conclusively evidenced by their signature on the Supplemental Joint Development Agreement; **AND THAT** the Group’s representatives on the respective board of directors of the Cuijing JV, Hopson Lejing, Hopson Yijing and New Tai An be and are hereby authorized to do all such acts and things and execute all such documents as they may in their absolute discretion consider necessary or desirable to give effect to the Supplemental Joint Development Agreement and the transactions contemplated thereby or incidental thereto.”