

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 was effected for transmission to the purchaser.

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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>

CONNECTED TRANSACTIONS

Independent Financial Adviser

to the Independent Board Committee and the Independent Shareholders



A letter from the Chairman of Hopson Development Holdings Limited is set out on pages 6 to 18 of this circular. A letter from the independent board committee of Hopson Development Holdings Limited is set out on page 19 of this circular. A letter from Tai Fook Capital Limited containing its advice to the independent board committee and independent shareholders of Hopson Development Holdings Limited is set out on pages 20 to 31 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 Thursday, 29 June, 2006 at 10 a.m. is set out on pages 43 to 44 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 June, 2006

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DEFINITIONS

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

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|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “associate(s)” | the meaning given to that term in the Listing Rules |
| “Assigned Loan Consideration” | the