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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 advisers.

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 to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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合 生 創 展 集 團 有 限 公 司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Stock Code: 754)

(Incorporated in Bermuda with limited liability)

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

CONTINUING CONNECTED TRANSACTION AND REFRESHMENT OF GENERAL MANDATE

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

F B G E M I N I

FB GEMINI CAPITAL LIMITED

A letter from the Chairman of Hopson Development Holdings Limited is set out on pages 4 to 19 of this circular. A letter from the independent board committee of Hopson Development Holdings Limited is set out on page 20 of this circular. A letter from FB Gemini Capital Limited containing its advice to the independent board committee and independent shareholders of Hopson Development Holdings Limited is set out on pages 21 to 51 of this circular.

A notice convening a special general meeting of Hopson Development Holdings Limited to be held at 31/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong on Monday, 29 May 2006 at 10:00 a.m. is set out on pages 57 to 59 of this circular.

Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the principal office of the Company at Suites 2705-09, 27th Floor, Jardine House, 1 Connaught Place Central, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

13 May 2006

* for identification purposes only

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DEFINITIONS

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

“Annual Caps”	the maximum aggregate annual value of each of the Continuing Connected Transactions for the relevant financial year
“associate”	the meaning given to that term in the Listing Rules
“Board”	board of Directors
“Company”	Hopson Development Holdings Limited
“Continuing Connected Transactions”	Continuing Connected Transaction 1, Continuing Connected Transaction 2, Continuing Connected Transaction 3, Continuing Connected Transaction 4, Continuing Connected Transaction 5, Continuing Connected Transaction 6, Continuing Connected Transaction 7 and Continuing Connected Transaction 8
“Current General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 6 June 2005 to allot, issue and deal with up to 20 percent. of the then issued share capital of the Company
“Directors”	directors of the Company
“Framework Agreement”	the conditional agreement dated 13 April 2006 entered into between the Company and Hanjiang
“Group”	the Company and its subsidiaries
“GZ Construction”	廣東珠江工程總承包有限公司 (Guangdong Zhujiang Construction Limited), a company established in the PRC
“Hanjiang”	廣東韓江建築安裝工程有限公司 (Guangdong Hanjiang Construction Installation Project Limited), a company established in the PRC
“Hanjiang Group”	Hanjiang, its subsidiaries and its associates
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“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 review and consider the Framework Agreement, the Continuing Connected Transactions, the Annual Caps for the three financial years ending 31 December 2008 and the New General Mandate
“Independent Shareholders”	Shareholders other than Sounda and its associates
“Latest Practicable Date”	4 May 2006, being the latest practicable date prior to the printing of this circular for ascertaining information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chu”	Mr. Chu Mang Yee, the chairman of the Board
“New General Mandate”	the general mandate proposed to be granted to the Directors to allot, issue and deal with to 20 percent. of the issued share capital of the Company as at the date of the SGM
“PRC”	the People’s Republic of China
“RMB”	Renminbi
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shanghai Hopson”	上海合生物業管理有限公司 (Shanghai Hopson Property Management Limited), a company established in the PRC
“Shares”	the ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of the Shares
“SGM”	a special general meeting of the Company to be convened to approve, among other things, the Framework Agreement, the Continuing Connected Transactions contemplated thereunder, the Annual Caps for the three financial years ending 31 December 2008 and the grant of the New General Mandate
“Sounda”	Sounda Properties Limited, a company incorporated in the British Virgin Islands
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Waiver”

the waiver granted by the Stock Exchange to the Company on 25 March 2003 in relation to certain continuing connected transactions of the Group, details of which were disclosed in the Company’s announcement and circular dated 29 January 2003 and 19 February 2003 respectively

For illustrative purposes of this circular, RMB1.04 = HK\$1.00.



合生創展集團有限公司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

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(Incorporated in Bermuda with limited liability)

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

Executive Directors:

CHU Mang Yee (*Chairman*)
XIANG Bin (*Deputy Chairman*)
WU Jiesi (*Chief Executive Officer*)
TAM Lai Ling (*Chief Financial Officer*)
AU Wai Kin
CHEN Chang Ying
XIAO Yan Xia

Non-executive Directors:

CHEN Xiaohong
HU Yongmin
SHAFRAN, Steven

Independent Non-executive Directors:

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

Principal Office:

Suites 2705-09
27/F, Jardine House
1 Connaught Place
Central
Hong Kong

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

13 May 2006

To the Shareholders

Dear Sir and Madam,

1. INTRODUCTION

It was announced on 13 April 2006 that the Company entered into a conditional Framework Agreement with Hanjiang for the purpose of governing the Continuing Connected Transactions.

On 25 March 2003, the Company obtained the Waiver from the Stock Exchange from strict compliance with the requirements for continuing connected transactions under the then Chapter 14 of the Listing Rules in respect of certain continuing connected transactions, details of which were disclosed in the Company's announcement and circular dated 29 January 2003 and 19 February 2003 respectively, for the three financial years ended 31 December 2005.

* *for identification purposes only*

LETTER FROM THE CHAIRMAN

The Group intends to continue the Continuing Connected Transactions 1 and 2 (which were covered by the Waiver) and conduct the Continuing Connected Transactions 3 to 8, particulars of which are set out below:

(a) Continuing Connected Transaction 1:

The appointment of Hanjiang and GZ Construction as the Group's main contractors in respect of construction works to be carried out on property development projects of the Group.

(b) Continuing Connected Transaction 2:

The appointment of Shanghai Hopson by the Group to manage certain properties developed by the Group in Shanghai.

(c) Continuing Connected Transaction 3:

The appointment of Hanjiang Group to carry out design works for certain property development projects of the Group.

(d) Continuing Connected Transaction 4:

The appointment of Hanjiang Group to carry out installation and decoration works for certain property development projects of the Group.

(e) Continuing Connected Transaction 5:

The appointment of Hanjiang Group to carry out intelligent-building design and installation works for certain property development projects of the Group.

(f) Continuing Connected Transaction 6:

The provision of leased premises in Guangzhou by Hanjiang Group to the Group for use as office.

(g) Continuing Connected Transaction 7:

The provision of leased premises in Guangzhou by the Group to Hanjiang Group for use as shops.

(h) Continuing Connected Transaction 8:

The appointment of the Group by Hanjiang Group to manage certain vacant properties of Hanjiang Group.

LETTER FROM THE CHAIRMAN

2. PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT

On 13 April 2006, the Company and Hanjiang, being the respective holding companies of the Group and Hanjiang Group, entered into the Framework Agreement setting out the principal terms of, among other things, the Continuing Connected Transactions as follows:

Date: 13 April 2006

Parties: the Company; and Hanjiang

Scope: (1) Services/leased premises to be provided by Hanjiang Group:

Hanjiang shall, and/or shall procure the relevant members of Hanjiang Group (as the case may be) to carry out construction, property management, property design, installation and decoration and intelligent-building design and installation works for certain property projects of the Group. Hanjiang shall also procure the relevant member of Hanjiang Group to lease to the Group certain premises in Guangzhou for use as the Group's office.

(2) Services/leased premises to be provided by the Group:

The Company shall procure the relevant members of the Group to manage certain vacant properties of Hanjiang Group in Guangzhou and to lease to Hanjiang Group certain premises in Guangzhou for use as Hanjiang Group's shops.

Term: The Framework Agreement shall be for a term of three years commencing on the date when it becomes effective.

Condition precedent: The Framework Agreement is conditional, and will become effective, upon the approval of the Shareholders (excluding those shareholders who are required to abstain from voting on the resolution by the Listing Rules) voting at a special general meeting convened to approve the Framework Agreement, the Continuing Connected Transactions and the Annual Caps for the three financial years ending 31 December 2008.

LETTER FROM THE CHAIRMAN

3. CONTINUING CONNECTED TRANSACTIONS

Set out below are the particulars of the Continuing Connected Transactions contemplated under the Framework Agreement. The proposed Annual Caps in respect of each of the Continuing Connected Transactions for the three financial years ending 31 December 2008 are set out in paragraph 5 below.

(i) Continuing Connected Transaction 1 – Construction

Scope: Pursuant to the Framework Agreement, the Group agrees to appoint Hanjiang and GZ Construction to carry out construction works on certain property development projects of the Group and Hanjiang agrees to, and/or procure GZ Construction to, carry out such construction works for the Group.

Pricing Basis: The construction fees payable by the Group to Hanjiang and GZ Construction for carrying out construction works for various property projects of the Group in the PRC shall be determined by the parties by reference to the market rate charged by independent third parties for similar construction projects, which shall conform with the stipulated standards prescribed by 建設委員會 (Construction Committee) of where the particular property project is located, such as 北京市建築工程預算定額 (Base Price for Budgeting of Construction and Installation Works, Beijing Municipality) published by 北京市建設委員會 (Construction Committee of Beijing Municipality) in 2001 for properties in Beijing; 廣東省建築工程綜合定額 (Comprehensive Calculation of Construction Works, Guangdong Province) published by 廣東省建設廳 (Construction Department of Guangdong Province) in 2003 for properties in Guangzhou; 上海市建設工程綜合預算定額 (Comprehensive Calculation of Construction Works, Shanghai Municipality) published by 上海市建設委員會 (Construction Committee of Shanghai Municipality) in 1993 for properties in Shanghai; and 天津市建築工程預算基價 (Base Price for Budgeting of Construction Works, Tianjin Municipality) published by 天津市建設管理委員會 (Construction Management Committee of Tianjin Municipality) in 2004 for properties in Tianjin.

LETTER FROM THE CHAIRMAN

(ii) Continuing Connected Transaction 2 – Property Management

Scope: Pursuant to the Framework Agreement, the Group agrees to appoint Shanghai Hopson to manage certain properties developed and to be developed by the Group in Shanghai.

Pricing Basis: The amount of management fees payable by the Group to Shanghai Hopson for providing management services to certain properties developed and to be developed by the Group in Shanghai shall be determined by the parties by reference to the market rate charged by independent third parties for providing similar property management services in similar locations, being the aggregate of (i) the vacant property management fees and (ii) the early-stage property management fees which shall be determined as follows:

- (1) the vacant property management fees shall be determined by reference to the size of the constructed and unsold areas of the property at the rate ranging from RMB1.7 to RMB3.07 per sq.m., depending on the type and location of the property; and
- (2) the early-stage property management fees shall comprise the following:
 - (i) the general management fee at the rate ranging from RMB1.7 to RMB3.0 per sq.m., depending on the type and location of the property;
 - (ii) property decoration management fee which shall be determined by reference to the size of the completed construction area of the property and at the rate of RMB4 per sq.m.;
 - (iii) management office set-up fee which shall be determined by reference to the pre-determined rates as agreed upon between the Group and Shanghai Hopson with reference to the market rate, namely RMB320,000 for each large scale management office (i.e. property comprising 2000 to 3000 units), RMB200,000 for each medium scale management office (i.e. property comprising 1000 to 2000 units) and RMB150,000 for each small scale management office (i.e. property comprising 1000 or less units); and
 - (iv) property hand-over fee which shall be determined by reference to the number of units completed and at the rate of RMB60 per unit.

LETTER FROM THE CHAIRMAN

(iii) Continuing Connected Transaction 3 – Design

Scope: Pursuant to the Framework Agreement, the Group agrees to appoint Hanjiang Group to carry out design works for certain property development projects of the Group and Hanjiang agrees to procure any member of the Hanjiang Group which is engaged in the business of property design, to carry out such design works for the Group.

Pricing Basis: The amount of design fees payable by the Group to the Hanjiang Group for carrying out the design works for various property development projects of the Group shall be determined by the parties by reference to the market rate charged by independent third parties for similar design projects, which shall conform with the standards prescribed by 工程勘察設計收費標準 (Construction, Inspection and Design Fees Standard).

(iv) Continuing Connected Transaction 4 – Installation and Decoration

Scope: Pursuant to the Framework Agreement, the Group agrees to appoint Hanjiang Group to carry out installation and decoration works for certain property development projects of the Group and Hanjiang agrees to procure any member of the Hanjiang Group which is engaged in the business of installation and decoration, to carry out such installation and decoration works for the Group.

Pricing Basis: The installation and decoration fees payable by the Group to the Hanjiang Group for carrying out installation and decoration works for various property development projects of the Group in the PRC will be determined by the parties by reference to the market rate charged by independent third parties for similar installation and decoration works, which shall conform with the standards prescribed by 二零零三廣東省裝飾裝修工程綜合定額 (2003 Comprehensive Calculation of Decoration and Installation Works, Guangdong Province) for properties in Guangzhou, 二零零一北京市建設工程預算定額 (2001 Base Price for Budgeting of Construction and Installation Works, Beijing Municipality) for properties in Beijing, 二零零四天津市裝飾裝修工程預算基價 (Base Price for Budgeting of Decoration and Installation Works, Tianjin Municipality) for properties in Tianjin and 一九九三上海市建築裝飾工程預算定額 (1993 Base Price for Budgeting of Construction and Decoration Works, Shanghai Municipality) for properties in Shanghai.

LETTER FROM THE CHAIRMAN

(v) Continuing Connected Transaction 5 – Intelligent-Building Design and Installation

Scope: Pursuant to the Framework Agreement, the Group agrees to appoint the Hanjiang Group to carry out intelligent-building design and installation works for certain property development projects of the Group and Hanjiang agrees to procure any member of the Hanjiang Group which is engaged in the business of intelligent-building design and installation, to carry out such intelligent-building design and installation works for the Group.

Pricing Basis: The design and installation fee payable by the Group to the Hanjiang Group for carrying out intelligent-building design and installation works for various property development projects of the Group in the PRC will be determined by reference to the prevailing market rates charged by independent third parties for similar works as of 31 December 2005.

(vi) Continuing Connected Transaction 6 – Office Lease

Scope: Pursuant to the Framework Agreement, Hanjiang Group agrees to lease certain premises in Guangzhou in the aggregate size of approximately 5,200 sq.m. to the Group for use as office.

Pricing Basis: The rent payable by the Group to Hanjiang Group will be determined by reference to the market rents charged by independent third parties for the leasing of similar properties in the vicinity.

(vii) Continuing Connected Transaction 7 – Shop Lease

Scope: Pursuant to the Framework Agreement, the Group agrees to lease certain premises in Guangzhou in the aggregate size of approximately 6,200 sq.m. to Hanjiang Group for use as shops.

Pricing Basis: The rent receivable by the Group from Hanjiang Group will be determined by reference to the market rents charged by the Group for the leasing of the same or similar properties to independent third parties.

LETTER FROM THE CHAIRMAN

(viii) Continuing Connected Transaction 8 – Vacant Property Management

Scope: Pursuant to the Framework Agreement, Hanjiang Group agrees to appoint the Group to manage certain vacant properties of Hanjiang Group.

Pricing Basis: The amount of management fees receivable by the Group from Hanjiang Group will be determined by the parties by reference to the market rate charged by independent third parties for providing similar property management services in similar location, the location of the vacant properties and the scope of management services required, which shall conform with the standards prescribed by 物業服務收費管理辦法之發改價格(2003) 1864號(Management Regulations on the Change of the Property Servicing Fees (2003) No.1864).

LETTER FROM THE CHAIRMAN

4. HISTORICAL FIGURES OF CONTINUING CONNECTED TRANSACTIONS 1 AND 2

The Group had carried out continuing connected transactions on a similar basis as the Continuing Connected Transactions 1 and 2 (which were covered by the Waiver) in the last three and two financial years respectively. The Group, however, had not carried out any continuing connected transactions on a similar basis as the Continuing Connected Transactions 3 to 8 in the last three financial years. The Continuing Connected Transaction 1 was covered by the Waiver as two separate on-going connected transactions, namely the on-going connected transaction between the Group and Hanjiang (“Hanjiang Transaction”) and the on-going connected transaction between the Group and GZ Construction (“GZ Construction Transaction”). The Annual Caps granted under the Waiver in respect of each of the Continuing Connected Transaction 1 (namely the Hanjiang Transaction and GZ Construction Transaction) for the three financial years ended 31 December 2005 and the Continuing Connected Transaction 2 for the two financial years ended 31 December 2005 and their respective historical figures for the three years ended 31 December 2005 are set out below:

Transaction	Year ended 31 December 2003		Year ended 31 December 2004		Year ended 31 December 2005	
	Approx. Amount (RMB'000)		Approx. Amount (RMB'000)		Approx. Amount (RMB'000)	
	2003 Annual Caps	Historical Figures	2004 Annual Caps	Historical Figures	2005 Annual Caps	Historical Figures
1. Continuing Connected Transaction 1 – Construction						
Hanjiang Transaction	1,843,000 (Note 1)	882,000	2,178,000 (Note 1)	1,298,000	1,772,000 (Note 1)	1,696,800
GZ Construction Transaction	2,206,000 (Note 2)	1,250,000	2,529,000 (Note 2)	792,000	2,581,000 (Note 2)	1,549,800
2. Continuing Connected Transaction 2 – Property Management	N/A	N/A	770 (Note 3)	116	2,210 (Note 3)	100

Notes:

1. Or 30% of the Group’s total turnover for the relevant financial year, whichever is higher.
2. Or 40% of the Group’s total turnover for the relevant financial year, whichever is higher.
3. Or 0.2% of the Group’s total turnover for the relevant financial year, whichever is higher.

LETTER FROM THE CHAIRMAN

5. PROPOSED ANNUAL CAPS FOR 2006, 2007 AND 2008

Set out below are the Annual Caps proposed by the Directors for the three financial years ending 31 December 2008 in respect of each of the Continuing Connected Transactions:

Transaction	2006 Annual Cap Approx. Amount (RMB'000)	2007 Annual Cap Approx. Amount (RMB'000)	2008 Annual Cap Approx. Amount (RMB'000)
Continuing Connected Transaction 1 - Construction	2,550,000	3,092,000	3,246,000
Continuing Connected Transaction 2 - Property Management	1,040	2,830	2,690
Continuing Connected Transaction 3 - Design	35,000	37,000	35,000
Continuing Connected Transaction 4 - Installation and Decoration	29,000	65,000	84,000
Continuing Connected Transaction 5 - Intelligent-building design and installation	63,000	65,000	49,000
Continuing Connected Transaction 6 - Office Lease	6,500	6,700	7,300
Continuing Connected Transaction 7 - Shop Lease	2,800	3,300	3,300
Continuing Connected Transaction 8 - Vacant Property Management	5,000	5,000	5,000

LETTER FROM THE CHAIRMAN

The above proposed Annual Caps have been determined on the following basis:

Transaction	Basis for determining Annual Caps
Continuing Connected Transaction 1 – Construction:	<p>The proposed Annual Caps have been determined by reference to (i) the relevant pricing basis under the Framework Agreement (as set out under paragraph 3 above), (ii) the historical figures of Continuing Connected Transaction 1 as set out under paragraph 4 above and (iii) the Directors' estimation of the aggregate gross floor area to be developed by the Group for the relevant years. Such estimation of the aggregate gross floor area to be constructed is derived from the Directors' forecast of the number of property projects to be developed by the Group for the relevant years based on the growing potential in the PRC's economy and the market trends in the property market in the major cities in the PRC.</p> <p>It is anticipated by the Directors that there will be an increase in the number of property projects to be developed by the Group in the three financial years ending 31 December 2008 compared to the number of projects developed in the last three financial years, hence the expected amount of construction works that is required to be carried out. Taking into account such anticipated growth of business and the historical figures, the Annual Caps proposed for the three financial years ending 31 December 2008 represent a reasonable increment from the historical figures in the last three financial years.</p>
Continuing Connected Transaction 2 – Property Management:	<p>The proposed Annual Caps have been determined by reference to (i) the relevant pricing basis under the Framework Agreement (as set out under paragraph 3 above), (ii) the historical figures of Continuing Connected Transaction 2 as set out under paragraph 4 above, (iii) the completed areas of the Group's property projects in Shanghai and (iv) the types of such properties.</p> <p>The historical figures of Continuing Connected Transaction 2 for the last two financial years refer to the annual management fees payable by the Group to Shanghai Hopson for the management services provided in respect of one property in Shanghai. The Directors expect that the management services required from Shanghai Hopson for the next three years will cover up to four properties in Shanghai. In view of the expected increase in the number of properties that require the management services from Shanghai Hopson, the Annual Caps proposed for the three financial years ending 31 December 2008 represent a reasonable increment from the historical figures in the last two financial years.</p>

LETTER FROM THE CHAIRMAN

Continuing Connected
Transaction 3 – Design:

The proposed Annual Caps, which have been determined by reference to the unit costs paid by the Group in the past in similar design projects, represent (i) the unit costs which are determined based on the relevant pricing basis under the Framework Agreement (as set out under paragraph 3 above) multiplied by (ii) the Directors' estimated aggregate gross floor area of design works in respect of the property projects to be completed by the Group in Guangzhou, Beijing, Shanghai and Tianjin for the relevant years. Such estimation of the aggregate gross floor area is derived from the Directors' forecast of the number of property projects to be developed by the Group based on the growing potential in the PRC's economy and the market trends in the property market in the major cities in the PRC, hence the expected amount of design works required by the Group for its property development projects for the relevant years.

Continuing Connected
Transaction 4
– Installation and
Decoration:

The proposed Annual Caps, which have been determined by reference to the unit costs paid by the Group in the past in similar installation and decoration projects, represent (i) the unit costs which are determined based on the relevant pricing basis under the Framework Agreement (as set out under paragraph 3 above) multiplied by (ii) the Directors' estimated aggregate gross floor area of decoration works in respect of the property projects to be completed by the Group in Guangzhou, Beijing, Shanghai and Tianjin for the relevant years. Such estimation of the aggregate gross floor area is derived from the Directors' forecast of the number of property projects to be developed by the Group based on the growing potential in the PRC's economy and the market trends in the property market in the major cities in the PRC, hence the expected amount of installation and decoration works required by the Group for its property development projects for the relevant years.

The significant increase in the Annual Caps for the financial years of 2007 and 2008 is mainly due to the expected increase in the estimated aggregate gross floor area of installation and decoration works to be completed during these two years as several new installation and decoration projects or new phases of existing projects of the Group will commence in 2007.

LETTER FROM THE CHAIRMAN

Continuing Connected Transaction 5 – Intelligent-building Design and Installation:	The proposed Annual Caps, which have been determined by reference to the unit costs paid by the Group in the past in similar intelligent-building design and installation projects, represent (i) the unit costs which are determined based on the relevant pricing basis under the Framework Agreement (as set out under paragraph 3 above) multiplied by (ii) the Directors' estimated aggregate gross floor area of the property projects to be completed as intelligent-buildings by the Group in Guangzhou, Beijing, Shanghai and Tianjin for the relevant years. Such estimation of the aggregate gross floor area is derived from the Directors' forecast of the number of property projects to be developed by the Group based on the growing potential in the PRC's economy and the market trends in the property market in the major cities in the PRC, hence the expected amount of intelligent-building design and decoration works required by the Group for its property development projects for the relevant years.
Continuing Connected Transaction 6 – Office Lease:	The proposed Annual Caps have been determined by reference to (i) the relevant pricing basis under the Framework Agreement (as set out under paragraph 3 above) and (ii) the principal terms of the lease arrangement as agreed upon between the Group and Hanjiang Group with respect to the lease of the properties in an aggregate size of approximately 5,200 of sq.m. in Guangzhou.
Continuing Connected Transaction 7 – Shop Lease:	The proposed Annual Caps have been determined by reference to (i) the relevant pricing basis under the Framework Agreement (as set out under paragraph 3 above) and (ii) the principal terms of the lease arrangement as agreed upon between the Group and Hanjiang Group with respect to the lease of the properties in an aggregate size of approximately 6,200 of sq.m. in Guangzhou.
Continuing Connected Transaction 8 – Vacant Property Management:	The proposed Annual Caps have been determined by reference to (i) the relevant pricing basis under the Framework Agreement (as set out under paragraph 3 above) and (ii) the estimated aggregate size, types and locations of the vacant properties of Hanjiang Group based on the current vacancy rate of Hanjiang's Group properties.

6. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in property development and property investment in Guangzhou, Beijing, Tianjin and Shanghai, the PRC. The Continuing Connected Transactions are part and parcel of the Group's normal and ordinary business.

Both Hanjiang and GZ Construction, which are engaged principally in the business of property construction in the PRC, are classified as 房屋建築工程總承包壹級 (Property Construction First Class Contractors) by the relevant government authority in the PRC. First class contractors can undertake larger scale projects than those projects undertaken by non-first class contractors. Both companies have proven track records, possess technical capabilities and expertise in handling large scale construction projects and have completed various property projects for the Group in the PRC. The Continuing Connected Transaction 1 has taken place since 2003. The Group and Hanjiang Group have built up a close and good working relationship since then. The Group is of the view that the appointment of top-quality construction companies such as Hanjiang and GZ Construction is essential in ensuring the quality of its property projects and the continuance of the Continuing Connected Transaction 1 is in the best interests of the Company and the Shareholders as a whole.

Shanghai Hopson is engaged in the business of property management in the PRC. Shanghai Hopson has a proven track record and possesses relevant experience and technical expertise in managing quality property projects in the PRC. The Continuing Connected Transaction 2 has taken place since 2004. The Group is of the view that the continual appointment of a top-quality management company such as Shanghai Hopson is paramount in the management of its large-scale and quality property projects and the continuance of the Continuing Connected Transaction 2 is in the best interests of the Company and the Shareholders as a whole.

Certain members of the Hanjiang Group are respectively engaged in the businesses of building design, installation and decoration works or intelligent-building design and installation works (as the case may be) for property development in the PRC. Each of such members of Hanjiang Group has a proven track record in its area of expertise and possesses technical capabilities and expertise in carrying out large scale property design projects, installation and decoration projects, and intelligent-building design and installation projects (as the case may be) in the PRC. The Group is of the view that the appointment of companies with proven track records is of paramount importance in terms of quality control of its projects. As the Continuing Connected Transactions 3 to 5 are entered into in the ordinary and usual course of business of the Company upon normal commercial terms, the Group is of the view that the appointment of Hanjiang Group to carry out the Continuing Connected Transactions 3 to 5 is in the best interests of the Company and the Shareholders as a whole in view of its close long-term working relationship with Hanjiang Group.

In view of the good and reliable long-term working relationship between the Group and Hanjiang Group, the Group is of the view that the Continuing Connected Transactions 6 to 8, which are entered into in the ordinary and usual business course of the respective businesses of the Group and Hanjiang Group upon normal commercial terms, are in the best interest of the Company and the Shareholders as a whole.

LETTER FROM THE CHAIRMAN

The Directors are of the view that the Framework Agreement and the Continuing Connected Transactions contemplated thereunder are fair and reasonable in so far as the interests of the Company and the Shareholders as a whole are concerned and in the ordinary and usual course of business of the Company. The Directors consider that the terms of the Framework Agreement are on normal commercial terms.

7. CONNECTION BETWEEN THE PARTIES AND THE CONTINUING CONNECTED TRANSACTIONS

Hanjiang, a company owned by the brother of Mr. Chu as to 90 percent. and the brother-in-law of Mr. Chu as to 10 percent., is a connected person of the Company under the Listing Rules. GZ Construction, a wholly-owned subsidiary (directly and indirectly) of Hanjiang, is an associate of Hanjiang and is therefore a connected person of the Company under the Listing Rules. Shanghai Hopson, an indirect wholly-owned subsidiary of Hanjiang, is an associate of Hanjiang and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Continuing Connected Transactions contemplated under the Framework Agreement constitute continuing connected transactions under the Listing Rules.

8. SPECIAL GENERAL MEETING

Pursuant to Rule 14A.26 of the Listing Rules, the Continuing Connected Transactions in aggregate constitute non-exempt continuing connected transactions and are subject to reporting, announcement and approval of the Independent Shareholders. The SGM will be convened as soon as practicable at which ordinary resolutions will be proposed to approve the Framework Agreement, the Continuing Connected Transactions and the Annual Caps for the three financial years ending 31 December 2008. In view of its relationship with Hanjiang, GZ Construction and Shanghai Hopson as described above, Sounda, a company wholly-owned by Mr. Chu and the controlling shareholder of the Company interested in approximately 52.27 percent. of the entire issued share capital of the Company, and its associates (as defined in the Listing Rules) will abstain from voting in respect of the Framework Agreement, Continuing Connected Transactions and the Annual Caps for the three financial years ending 31 December 2008 at the SGM. None of Hanjiang, GZ Construction and Shanghai Hopson has any shareholding in the Company.

9. GRANT OF THE NEW GENERAL MANDATE

(a) The Current General Mandate

At the annual general meeting of the Company held on 6 June 2005, the Shareholders approved, among other things, to grant to the Directors the Current General Mandate to allot, issue and deal with up to 20 percent. of the then issued share capital of the Company, being 200,600,000 Shares. As disclosed in the Company's announcement dated 10 August 2005, the Company has allotted and issued a total of 200,600,000 Shares under the Current General Mandate to the strategic investors as set out in the said announcement. No refreshment of the Current General Mandate has been made between the date of the said annual general meeting of the Company and the Latest Practicable Date.

LETTER FROM THE CHAIRMAN

(b) Reasons for Grant of the New General Mandate

As the Current General Mandate has been duly utilised, the Directors believe that the New General Mandate will provide the Company with the flexibility for future business development of the Group. The Company does not have any present plans to issue Shares.

(c) The Grant of the New General Mandate

The Directors propose to seek the approval of the Independent Shareholders to grant the New General Mandate at the SGM by way of ordinary resolution.

(d) SGM

Pursuant to Rule 13.36(4) of the Listing Rules, the grant of the New General Mandate shall be subject to the approval of the Independent Shareholders. Sounda, the controlling shareholder (a term as defined in the Listing Rules) of the Company, and its associates shall abstain from voting of the relevant resolution for approving the New General Mandate at the SGM pursuant to Rule 13.36(4)(a) of the Listing Rules. The relevant resolution will be voted on by way of poll.

10. FURTHER INFORMATION

The Independent Board Committee has been formed to advise the Shareholders in respect of the Framework Agreement, the Continuing Connected Transactions, the Annual Caps for the three financial years ending 31 December 2008 and the grant of the New General Mandate.

FB Gemini Capital Limited has been appointed as an independent financial adviser to advise the Independent Board Committee regarding the Continuing Connected Transaction, the Annual Caps for the three financial years ending 31 December 2008 and the grant of the New General Mandate.

Your attention is drawn to the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders set out on page 20 of this circular and the advice from FB Gemini Capital Limited to the Independent Board Committee and Independent Shareholders set out on pages 21 to 51 of this circular.

As of the date hereof, the executive Directors are CHU Mang Yee (Chairman), XIANG Bin (Deputy Chairman), WU Jiesi (Chief Executive Officer), TAM Lai Ling (Chief Financial Officer), AU Wai Kin, CHEN Chang Ying, and XIAO Yan Xia, the non-executive Directors are Steven SHAFRAN, CHEN Xiaohong and HU Yongmin, and the independent non-executive Directors are YUEN Pak Yiu, Philip, LEE Tsung Hei, David and WONG Shing Kay, Oliver.

By Order of the Board
Chu Mang Yee
Chairman



合生創展集團有限公司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Stock Code: 754)

(Incorporated in Bermuda with limited liability)

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

To the Shareholders

13 May 2006

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS AND
GRANT OF NEW GENERAL MANDATE**

INTRODUCTION

We refer to the circular dated 13 May 2006 issued by the Company, of which this letter forms part ("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 Framework Agreement, the Continuing Connected Transactions and grant of the New General Mandate, details of which are set out in the Circular. FB Gemini Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the Framework Agreement, the Continuing Connected Transactions and grant of the New General Mandate.

RECOMMENDATION

We wish to draw your attention to the Letter from the Chairman as set out on pages 4 to 19 of this Circular, and the letter from FB Gemini Capital Limited which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement, the Continuing Connected Transactions and grant of the New General Mandate as set out on pages 21 to 51 of this Circular.

Having taken into account the advice of FB Gemini Capital Limited and the principal factors and reasons considered by FB Gemini Capital Limited, we consider that the terms of the Framework Agreement, the Continuing Connected Transaction and the grant of the New General Mandate are fair and reasonable so far as the Shareholders are concerned. Accordingly, we recommend the Shareholders to vote in favour of the Framework Agreement, the Continuing Connected Transactions, the Annual Caps for the three financial years ending 31 December 2008 and the grant of the New General Mandate at the SGM.

Yours faithfully,

for and on behalf of

the Independent Board Committee

Yuen Pak Yiu, Philip
Director

Lee Tsung Hei, David
Director

Wong Shing Kay, Oliver
Director

* for identification purposes only

LETTER FROM FB GEMINI CAPITAL LIMITED

The following is the text of a letter of advice to the Independent Board Committee and Independent Shareholders from FB Gemini Capital Limited (“FB Gemini”) setting out their opinion regarding the Continuing Connected Transactions and the Grant of the New General Mandate for the purpose of incorporation into this circular.



FB Gemini Capital Limited
1503 Cheung Kong Center,
2 Queen’s Road Central Hong Kong

13 May 2006

To the Independent Board Committee and Independent Shareholders of
Hopson Development Holdings Limited

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS AND GRANT OF NEW GENERAL MANDATE

INTRODUCTION

We refer to our engagement as independent financial adviser to advise the Independent Board Committee and Independent Shareholders on (i) the Continuing Connected Transactions and the Annual Caps for the three financial years ending 31 December 2008 (“**Relevant Years**”) and; (ii) the grant of the New General Mandate to the Directors to allot, issue and deal with additional Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the requisite resolution at the SGM. Details of which are set forth in the “**Letter from the Chairman**” contained in the circular of the Company to the Shareholders dated 13 May 2006 (“**Circular**”), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

BASIS OF OUR OPINION

In formulating our opinions and recommendations, we have relied on the accuracy of the information, facts and representations contained or referred to in the Circular, and the information, facts and representations provided by, and the opinions expressed by the Directors, the Company and its management. We have assumed that all statements, information, facts, opinion and representations made or referred to in the Circular or otherwise provided or made or given by the Directors and/or the Company and/or its management, and for which they are solely responsible, were true, accurate, complete and correct in all respects at the time they were made and continued to be true, accurate and complete as at the date of despatch of the Circular.

LETTER FROM FB GEMINI CAPITAL LIMITED

We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular are reasonably made after due enquiry and based on honestly held opinions. We have no reason to doubt the truth, accuracy, and completeness of the information, facts, opinion, and representations provided to us by the Directors, the Company, and its management. The Directors have confirmed to us that no material facts have been omitted from the information and representations provided and opinions expressed and referred to in the Circular. We have no reason to suspect that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular, or the reasonableness of the opinions and representation provided to us by the Group.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm that, having made all reasonable enquiries that, to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and that there are no other facts or representations not contained in the Circular the omission of which would make any statement in the Circular, including this letter, misleading. We have relied on such information and opinions and have not, however, carried out any independent verification of the information provided to us, nor have we conducted any investigation into the business, financial conditions and affairs or the future prospects of the Company.

(I) CONTINUING CONNECTED TRANSACTIONS

Introduction

The Company and Hanjiang entered into a conditional Framework Agreement on 13 April 2006, pursuant to which the Group agrees to appoint Hanjiang, GZ Construction, Shanghai Hopson and Hanjiang Group as contractors to provide certain construction and related services including property development, property management, property design, installation and decoration and intelligent-building design and installation services, to the Group in respect of its property development projects for a term of three years. During the same contractual period, Hanjiang agrees to procure the relevant member of Hanjiang Group to lease to the Group certain premises in Guangzhou for use as the Group's office. Furthermore, Hanjiang Group also agrees to appoint the Group to manage certain vacant properties of Hanjiang Group and lease certain premises from the Group for use as shops.

As Hanjiang is owned as to 90% and 10% of the issued share capital by the brother of Mr. Chu (currently the ultimate controlling Shareholder of the Company) and the brother-in-law of Mr. Chu respectively, Hanjiang and its associates are connected persons of the Company under the Listing Rules. GZ Construction, a wholly-owned subsidiary (directly and indirectly) of Hanjiang and Shanghai Hopson, an indirect wholly-owned subsidiary of Hanjiang, are therefore connected persons of the Company under the Listing Rules. Hence the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the Annual Caps of the Continuing Connected Transactions for the Relevant Years in aggregate on an annual basis are expected to be higher than HK\$10 million and exceed 2.5% of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules, therefore they constitute non-exempt continuing connected transactions of the Company and are subject to applicable disclosure requirement and Shareholders' approval at the SGM by poll.

LETTER FROM FB GEMINI CAPITAL LIMITED

In view of the relationship with Hanjiang as described in the Circular, Sounda, which is wholly-owned by Mr. Chu and beneficially interested in 52.27% of the issued share capital of the Company, will abstain from voting on the relevant resolutions in respect of the Continuing Connected Transactions and the Annual Caps for the Relevant Years at the SGM. Apart from this, none of Hanjiang, GZ Construction, Shanghai Hopson and Hanjiang Group has any shareholding in the Company.

Mr. Chu, Mr. Xiang Bin, Mr. Wu Jiesi, Mr. Tam Lai Ling, Mr. Au Wai Kin, Mr. Chen Chang Ying and Ms. Xiao Yan Xia are salaried executive Directors and therefore are not eligible to be members of the Independent Board Committee. The Independent Board Committee therefore comprises Mr. Yuen Pak Yiu, Philip, Mr. Lee Tsung Hei, David and Mr. Wong Shing Kay, Oliver, all of whom are independent non-executive Directors. The Independent Board Committee will be formed to advise the Independent Shareholders on the Continuing Connected Transactions and the Annual Caps for the Relevant Years.

FB Gemini has been requested to give an opinion to the Independent Board Committee as to whether or not the terms of the Continuing Connected Transactions contemplated under the Framework Agreement are entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and whether the terms of the Continuing Connected Transactions and the Annual Caps for the Relevant Years are fair and reasonable so far as the interests of the Independent Shareholders and the Group as a whole are concerned. We do not, by this letter, warrant the merits of the Continuing Connected Transactions contemplated under the Framework Agreement.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

1. Background and strategy of the Group

The Group is one of the leading property development and investment companies principally engaged in developing medium to large-scale of quality residential complex in some of the fast-growing areas in the PRC including, the Guangdong Province, Beijing, Shanghai and Tianjin (“**4 Major Areas**”).

As disclosed in the Company’s 2005 annual report, the Group sold properties with a total gross floor area of approximately 998,718 square metres (“**sq.m.**”) with a carrying value of approximately RMB5,769 million. As of 31 December 2005, the Group had a land bank of an aggregate area of approximately 12,950,000 sq.m.

In view that the economy in the PRC will continue to grow steadily and the disposable income of residents in the PRC will continue to increase, the Directors expect the demand for quality housing in the PRC to persist. We understand from the management of the Company that the Group will continue to replenish its land bank and invest in 4 Major Areas where it has already had a strong foothold and at the same time will explore development opportunities in secondary cities in the PRC with great potential.

2. Principal terms of the Continuing Connected Transactions contemplated under the Framework Agreement

The Stock Exchange granted a Waiver to the Company on 25 March 2003 in respect of certain continuing connected transactions of the Group. Pursuant to the Waiver, the Group had carried out Continuing Connected Transaction 1 and Continuing Connected Transaction 2 on similar basis for the last three and two financial years ended 31 December 2005 respectively. The Waiver expired on 31 December 2005.

The Group, however, had not carried out any continuing connected transactions on similar basis as the Continuing Connected Transactions 3 to 8 in the last three financial years ended 31 December 2005. The Directors propose to obtain the approval from the Independent Shareholders at the SGM for the continuance of the Continuing Connected Transactions 1 and 2 and the new addition of Continuing Connected Transactions 3 to 8 on the basis as set out under the Framework Agreement during the Relevant Years.

Principal terms of the Continuing Connected Transactions are set out below. Details of which are set forth in the Letter from the Chairman in the Circular.

Continuing Connected Transaction 1 – Construction

During the next three years commencing on the date when the Framework Agreement becomes effective, the Group may, from time to time, appoint Hanjiang and GZ Construction as its main contractors in respect of construction works to be carried out on the property development projects of the Group in the PRC. Hanjiang agrees to, and procure GZ Construction to, carry out such construction works for the Group in the 4 Major Areas and such other potential areas in the PRC as may be revised by the Group.

Based on our discussion with the Directors, we note that the terms of the Continuing Connected Transaction 1 are arrived at after arm's length negotiations between the parties concerned and reference has been made by the Directors to (i) the prevailing market rate for similar construction projects; and (ii) the relevant standards stipulated by the corresponding government authorities in the 4 Major Areas set out as follows:

- (i) 北京市建築工程預算定額(Base Price for Budgeting of Construction and Installation Works, Beijing Municipality) published by 北京市建設委員會(Construction Committee of Beijing Municipality) in 2001 for properties in Beijing;
- (ii) 廣東省建築工程綜合定額(Comprehensive Calculation of Construction Works, Guangdong Province) published by 廣東省建設廳(Construction Department of Guangdong Province) in 2003 for properties in Guangzhou;

- (iii) 上海市建設工程綜合預算定額(Comprehensive Calculation of Construction Works, Shanghai Municipality) published by 上海市建設委員會(Construction Committee of Shanghai Municipality) in 1993 for properties in Shanghai; and
- (iv) 天津市建設工程預算基價(Base Price for Budgeting of Construction Works, Tianjin Municipality) published by 天津市建設管理委員會(Construction Management Committee of Tianjin Municipality) in 2004 for properties in Tianjin.

We have reviewed materials provided by the management of the Company including but not limited to (i) the Framework Agreement; (ii) information on the estimated unit construction fees payable by the Group to Hanjiang and GZ Construction in respect of the property development projects in the 4 Major Areas for the Relevant Years; (iii) the breakdown of unit construction fees in terms of construction design and type of construction materials used in respect of the property development projects in the 4 Major Areas; (iv) the estimated market rates calculated with reference to the indicative market price of construction materials set out in 北京市建築工程預算定額(Base Price for Budgeting of Construction and Installation Works, Beijing Municipality) for properties in Beijing; 廣東省建築工程綜合定額(Comprehensive Calculation of Construction Works, Guangdong Province) for properties in Guangzhou; 上海市建設工程綜合預算定額(Comprehensive Calculation of Construction Works, Shanghai Municipality) for properties in Shanghai; and 天津市建設工程預算基價(Base Price for Budgeting of Construction Works, Tianjin Municipality) for properties in Tianjin; and (v) certificates issued by certain independent construction cost consultation firms hired by the Company located at the 4 Major Areas respectively for carrying out independent assessment.

We are advised by the management of the Company that the unit construction cost for a particular property development project is unique and is not comparable directly with another project of the Group as the cost can vary due to, among others, the type of construction materials used, property design, and geographic location of the property site. Given that, in order to demonstrate whether the unit construction fees payable by the Group are determined with reference to current market rate, we understand that the Company hired certain construction cost consultation firms mentioned above, which are independent from the Company and its connected persons, in each of the 4 Major Areas to carry out independent assessment. Having reviewed their respective business licenses, we note that these construction cost consultation firms are approved by 中華人民共和國建設部(the Ministry of Construction of the PRC Government) to carry out construction cost assessment business. These construction cost consultation firms had reviewed the unit construction fees of certain property development projects of the Group in the 4 Major Areas respectively and gave opinions that the unit construction fees are in line with the market range.

In addition, we are also advised by the management of the Company that the unit construction fees for various property development projects of the Group in the 4 Major Areas conform to the stipulated standards aforementioned. As advised by the management of the Company that these are the latest available relevant standards published by the corresponding government authorities to set out indicative market price ranges, computed after taking into consideration various market factors, for the information of the construction contractors in the property market. Having reviewed the estimated unit construction fees payable by the Group to Hanjiang and GZ Construction for the Relevant Years and compared such fees against the figures/information derived from the aforementioned materials obtained from the management of the Company, we found that the estimated unit construction fees for the Continuing Connected Transaction 1 are consistent and in line with the prevailing market range for transactions of a similar nature.

In view of the above, we concur with the Directors' view that the estimated unit construction fees of the Continuing Connected Transaction 1 payable by the Group to Hanjiang and GZ Construction in respect of the property development projects in the 4 Major Areas are determined with reference to the prevailing market range for transactions of a similar nature. We consider that the underlying basis for the terms of the Continuing Connected Transaction 1 will be on normal commercial terms and fair and reasonable so far as the interests of the Independent Shareholders and the Group as a whole are concerned.

Continuing Connected Transaction 2 – Property Management

During the next three years commencing on the date when the Framework Agreement becomes effective, the Group may, from time to time, appoint Shanghai Hopson to manage certain properties developed and to be developed by the Group in Shanghai.

We have reviewed materials provided by the management of the Company including but not limited to (i) the Framework Agreement; (ii) information on the estimated unit management fees payable by the Group to Shanghai Hopson for the Relevant Years; (iii) the breakdown of the aggregate gross floor area of certain properties developed or to be developed by the Group in Shanghai but would be unsold based on the Directors' estimation for the Relevant Years; (iv) the prevailing market rates charged by independent third parties for providing management services of similar scope in similar proximity.

We are advised by the management of the Company that the unit management fee for a particular property is not comparable with another project developed by the Group due to, among others, the distinctiveness of the type, location, scope of management services and class recognition of each particular property. It is confirmed by the Directors that the unit management fees payable to Shanghai Hopson are determined with reference to the market rates charged by independent third parties for providing similar property management services to similar properties in similar proximity in Shanghai. Having reviewed the unit management fees payable by the Group to Shanghai Hopson for the Relevant Years and compared such fees against the figures/information of the current market range as provided by the Company, we found that the estimated management fees for Continuing Connected Transaction 2 are consistent and in line with the prevailing market range charged by the independent third parties for transactions of a similar nature.

In view of the above, we concur with the Directors' view that the estimated unit management fees of the Continuing Connected Transaction 2 payable by the Group to Shanghai Hopson for the Relevant Years are determined with reference to the prevailing market range for transactions of a similar nature. We consider that the underlying basis for the terms of the Continuing Connected Transaction 2 will be on normal commercial terms and fair and reasonable so far as the interests of the Independent Shareholders and the Group as a whole are concerned.

Continuing Connected Transaction 3 – Design

During the next three years commencing on the date when the Framework Agreement becomes effective, the Group may, from time to time, appoint Hanjiang Group to carry out design works for certain property development projects of the Group and Hanjiang agrees to procure any member of the Hanjiang Group which is engaging in the business of property design, to carry out such design works for the Group in the 4 Major Areas and such other potential areas in the PRC as may be revised by the Group.

We have reviewed materials provided by the management of the Company including but not limited to (i) the Framework Agreement; (ii) information on the estimated unit design fees payable by the Group to Hanjiang Group for the Relevant Years; and (iii) the prevailing market rates charged by independent third parties for similar projects.

We are advised by the management of the Company that as the unit design fee can vary among different property developments of the Group due to, among other, different type of design, class of the property to be developed and the reputation of the design firm, a direct comparison on the unit design fee would not be feasible. It is confirmed by the Directors that the unit design fees among different projects for the Relevant Years are determined with reference to the market range for similar design projects in the 4 Major Areas and conform to the standards prescribed by 工程勘察設計收費標準 (Construction Inspection and Design Fees Standards). As advised by the management of the Company, these relevant standards published by the government authorities are generally applied in the PRC and have set out an indicative market range, computed after taking into consideration various market factors, for the information of practitioners in the property market. Having reviewed the estimated unit design fees payable by the Group to Hanjiang Group for the Relevant Years and compared such fees against the figures/information of the current market range charged by independent third parties for similar design projects as provided by the management of the Company, we found that the unit design fees for the Continuing Connected Transaction 3 are consistent and in line with the prevailing market range for transactions of a similar nature.

In view of the above, we concur with the Directors' view that the estimated unit design fees of the Continuing Connected Transaction 3 payable by the Group to Hanjiang Group for the Relevant Years are determined with reference to the prevailing market range for transactions of a similar nature. We consider that the underlying basis for the terms of the Continuing Connected Transaction 3 will be on normal commercial terms and fair and reasonable so far as the interests of the Independent Shareholders and the Group as a whole are concerned.

Continuing Connected Transaction 4 – Installation and Decoration

During the next three years commencing on the date when the Framework Agreement becomes effective, the Group may, from time to time, appoint Hanjiang Group to carry out installation and decoration works for certain property development projects of the Group in the PRC and Hanjiang agrees to procure any member of the Hanjiang Group which is engaging in the business of installation and decoration, to carry out such installation and decoration works for the Group in the 4 Major Areas and such other potential cities in the PRC as may be revised by the Group.

LETTER FROM FB GEMINI CAPITAL LIMITED

We have reviewed materials provided by the management of the Company including but not limited to (i) the Framework Agreement; (ii) information on the estimated unit installation and decoration fees payable by the Group to Hanjiang Group for the Relevant Years; and (iii) the estimated market rates calculated with reference to the indicative market price of construction materials set out in:

- (i) 二零零三廣東省裝飾裝修工程綜合定額(2003 Comprehensive Calculation of Decoration and Installation Works, Guangdong Province) for properties in Guangzhou;
- (ii) 二零零一北京市建設工程預算定額(2001 Base Price for Budgeting of Construction and Installation Works, Beijing Municipality) for properties in Beijing;
- (iii) 二零零四天津市裝飾裝修工程預算基價(2004 Base Price for Budgeting of Decoration and Installation Works, Tianjin Municipality) for properties in Tianjin; and
- (iv) 一九九三上海市建築裝飾工程預算定額(1993 Base Price for Budgeting of Construction and Decoration Works, Shanghai Municipality) for properties in Shanghai.

We are advised by the management of the Company that the unit installation and decoration fee can vary among different property developments of the Group due to, among other different type of design, type of decoration materials used, class of the property to be decorated and the reputation of the installation and decoration firm, therefore a direct comparison among different projects on the unit installation and decoration fee would not be feasible. It is confirmed by the Directors that the unit installation and decoration fees are determined with reference to the prevailing market rates for similar projects in the 4 Major Areas and conform to the standards prescribed by the corresponding government authorities aforementioned. We are informed by the management of the Company that these relevant standards published by the corresponding government authorities set out an indicative price range, after taking into consideration various market factors, for the information of practitioners in the property market. Having reviewed the unit installation and decoration fees for the Relevant Years as provided by the Company and compared such fees against the figures/information of the current market range for transactions of a similar nature and the stipulated standard prescribed by the corresponding government authorities, we found that the basis of unit installation and decoration fees for the Continuing Connected Transaction 4 are consistent and in line with the prevailing market range for transactions of a similar nature.

In view of the above, we concur with the Directors' view that the estimated unit installation and decoration fees of the Continuing Connected Transaction 4 payable by the Group to Hanjiang Group for the Relevant Years are determined with reference to the prevailing market range for transactions of a similar nature. We consider that the underlying basis for the terms of the Continuing Connected Transaction 4 will be on normal commercial terms and fair and reasonable so far as the interests of the Independent Shareholders and the Group as a whole are concerned.

Continuing Connected Transaction 5 – Intelligent-building Design and Installation

During the next three years commencing on the date when the Framework Agreement becomes effective, the Group may, from time to time, appoint Hanjiang Group to carry out intelligent-building design and installation works for certain property development projects of the Group and Hanjiang agrees to procure any member of the Hanjiang Group which is engaging in the business of intelligent-building design and installation, to carry out such intelligent-building design and installation works for the Group in the 4 Major Areas and such other potential areas in the PRC as may be revised by the Group. Generally, the intelligent-building design and installation works comprises tasks of planning, design, structuring and installation of cabling system, switches, telecom network system, lighting and card readers and building sensors systems.

We have reviewed materials provided by the management of the Company including but not limited to (i) the Framework Agreement; (ii) information on the estimated unit intelligent-building design and installation fees payable by the Group to Hanjiang Group for the Relevant Years; and (iii) the prevailing market rates charged by independent third parties for similar projects.

We are advised by the management of the Company that the unit intelligent-building design and installation fee can vary among different project developments of the Group due to, among other, different type of design, type of construction materials used, class of the property and the reputation of the intelligent-building design and installation firm, therefore a direct comparison on the unit intelligent-building and installation fees among different design projects would not be feasible. It is confirmed by the Directors that the unit intelligent-building and installation fees among different property developments in the 4 Major Areas are determined with reference to the market rate charged by independent third parties for similar projects. Having reviewed the unit intelligent-building design and installation fees for the Relevant Years as provided by the Company and compared such fees against the figures/information of the current market range for similar projects, we found that the unit intelligent-building design and installation fees for the Continuing Connected Transaction 5 are consistent and in line with the prevailing market range charged by independent third parties for transactions of a similar nature.

LETTER FROM FB GEMINI CAPITAL LIMITED

In view of the above, we concur with the Directors' view that the estimated unit intelligent-building design and installation fees of the Continuing Connected Transaction 5 payable by the Group to Hanjiang Group for the Relevant Years are determined with reference to the prevailing market rate for transactions of a similar nature. We consider that the underlying basis for the terms of the Continuing Connected Transaction 5 will be on normal commercial terms and fair and reasonable so far as the interests of the Independent Shareholders and the Group as a whole are concerned.

Continuing Connected Transaction 6 – Office Lease

During the next three years commencing on the date when the Framework Agreement becomes effective, Hanjiang Group agrees to lease certain premises in Guangzhou in an aggregate size of approximately 5,200 sq.m. to the Group for use as office.

We have reviewed materials provided by the management of the Company including but not limited to (i) the Framework Agreement; (ii) information on the rents payable by the Group to Hanjiang Group for the relevant premises for the Relevant Years; (iii) the rental agreements entering into between the Company and Hanjiang Group; and (iv) a rental schedule charged by independent third parties for similar premises in similar proximity in Guangzhou.

Pursuant to the rental agreements to be entering into between the Group and Hanjiang Group, the Group agrees to lease from Hanjiang Group an office space situated at Zhujiang Investment Building, 421 Zhujiang East Road, Zhujiang New City, Guangzhou with a total lettable area of approximately 5,200 sq.m. for a term of 3 years effective from the date of passing the relevant resolution of the Company at the SGM. After reviewing the rental agreements, we note that there is no option in the rental agreements to renew the office lease in Continuing Connected Transaction 6 upon expiration of the relevant terms. We are advised by the Company that such arrangements would give the Company the flexibility to move its office to other premises in a more appropriate location and rental charges as the Company may think fit after reviewing the then current market condition.

Having reviewed the rents payable by the Group to Hanjiang Group for the Relevant Years and compared such rents against the figures/information of the current market range for transactions of a similar nature, we found that the rents payable by the Group for the Continuing Connected Transaction 6 are consistent and in line with the market range charged by independent third parties for transactions of a similar nature.

In view of the above, we concur with the Directors' view that the rents of the Continuing Connected Transaction 6 payable by the Group to Hanjiang Group for the Relevant Years are determined with reference to the prevailing market range for similar properties in the vicinity. We consider that the underlying basis for the terms of the Continuing Connected Transaction 6 will be on normal commercial terms and fair and reasonable so far as the interests of the Independent Shareholders and the Group as a whole are concerned.

Continuing Connected Transaction 7 – Shop Lease

During the next three years commencing on the date when the Framework Agreement becomes effective, the Group agrees to lease certain premises in Guangzhou in an aggregate size of approximately 6,200 sq.m. to Hanjiang Group for use as shops.

We have reviewed materials provided by the management of the Company including but not limited to (i) the Framework Agreement; (ii) information on the estimated rents receivable by the Group for the relevant premises for the Relevant Years; (iii) a rental schedule charged by the Group to independent third parties for similar premises in the same development project; and (iv) the rental agreements entering into between the Company and Hanjiang Group.

Pursuant to the rental agreements to be entering into between the Group and Hanjiang Group, the Group agrees to lease to Hanjiang Group three shop premises situated at 105, Zhongshan Avenue, Tianhe District, Guangzhou with a total lettable area of approximately 6,200 sq.m. for a term of 3 years effective from the date of passing the relevant resolution of the Company at the SGM. After reviewing the rental agreements, we note that there is no option in the rental agreements to renew the shop leases in Continuing Connected Transaction 7 upon expiration of the relevant terms. We are advised by the Company that such arrangements would give the Company the flexibility to lease its premises to other appropriate tenants as the Company may think fit after reviewing the then current market condition.

Having reviewed the rents receivable by the Group from Hanjiang Group for the Relevant Years and compared such rents against the figures/information for transactions involving similar premises in the same development project, we found that the rents receivable by the Group for the Continuing Connected Transaction 7 are consistent and in line with the market range for transactions of a similar nature.

In view of the above, we concur with the Directors' view that the estimated rents receivable by the Group of Hanjiang Group under the Continuing Connected Transaction 7 are determined with reference to the prevailing market range charged by the Group to independent third parties for similar premises in the same development project. We consider that the underlying basis for the terms of the Continuing Connected Transaction 7 will be on normal commercial terms and fair and reasonable so far as the interests of the Independent Shareholders and the Group as a whole are concerned.

Continuing Connected Transaction 8 – Vacant Property Management

During the next three years commencing on the date when the Framework Agreement becomes effective, Hanjiang Group agrees to appoint the Group to manage certain vacant properties of Hanjiang Group in Guangzhou.

We have reviewed materials provided by the management of the Company, including but not limited to, (i) the Framework Agreement; (ii) information on the estimated management fees receivable by the Group from Hanjiang Group for the Relevant Years; and (iii) the prevailing market rates charged by independent third parties for providing management services in similar location, the location of vacant property and the scope of management services required.

We are advised by the management of the Company that as the unit management fee for each particular property is distinctive and is not comparable with another project development of the Group due to different types of property, scope of management services, locations and class recognition. The Directors consider that the unit management fees receivable by the Company are determined with reference to the market rate charged by independent third parties for providing similar property management services to similar properties in similar locations in Guangzhou. Having reviewed the unit management fees receivable by the Group for the Relevant Years and compared such fees against the figures/information of the current market range charged by independent third parties for transactions of a similar nature as provided by the Company, we found the unit management fees receivable by the Group for the Continuing Connected Transaction 8 are consistent and in line with the market range charged by independent third parties for transaction of a similar nature. We consider that the underlying basis for the terms of the Continuing Connected Transaction 8 will be on normal commercial terms and fair and reasonable so far as the interests of the Independent Shareholders and the Group as a whole are concerned.

In view of the above, we concur with the view of the Directors that the terms of the Continuing Connected Transactions are on normal commercial terms and fair and reasonable so far as the interests of the Independent Shareholders and the Group as a whole are concerned.

3. Historical Figures of the Continuing Connected Transactions

The Group had carried out Continuing Connected Transaction 1 and Continuing Connected Transaction 2 in accordance with the Waiver during the last three and two financial years ended 31 December 2005 respectively. The Group, however, had not carried out any continuing connected transactions on similar basis as the Continuing Connected Transactions 3 to 8 in the last three financial years ended 31 December 2005.

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Set out below are details of the Annual Caps granted under the Waiver in respect of each of the Continuing Connected Transaction 1 and the Continuing Connected Transaction 2 for the three financial years ended 31 December 2005 and their respective historical figures during the same period.

Transaction	Year ended 31 December 2003		Year ended 31 December 2004		Year ended 31 December 2005	
	Approx. Amount (RMB'000)		Approx. Amount (RMB'000)		Approx. Amount (RMB'000)	
	2003		2004		2005	
	Annual Caps	Historical Figures	Annual Caps	Historical Figures	Annual Caps	Historical Figures
1. Continuing Connected Transaction 1						
– Construction (Note 1)						
Hanjiang Transaction	1,843,000 (Note 2)	882,000	2,178,000 (Note 2)	1,298,000	1,772,000 (Note 2)	1,696,800
GZ Construction Transaction	2,206,000 (Note 3)	1,250,000	2,529,000 (Note 3)	792,000	2,581,000 (Note 3)	1,549,800
2. Continuing Connected Transaction 2						
– Property Management	N/A	N/A	770 (Note 4)	116	2,210 (Note 4)	100

Notes:

- The Continuing Connected Transaction 1 was covered by the Waiver in respect of two separate on-going transactions, namely the on-going connected transaction between the Group and Hanjiang (“**Hanjiang Transaction**”) and the on-going connected transaction between the Group and GZ Construction (“**GZ Construction**”).
- Or 30% of the Group’s total turnover for the relevant financial year, whichever is higher.
- Or 40% of the Group’s total turnover for the relevant financial year, whichever is higher.
- Or 0.2% of the Group’s total turnover for the relevant financial year, whichever is higher.

4. Proposed Annual Caps for the three years ending 31 December 2008

Pursuant to the Listing Rules, the Continuing Connection Transactions and the aggregate of their respective Annual Caps for the Relevant Years would require full disclosure and approval by the Independent Shareholders at the SGM. Details of the proposed Annual Caps for each of the respective Continuing Connected Transactions for the Relevant Years are set out below:

Continuing Connected Transaction 1 – Construction

Terms of the Continuing Connected Transaction 1	2006 Annual Cap Approx. Amount (RMB'000)	2007 Annual Cap Approx. Amount (RMB'000)	2008 Annual Cap Approx. Amount (RMB'000)
	2,550,000	3,092,000	3,246,000

Basis of determination of the maximum cap limit:

It is the intention of the Group to explore development opportunities in other cities or areas in the PRC with great potential. Nevertheless, the Group at present has not identified any city or area which it has any concrete plan to invest in. Given that, for determining the Annual Caps of the Continuing Connected Transaction 1 under the Framework Agreement, only the aggregate gross floor areas of the property development projects to be developed by the Group in the 4 Major Areas are used as a base for such computation.

As advised by the Directors, the proposed Annual Caps for the Relevant Years are products of (i) the estimated unit construction fees payable by the Company to Hanjiang and GZ Construction in the current property development projects of the Group which are all located in the 4 Major Areas for the Relevant Years; and (ii) the Directors' estimation of the aggregate gross floor areas in the property development projects to be developed by the Group in the 4 Major Areas during the same period.

In arriving at the Annual Caps as set out above, the Directors have also taken into account the following factors:

- (i) the proposed fixed unit construction fees for the property development projects developed by the Group for the Relevant Years;
- (ii) the projection of the aggregate gross floor areas to be completed by the Group for the Relevant Years based on the growing potential in the PRC's economy, the market trends in the property market and the market conditions in the 4 Major Areas; and
- (iii) the historical figures of the Continuing Connected Transaction 1 during each of the three financial years ended 31 December 2005;

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We note that it is the Group's intention to transfer the risk derived from the prices fluctuation of construction materials in recent years to its contractors. Given that the terms will be fixed for 3 years under the Framework Agreement, we believe the risks of the price fluctuation on the construction materials would be effectively shifted to Hanjiang and GZ Construction for the Relevant Years.

Based on our discussion with the management of the Company, we understand that the Group intends to increase the number of property development projects to be developed by the Group for the Relevant Years than in the last three financial years with reference to the Directors' anticipation of the growing demands for quality housing in the 4 Major Areas despite the austerity measures launched by the PRC government recently. Such view of the Directors is evidenced by the land bank replenishment carried out by the Group during 2005 as disclosed in the Company's results announcement for the year ended 31 December 2005 published on 13 April 2006. We have been provided and reviewed a forecast schedule of the gross floor areas to be developed by the Group in the 4 Major Areas for the Relevant Years and have been advised by the management of the Company that the actual sales and marketing schedule and construction schedule have been progressed in line with the forecast schedule for the 1st quarter of 2006. We consider that the forecast gross floor areas to be developed by the Group, based on which the Annual Caps of Continuing Connected Transaction 1 are determined, are consistent with the Group' growth trend for the Relevant Years.

The Directors have also taken into account of the historical figures of Continuing Connected Transaction 1 during each of the three financial years ended 31 December 2005. As Hanjiang and GZ Construction have been providing construction services to the Company since 2003 and a close and good working relationship have been built up between the Group and these companies, the Directors believe that the continuance of their appointment is in the best interest of the Company and its shareholders as a whole.

Based on the above and in particular that (i) the pricing basis of the unit construction fees for the Relevant Years, based on which the Annual Caps are determined, is consistent and in line with the prevailing market price range for transactions of a similar nature as described in the paragraph headed "Principal terms of the Continuing Connected Transactions contemplated under the Framework Agreement" above; (ii) the expected volume of construction services required by the Group are consistent with the Group growth trend for the Relevant Years; and (iii) the benefits gained from the continuance of the appointment to Hanjiang and GZ Construction, we concur with the Directors' view that the underlying bases for the Annual Caps for the Relevant Years are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

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Continuing Connected Transaction 2 – Property Management

Terms of	2006	2007	2008
Continuing	Annual Cap	Annual Cap	Annual Cap
Connected Transaction 2	Approx. Amount	Approx. Amount	Approx. Amount
	(RMB'000)	(RMB'000)	(RMB'000)
	1,040	2,830	2,690

Basis of determination of the maximum cap limit

As advised by the Directors, the proposed Annual Caps for the Relevant Years are products of (i) the estimated unit management fees payable by the Company to Shanghai Hopson for the Relevant Years and; (ii) the Directors' estimation of the aggregate gross floor areas of certain properties developed and to be developed by the Group but would be unsold under the Directors' estimation for Shanghai for the Relevant Years.

In arriving at the Annual Caps as set out above, the Directors have taken into account the following factors:

- (i) the projection of the gross floor areas to be completed by the Group and the possible average unsold areas outstanding for the Relevant Years based on the growing potential in the PRC's economy and the market trends in the property market in the 4 Major Areas in the PRC; and
- (ii) the historical figures of the Continuing Connected Transaction 2 during each of the two financial years ended 31 December 2005.

We have been provided and reviewed a forecast schedule of possible unsold gross floor areas of certain property development projects in Shanghai estimated by the Directors. As advised by the management of the Company, such estimation is determined by the Directors after taking into account a combination of factors including the property market trend, market condition in Shanghai and the current sales and marketing schedule and construction schedule in the same area. We consider that the Directors' estimate of possible unsold areas are in line with their anticipation of the consolidating Shanghai property market as disclosed in the section headed "Business Review" of the Company's results announcement for the year ended 31 December 2005 published on 13 April 2006.

As advised by the Directors, the historical figures of Continuing Connected Transaction 2 for the last two financial years ended 31 December 2005 refer to the annual management fees payable by the Group to Shanghai Hopson for the management services provided in respect of one of the property developments in Shanghai. The Directors expect that the management services required from Shanghai Hopson for the Relevant Years will cover up to 4 properties in Shanghai. In view of the expected increase in the number of properties that requires the management services from Shanghai Hopson, we are of the view that the Annual Caps proposed for the Relevant Years represent a reasonable increment from the historical figures as compared to the last two financial years ended 31 December 2005.

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We also note that there would be a significant increase in the cap limit from RMB1.04 million in 2006 to RMB2.83 million in 2007. Such increase would be mainly attributable to the addition of the aggregate gross floor areas of 2 more property development projects to be developed by the Group but would be unsold under the Directors' estimation for these projects for Shanghai during 2007. We also note that there would be a drop of the cap limit from RMB2.83 million in 2007 to RMB2.69 million in 2008. As advised by the management of the Company, the drop from 2007 to 2008 would be mainly contributed by the decrease of the early-stage property management fees in 2008 (being part of the estimated management fees payable by the Group to Shanghai Hopson). Given the fact that a large amount of the early-stage property management fee would have been paid by the Group in advance in 2007, the total property management fees payable by the Group to Shanghai Hopson would decrease in 2008 accordingly.

Based on the above and in particular that (i) the pricing basis of the unit management fees for the Relevant Years, based on which the Annual Caps are determined, is consistent and in line with the prevailing market price range charged by independent third parties for providing similar property management services to similar properties in similar proximity in Shanghai as described in the paragraph headed "Principal terms of the Continuing Connected Transactions contemplated under the Framework Agreement" above; and (ii) the expected increase in the number of properties that requires the management services from Shanghai Hopson are consistent with the Directors' anticipation for the consolidating Shanghai property market in the Relevant Years, we concur with the Directors' view that the underlying bases for the Annual Caps for the Relevant Years are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

Continuing Connected Transaction 3 – Design

Terms of	2006	2007	2008
Continuing	Annual Cap	Annual Cap	Annual Cap
Connected Transactions 3	Approx. Amount	Approx. Amount	Approx. Amount
	(RMB'000)	(RMB'000)	(RMB'000)
	35,000	37,000	35,000

Basis of determination of the maximum cap limit

As advised by the Directors, the proposal Annual Caps for the Relevant Years are products of (i) the estimated unit design fees payable by the Company to Hanjiang Group for the Relevant Years and, (ii) the Directors' estimation of the aggregate gross floor areas of design works in respect of the property projects to be completed by the Group in the 4 Major Areas for the Relevant Years.

We are advised by the management of the Company that as the Group has already built up a close and good working relationship with Hanjiang for over 3 years. The Directors believe that the appointment of Hanjiang Group to carry out the design works as required by the Group can further enhance the overall operating efficiency and effectiveness of the Group as a whole.

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We have been provided and reviewed a forecast schedule of the design works to be completed by the Group for its property developments based on the Directors' view derived from the growing potential in the PRC's economy, the market trends in the property market in the 4 Major Areas, the sales and marketing schedule and the construction schedule. We consider that the forecast design works required by the Group based on which the Annual Caps of Continuing Connected Transaction 3 are determined are consistent with the Group's growth trend for the Relevant Years.

Based on the above and in particular that (i) the pricing basis of the unit design fees for the Relevant Years, based on which the Annual Caps are determined, is consistent and in line with the prevailing market range charged by independent third parties for transactions of a similar nature as described in the paragraph headed "Principal terms of the Continuing Connected Transactions contemplated under the Framework Agreement" above; and (ii) the expected volume of design works are consistent with the Group's growth trend for the Relevant Years, we concur with the Directors' view that the underlying bases for the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Continuing Connected Transaction 4 – Installation and Decoration

	2006	2007	2008
Terms of	Annual Cap	Annual Cap	Annual Cap
Continuing	Approx.	Approx.	Approx.
Connected Transaction 4	Amount	Amount	Amount
	(RMB'000)	(RMB'000)	(RMB'000)
	29,000	65,000	84,000

Basis of determination of the maximum cap limit

As advised by the Directors, the proposed Annual Caps for the Relevant Years are products of (i) the estimated unit installation and decoration fees payable by the Company to Hanjiang Group for the Relevant Years; and (ii) the Directors' estimated aggregate gross floor areas of installation and decoration works in respect of the property development projects to be completed by the Group in the 4 Major Areas for the Relevant Years.

As the Group has already built up a close and good working relationship with Hanjiang over 3 years, the Directors believe that the appointment of Hanjiang Group to carry out the installation and decoration works can enhance the overall operating efficiency and effectiveness of the Group as a whole.

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We have been provided and reviewed a forecast schedule of the aggregate gross floor area of installation and decoration works to be completed by the Group for its property development projects based on the Directors' view derived from the growing potential in the PRC's economy, the market trends in the property market in the 4 Major Areas, the sales and marketing schedule and the construction schedule. We consider that the forecast of the aggregate gross floor areas of installation and decoration works required by the Group, based on which the Annual Caps of Continuing Connected Transaction 4 are determined are consistent with the Group's growth trend for the Relevant Years.

Based on the above and in particular that (i) the pricing basis of the unit installation and decoration fees for the Relevant Years, based on which the Annual Caps are determined, is consistent and in line with the prevailing market range for transactions of a similar nature as described in the paragraph headed "Principal terms of the Continuing Connected Transactions contemplated under the Framework Agreement" above; and (ii) the expected volume of installation and decoration works are consistent with the Group's growth trend for the Relevant Years, we concur with the Directors' view that the underlying bases for the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

In arriving at the proposed Annual Caps as set out above, the Directors consider that there is a change from RMB29 million in 2006 to RMB65 million in 2007, representing an increase of approximately 124.14%. Such increase would be mainly attributable to the addition of property development projects to be developed by the Group in the 4 Major Areas and the addition of the estimated aggregate gross floor areas of installation and decoration works to be completed by the Group during the same period. A summary of this information is set out as follows:

4 Major Areas	Additional projects	% of additional aggregate gross floor area in 2007 as compared to 2006
Guangdong Province	3	87.96%
Beijing	1	110.71%
Tianjin	1	150%
Shanghai	5	N/A (note)

Note:

As advised by the Directors that the Group would not anticipate any property development projects which might require installation and decoration works in Shanghai in 2006, no basis can be used to calculate the % figure. We also note that the addition of 5 property projects in Shanghai in 2007 would contribute to approximately 7,000 sq.m. gross floor area which will require installation and decoration works by the Group from Hanjiang Group.

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The Directors also consider that the significant increase in the Annual Caps for the financial years of 2007 and 2008 would be mainly attributable to the expected increase in the estimated aggregate gross floor areas of installation and decoration works to be completed during these two years as several new installation and decoration projects or new phases of existing projects of the Group will commence in 2007 and 2008.

Continuing Connected Transaction 5 – Intelligent-building design and installation

Terms of	2006	2007	2008
Continuing	Annual Cap	Annual Cap	Annual Cap
Connected Transaction 5	Approx. Amount	Approx. Amount	Approx. Amount
	(RMB' 000)	(RMB' 000)	(RMB' 000)
	63,000	65,000	49,000

Basis of determination of the maximum cap limit

As advised by the Directors, the proposed Annual Caps for the Relevant Years are products of (i) the estimated unit intelligent-building design and installation fees payable to Hanjiang Group for the Relevant Years and (ii) the Directors' estimated aggregate gross floor areas of installation and decoration works in respect of the property development projects to be completed by the Group in the 4 Major Areas during the same period.

As advised by the management of the Company that as the Group has already built up a close and good working relationship with Hanjiang over 3 years, the Directors believe that the appointment of Hanjiang Group can enhance the overall operating efficiency and effectiveness of the Group as a whole.

We have been provided and reviewed a forecast schedule of the aggregate gross floor area of intelligent-building design and installation works required by the Group for its property development projects to be completed by the Group based on the Directors' view derived from the growing potential in the PRC's economy, the market trends in the property market in the 4 Major Areas and the sales and marketing schedule and the construction schedule. We consider that the forecast intelligent-building design and installation works required by the Group, based on which the Annual Caps of Continuing Connected Transaction 5 are determined, are consistent with the Group' growth trend for the Relevant Years.

In arriving at the proposed Annual Caps as set out above, the Directors also consider that there would be a drop of the Annual Caps from RMB65 million in 2007 to RMB49 million in 2008, representing a drop of 24.62%. Such drop would be mainly attributable to a combination of factors including:

- (i) completion of two projects in Guangdong Province in 2008, pursuant to which the gross floor areas which require intelligent-building services drop 13.55% as compared to previous year;

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- (ii) certain projects of intelligent-building design and installation works carried out in Tianjin and Shanghai during 2008 would have already been fully paid by the Group to Hanjiang Group in 2007 in advance. As such the aggregate intelligent-building design and installation fees payable by the Group in Tianjin and Shanghai would drop by 33.56% in 2008 as compared to 2007.

Based on the above and in particular that (i) the pricing basis of the unit intelligent-building design and installation fees for the Relevant Years, based on which the Annual Caps are determined, is consistent and in line with the prevailing market range charged by independent third parties for transactions of a similar nature as described in the paragraph headed “Principal terms of the Continuing Connected Transactions contemplated under the Framework Agreement” above; and (ii) the expected volume of intelligent-building design and installation works are consistent with the Group’s growth trend for the Relevant Years, we concur with the Directors’ view that the underlying bases for the Annual Caps for the Relevant Years are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

Continuing Connected Transaction 6 – Office Lease

Terms of Continuing Connected Transactions 6	2006 Annual Cap Approx. Amount (RMB’000)	2007 Annual Cap Approx. Amount (RMB’000)	2008 Annual Cap Approx. Amount (RMB’000)
	6,500	6,700	7,300

Basis of determination of the maximum cap limit

As advised by the Directors, the proposed Annual Caps are products of (i) the rental fees payable by the Group to Hanjiang Group for the relevant premises for the Relevant Years and (ii) the aggregate size of the relevant premises to be leased to the Group in Guangzhou with a size of approximately 5,200 sq.m. pursuant to the proposed lease arrangement as agreed between the Group and Hanjiang Group.

We have been provided and reviewed a schedule of the estimated monthly rents for the premises in Guangzhou which Hanjiang Group agrees to lease to the Group for use as office. We were also provided with a rental schedule charged by independent third parties for similar premises in similar proximity in Guangzhou. Having reviewed the monthly rents payable by the Group for the Relevant Years and compared such rents against the figures/information of the current market rent for similar premises, we found that the pricing basis used by the Directors for determining the Annual Caps is consistent and in line with the current market range.

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Given that the rents charged by Hanjiang Group based on which the Annual Caps are determined are in line with the market range for similar premises in similar locations, we concur with Directors' view that the underlying bases for the Annual Caps for the Relevant Years are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

Continuing Connected Transaction 7 – Shop Lease

Terms of	2006	2007	2008
Continuing	Annual Cap	Annual Cap	Annual Cap
Connected Transactions 7	Approx. Amount	Approx. Amount	Approx. Amount
	(RMB'000)	(RMB'000)	(RMB'000)
	2,800	3,300	3,300

Basis of determination of the maximum cap limit

As advised by the Directors, the proposed Annual Caps are the products of (i) the estimated rents receivable by the Group for the relevant premises for the Relevant Years and (ii) the aggregate size of the relevant premises to be leased by the Group to Hanjiang Group in Guangzhou with a size of approximately 6,200 sq.m. pursuant to the proposed lease arrangements as agreed between the Group and Hanjiang Group.

We have been provided and reviewed a schedule of the estimated monthly rents receivable by the Group for the premises in Guangzhou which the Group agrees to lease to Hanjiang Group for use as shops. We were also provided with a rental schedule charged by the Group to independent third parties for similar premises in the same property development projects. Having reviewed the monthly rents receivable for the Relevant Years and compared such rents against the figures for the rents receivable charged by the Group to independent third parties for similar premises, we found that the rents receivable by the Group from Hanjiang Group are not less favourable than the rents charged to independent third parties.

Given that the rents receivable by the Group for the Relevant Years based on which the Annual Caps are determined are in line with the market range for similar premises in similar locations, we concur with the Directors' view that the underlying bases for the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Continuing Connected Transaction 8 – Vacant Property Management

Terms of	2006	2007	2008
Continuing	Annual Cap	Annual Cap	Annual Cap
Connected Transactions 8	Approx. Amount	Approx. Amount	Approx. Amount
	(RMB'000)	(RMB'000)	(RMB'000)
	5,000	5,000	5,000

Basis of determination of the maximum cap limit

As advised by the Directors, the proposed Annual Caps are the products of (i) the estimated unit management fees receivable by the Group for the Relevant Years; (ii) the estimated aggregate size, types and locations of the vacant properties of Hanjiang Group based on the current vacancy rate of Hanjiang's Group properties.

We are advised by the management of the Company that the unit management fee for each particular property is distinctive and cannot be compared with other project development of the Group due to types of property, locations and class recognition. It is confirmed by the Directors that the unit management fees receivable by the Company for the Relevant Years, based on which the Annual Caps are determined are with reference to the market rate charged by independent third parties for providing similar property management services in similar locations, the location of the vacant properties and the scope of management services. Having reviewed the unit management fees for the Relevant Years and compared such fees against the figures/information of the current market range for transactions of a similar nature as provided by the Company, we consider that the unit management fees for the Annual Caps are consistent and in line with the market range.

Given that the management fees receivable by the Group for the Relevant Years based on which the Annual Caps are determined are in line with the market range for transactions of a similar nature and conform to the standards prescribed by 物業服務管理辦法之發改價格(2003)1864號(Management Regulations on the Change of the Property Servicing Fees (2003) No.1864), we consider that the underlying bases for the Annual Caps for the Relevant Years are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Having considered the basis of determination for the Annual Caps of each of the Continuing Connected Transactions for the Relevant Years, we concur with the Directors' view that the Annual Caps of the Continuing Connected Transactions for the Relevant Years will provide sufficient operating flexibility to the Group. As such, we are of the view that the basis of determination for the Annual Caps for the Relevant Years is fair and reasonable so far as the Independent Shareholders are concerned.

5. Reasons for the Continuing Connected Transactions

Both Hanjiang and GZ Construction, which are engaged principally in the business of property construction in the PRC, are classified as 房屋建築工程施工總承包壹級 (Property Construction First Class Contractors) by the relevant government authority in the PRC. Both companies have proven track record and possess technical capabilities and expertise in handling medium to large-scale construction projects. As Hanjiang and GZ Construction have been providing certain construction services to the Group since 2003, the Group has already built up a close and good working relationship with these companies since then.

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We understand that it is the Group's focus to develop a high quality of medium to large-scale residential complex in the 4 Major Areas and other potential areas in the PRC to capitalize on the recent growth and market prospects of the property market in the PRC. In view of the nature of the existing business of the Group, we believe that the appointment of Hanjiang and GZ Construction may enable the Group to leverage on their technical expertise to facilitate the Group's principal business. In addition, the Group, Hanjiang and GZ Construction had commenced their business relationship since 2003 when the Continuing Connected Transaction 1 took place. During the course, as advised by the management of the Company, Hanjiang and GZ Construction had satisfactorily completed the development of the Group's property development projects on time according to the construction schedule and no major dispute on the quality of work had ever occurred. Given the prolonged cooperation and close relationship developed among them, the continual appointment of Hanjiang and GZ Construction would enable the Group to have a better position and flexibility in negotiating for the Group's unique specification, completion time schedule, quality of work done and cost incurred in its property development projects in comparison with other independent contractors. We concur with the Directors' view that the continuance of the Continuing Connected Transaction 1 is in the best interest of the Company and its shareholders as a whole.

Shanghai Hopson is engaged in the business of property management in the PRC. Shanghai Hopson has proven track record and possess relevant experience and technical expertise in managing quality property projects in the PRC. The Continuing Connected Transaction 2 has taken place since 2005. During the course, as advised by the management of the Company, Shanghai Hopson has shown ability in managing the Group's unsold premises in Shanghai which enhanced efficiency of the operations of the Group as a whole. Given the prolonged cooperation and close relationship developed between the Group and Shanghai Hopson, the continuance of Continuing Connected Transaction 2 would enable the Group to have a better control on the cost and quality of management services so as to maintain a high level of after sales services to the buyers of the properties developed by the Group. We concur with the Directors' view that the continuance appointment of a top-quality management company such as Shanghai Hopson is of paramount importance in the management of its large-scale and quality property projects and the continuance of the Continuing Connected Transaction 2 is in the best interest of the Company and its shareholders as a whole.

Certain members of the Hanjiang Group are also respectively engaged in the businesses of building design, installation and decoration works or intelligent-building design and installation works (as the case may be) for property developments in the PRC. Each of such members of Hanjiang Group has proven track records in its area of expertise and possesses technical capabilities and expertise in carrying out medium to large scale property design projects, installation and decoration projects and intelligent-building design and installation projects (as the case may be) in the PRC. We understand that the Group is of the view that the appointment of companies with proven track records is of paramount importance in terms of quality control of its projects. As the Continuing Connected Transactions 3 to 5 are entered into in the ordinary and usual course of business of the Group upon normal commercial terms and, the Group has already developed a close long-term working relationship with Hanjiang Group, the appointment of Hanjiang Group to carry out Continuing

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Connected Transactions 3 to 5 can further reinforce the Group's position and flexibility in negotiating for its unique specification, completion time schedule, quality of work and cost incurred in its property development projects for design services, installation and decoration services and intelligent-building design and installation services in comparison with other independent contractors. We concur with the Directors' view that the implementation of Continuing Connected Transactions 3 to 5 is in the best interest of the Company and its shareholders as a whole.

Based on the facts that (i) a good and reliable long-term working relationship has been developed between the Group and Hanjiang Group, (ii) the design services, installation and decoration services and intelligent-building design and installation services provided by the Hanjiang Group are well recognized by the industry; and (iii) the enhancement of the Group's overall operations in terms of efficiency and effectiveness upon the appointment of Hanjiang Group, we concur with the Directors view that the Continuing Connected Transactions 6 to 8, which are entered into in the ordinary and usual course of the respective businesses of the Group and Hanjiang Group upon normal commercial terms, are in the best interest of the Company and its shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the opinion that the terms of each of the Continuing Connected Transactions and the proposed Annual Caps for the Relevant Years are fair and reasonable in so far as the interests of the Independent Shareholders are concerned and we concur with the Directors' view that the Continuing Connected Transactions are being entered into on normal commercial terms and in the ordinary and usual course of business of the Group. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Continuing Connected Transactions and the proposed Annual Caps for the Relevant Years.

(II) GRANT OF NEW GENERAL MANDATE

Introduction

We also refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the grant of the New General Mandate to the Directors to allot, issue and deal with additional Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the requisite resolution at the SGM, details of which are set out in the "Letter from the Chairman" in the Circular of which this letter forms part.

LETTER FROM FB GEMINI CAPITAL LIMITED

As at the Latest Practicable Date, Mr. Chu through Sounda is the controlling shareholder and is interested in 637,500,000 Shares, representing approximately 52.27 % of the existing issued share capital of the Company. In accordance with the Listing Rules, the grant of the New General Mandate requires the approval of the Independent Shareholders. Voting of the Independent Shareholders at the SGM shall be taken by poll according to the Listing Rules.

The Independent Board Committee, comprising Mr. Yuen Pak Yiu, Philip, Mr. Lee Tsung Hei, David and Mr. Wong Shing Kay, Oliver, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the grant of the New General Mandate are fair and reasonable so far as the Independent Shareholders are concerned and whether the grant of the New General Mandate is in the interests of the Company and the Independent Shareholders as a whole.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the grant of the New General Mandate, we have considered the principal factors and reasons set out below:

1. Background

The Current General Mandate granted to the Directors to allot, issue and deal with a maximum of 200,600,000 new Shares pursuant to the resolution passed at the annual general meeting of the Company (“AGM”) held on 6 June 2005 (“2005 AGM”), being 20% of the total amount of issued share capital of the Company as at the date of the 2005 AGM, has been fully utilized by the Company by issuing 200,600,000 new Shares as detailed in the announcement of the Company dated 10 August 2005. The Board would like to propose a resolution at the SGM to grant the New General Mandate to the Directors to exercise the power of the Company to allot, issue and deal with Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company at the date of the SGM.

LETTER FROM FB GEMINI CAPITAL LIMITED

2. History of usage of general mandate since the 2005 AGM

The following table summarises the information relating to the Company's history of usage of general mandate granted since the 2005 AGM:

Date of general mandate granted in relation to the fund raising activity	Date of announcement	Event	Date of completion	Intended use of net proceeds	Actual use of net proceeds as at the Latest Practicable Date
6 June 2005	10 August 2005	Issue of 200,600,000 new Shares at HK\$4.875	24 August 2005	The net proceeds in a sum of approximately HK\$957 million will be used for repayment of a portion of the Company's existing debt, general working capital and expansion of the PRC property business	Acquisition of new land sites and general working capital purpose

The price of HK\$4.875 per Share of the subscription of new Shares pursuant to the announcement of the Company dated 10 August 2005 represented:

- (i) a discount of approximately 6.25% to the closing price of HK\$5.20 per Share as quoted on the Stock Exchange on 8 August 2005, being the last trading day before the date of the Company entered into the subscription agreement;
- (ii) a premium of approximately 9.18% to the average closing price of approximately HK\$4.465 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 8 August 2005, being the last trading day before the date of the subscription agreement; and
- (iii) a premium of approximately 50.28% when compared with the net asset value per Share of HK\$3.244 as at 31 December 2004, the date of the latest published audited financial statements of the Company available at the date of the subscription agreement (based on the 2004 annual report of the Company).

The subscription price was arrived at after arm's length negotiations between the Company and the subscribers. We concurred with the Directors that the subscription price was fair and reasonable so far as the then Independent Shareholders as a whole were concerned. The actual use of net proceeds from the said subscription is in line with the intended use of net proceeds and we considered that such use of net proceeds by the Company was fair and reasonable so far as the Independent Shareholders as a whole were concerned.

The cash and bank balance of the Group was approximately HK\$458.10 million as at 30 June 2005 and approximately HK\$2,353.28 million as at 31 December 2005 according to the latest interim report and annual report of the Group respectively. Net proceeds from the subscription of new Shares pursuant to subscription agreement dated 9 August 2005 were approximately HK\$957.4 million. Taking into account the net proceeds from the subscription of new Shares mentioned above, the Directors believe that the Group has sufficient cash resources to meet its present requirements. The Directors also confirmed that save for the projects of investments in property sector, the Group did not have any concrete plans for any investment or acquisition or any fund raising plan as at the Latest Practicable Date.

However, there is no certainty that such cash resources will be adequate for projects of property development and/or investment that may be identified by the Company in the future. In the event that the Group identifies a suitable opportunity and does not have sufficient cash resources on hand, and it fails to obtain loans on terms which the Directors consider acceptable to the Group or raise fund from the equity capital market, or it cannot find other alternatives to finance such opportunity in a timely manner, the Group may lose its bid in otherwise favourable business opportunities.

3. Financial flexibility

The Directors believe that the grant of the New General Mandate will provide the Company with additional flexibility in deciding the source of finance for any new business opportunities that may arise in the future until the next annual general meeting of the Company and for the purpose of raising general working capital of the Group. We consider that the grant of the New General Mandate could enhance the financing flexibility of the Company to raise capital and to strengthen the capital base of the Group, if and when required, through placing of Shares for further development of the Group.

In addition, the Directors consider that if new business opportunities arise, decisions may have to be made within a short period of time. The grant of the New General Mandate would provide the Group with the flexibility to allot, issue and deal with new Shares to raise capital through placing of Shares as consideration for funding such potential business opportunities in the future until the next annual general meeting of the Company as and when such opportunities arise. The increased amount of capital which may be raised under the New General Mandate provides more options of financing to the Group when assessing and negotiating potential business opportunities in a timely manner.

LETTER FROM FB GEMINI CAPITAL LIMITED

4. Other financing alternatives

Other than raising fund by way of issuing equity capital, the Directors will consider other financing methods such as bank financing, debt financing and funding through internal resources in order to meet its financing requirements arising from future development of the Group, depending on the then financial position, capital structure and cost of funding of the Group and the then market condition. As advised by the Directors, the New General Mandate provides another alternative to the Directors to finance the Group's business prospects and the Directors will use the method which serves the best interest of the Group. Currently, the Directors are of the view that the overall gearing of the Group is relatively high as compared to its PRC competitors in the property development industry. Fund raising by way of issuing equity capital will help improve the Group's gearing position. We consider that it is a sensible consideration to make reference to the then financial position of the Group in order to decide on financing method for the future development of the Group.

5. Potential dilution to shareholding of the Independent Shareholders

We set out below a table depicting (i) the shareholding structure of the Company as at the Latest Practicable Date and (ii) for illustrative purpose, the shareholding structure of the Company upon full utilization of the New General Mandate (assuming that the grant of the New General Mandate will be approved at the SGM).

Shareholder	Shareholding as at the Latest Practicable Date (Note 1)		Shareholding upon full utilization of the New General Mandate (Note 1)	
	No. of Shares	Approx. %	No. of Shares	Approx. %
	Mr. Chu Mang Yee/Sounda (Note 2)	637,500,000	52.27	637,500,000
Mr. Au Wai Kin (Note 3)	34,500,000	2.83	34,500,000	2.36
Miss Xiao Yan Xia (Note 4)	30,000	0.01	30,000	0.002
Mr. Steven Shafran (Note 5)	1,000,000	0.08	1,000,000	0.068
Aranda	100,300,000	8.23	100,300,000	6.85
Tiger	100,300,000	8.23	100,300,000	6.85
Shares issued under the New General Mandate	–	–	243,920,000	16.67
Others	345,970,000	28.35	345,970,000	23.64
Total	1,219,600,000	100	1,463,520,000	100

Notes:

- It is assumed that no share options granted under the Share Option Scheme has been exercised.
- Mr. Chu held 637,500,000 Shares of the Company through Sounda, a company wholly-owned by him.

LETTER FROM FB GEMINI CAPITAL LIMITED

3. Mr. Au Wai Kin is one of the Directors and held 34,500,000 Shares through a company wholly-owned by him.
4. Ms. Xiao Yan Xia is one of the Directors.
5. Mr. Steve Shafran is one of the non-executive directors of the Company.

For illustrative purpose, assuming that (i) the grant of the New General Mandate is approved by the Independent Shareholders at the SGM and; (ii) the New General Mandate is fully utilized, 243,920,000 Shares will be issued, representing 20% of the issued share capital of the Company as at the date of the SGM and approximately 16.67 % of the issued share capital of the Company as enlarged by the Shares issued under the New General Mandate.

Taking into account that the grant of the New General Mandate (i) will provide an alternative to increase the amount of capital which may be raised under the New General Mandate; (ii) provides more options of financing to the Group for further development of its business as well as in other potential future investment and/or business opportunities as and when such opportunities arise; and (iii) the fact that the shareholding of all the Shareholders will be diluted proportionally to their respective shareholdings upon any utilization of the New General Mandate, we consider such potential dilution to shareholdings of the Independent Shareholders to be justifiable.

RECOMMENDATION

Having taken into consideration of the above principal factors and reasons, we are of the view that the grant of the New General Mandate is fair and reasonable, so far as the Independent Shareholders are concerned and that the grant of the New General Mandate is in the interest of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the grant of the New General Mandate.

Yours faithfully,
For and on behalf of
FB Gemini Capital Limited

Ricky Tsang
*Director and General Manager
of Corporate Finance*

Keith Tsang
Director

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 or short positions of the Directors and chief executives of the Company in the Shares and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows:

(1) Long position in Shares

Name	Notes	Number of Shares beneficially held	
		Personal	Corporate
Mr. Chu Mang Yee	(1)	–	637,500,000
Mr. Au Wai Kin	(2)	–	34,500,000
Ms. Xiao Yan Xia		30,000	–
Mr. Steven Shafran		1,000,000	–

Notes:

- These Shares are held by Sounda Properties Limited, a company wholly-owned by Mr. Chu Mang Yee and HKSCC Nominees Limited, a nominee company.
- These Shares are owned by a company wholly-owned and controlled by Mr. Au Wai Kin.

(2) Long position in underlying Shares

During the financial year ended 31 December 2005, the Company granted options to Mr. Wu Jiesi, Mr. Tam Lai Ling and Mr. Steven Shafran respectively to subscribe for Shares under the Company's share option scheme adopted on 4 November 2002, details of which as at the Latest Practicable Date were as follows:

Name	Date of Grant	Exercisable period	Exercise Price (HK\$)	Number of underlying Shares in respect of which options were granted	Number of underlying Shares in respect of which options were outstanding as at the Latest Practicable Date
Mr. Wu Jiesi	29 April 2005	29 April 2005 to 28 April 2010	4.30	2,000,000	2,000,000
	15 September 2005	15 September 2005 to 14 September 2010	8.20	2,036,000	2,036,000
Mr. Tam Lai Ling	29 April 2005	29 April 2005 to 28 April 2010	4.30	2,000,000	2,000,000
Mr. Steven Shafran	11 August 2005	11 August 2005 to 10 August 2010	6.20	4,500,000	4,500,000
				10,536,000	10,536,000

Save as disclosed herein, none of the Directors, chief executives of the Company and their associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed 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 2005, 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.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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 chief executive of the Company) who had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of shares of any class in the Company were as follows:

Name	Number of issued Shares
Sounda Properties Limited	637,500,000

Save as disclosed herein, there is no person known to the Directors, who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10 per cent. or more of the nominal value of any class of shares of the Company.

4. PROCEDURE TO DEMAND A DEED POLL

Pursuant to Bye-law 66 of the bye-laws of the Company, at any general meeting, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:—

- (a) by the chairman of such meeting; or
- (b) by at least three shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or

- (c) by any shareholder or shareholders present in person (or in the case of a shareholder being a corporation by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all shareholders having the right to vote at the meeting;
- (d) by a shareholder or shareholders present in person (or in the case of a shareholder being a corporation by its duly authorized representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

5. SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors has entered or proposed to enter into a service contract with any member of the Group which is not terminable by the employer within one year without payment of compensation (other than statutory compensation).

6. MATERIAL CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2005, the date to which the latest published audited financial statements of the Group were made up.

7. EXPERT

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

Name	Qualification
FB Gemini Capital Limited	Licensed corporation for type 6 (advising on corporate finance) of the regulated activities under the SFO

As at the Latest Practicable Date, FB Gemini Capital Limited does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

FB Gemini Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which they appear.

As at the Latest Practicable Date, FB Gemini Capital Limited does not have any interest, direct or indirect, in any assets which since 31 December 2005, 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.

8. SECRETARY AND QUALIFIED ACCOUNTANT

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

The qualified accountant of the Company is Mr. Liu Shun Fai, a certified public accountant and an associate member of the Hong Kong Institute of Certified Public Accountants.

9. COMPETING BUSINESS

None of the Directors and his/her respective associates has an interest in a business apart from the Company's business which competes or is likely to compete, either directly or indirectly, with the Company's business.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal office in Hong Kong at Suites 2705-09, 27/F, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours from 13 May 2006 to 29 May 2006 (both dates inclusive):

- (i) Framework Agreement;
- (ii) the letter from the Independent Board Committee, the text of which is set out on page 20 of this circular; and
- (iii) the letter from FB Gemini Capital Limited, the text of which is set out on pages 21 to 51 of this circular.

11. LITIGATION

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and no other litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

12. MISCELLANEOUS

The English text of this circular shall prevail over its Chinese text.



合 生 創 展 集 團 有 限 公 司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Stock Code: 754)

(Incorporated in Bermuda with limited liability)

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

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting of Hopson Development Holdings Limited (“Company” together with its subsidiaries, the “Group”) will be held at 31/F, Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong on Monday, 29 May 2006 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions which will be proposed as ordinary resolutions:

ORDINARY RESOLUTION NO. 1

“**THAT** the framework agreement dated 13 April 2006 entered into between the Company and Guangdong Hanjiang Construction Installation Project Limited (“Hanjiang” together with its subsidiaries and associates, the “Hanjiang Group”) (“Framework Agreement”) for the purpose of governing the continuing connected transactions between the Group and Hanjiang Group (“Continuing Connected Transactions”) be and is hereby approved, confirmed and ratified; and that the maximum aggregate annual value of each of the Continuing Connected Transactions for the three financial years ending 31 December 2008 proposed by the directors of the Company (“Directors”) be approved; and any one Director be and is hereby authorised on behalf of the Company to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as he may in his discretion consider necessary or desirable for the purposes of or in connection with the implementation of the Framework Agreement and the Continuing Connected Transactions”

ORDINARY RESOLUTION NO. 2

“**THAT** the general mandate granted to the Directors at the annual general meeting of the Company held on 6 June 2005 to allot, issue and deal with up to 20 per cent. of the issued share of the Company be and is hereby revoked and replaced by the following mandate:

THAT

- (a) subject to paragraph (c), the exercise by the Directors during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company or securities convertible into such shares or warrants or similar rights to subscribe for any shares in the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

* *for identification purposes only*

- (b) the approval in paragraph (a) shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a), otherwise than pursuant to the shares of the Company issued as a result of a Rights Issue (as hereinafter defined) or pursuant to the exercise of options under the Share Option Scheme or similar arrangement, or any scrip dividend or similar arrangement providing for the allotment of shares of the Company in lieu of the whole or part of the dividend on the shares of the Company in accordance with the Company's Bye-laws, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws of Bermuda to be held; or
- (iii) revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares of the Company on the register on a fixed record date in proportion to their holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognized regulatory body or any stock exchange in any territory outside Hong Kong).”

By Order of the Board
Chu Mang Yee
Chairman

Hong Kong, 13 May 2006

Principal Office:

Suites 2705-09
27/F, Jardine house
1 Connaught Place,
Central
Hong Kong

Notes:

- (1) Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and vote in his stead. Any such member who is a holder of two or more shares may appoint more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member.
- (2) In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of attorney or other authority, must be deposited at the principal office of the Company at Suites 2705-09, 27/F, Jardine House, 1 Connaught Place, Central, Hong Kong not less than 48 hours before the time appointed for holding the said meeting or any adjournment thereof.
- (3) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.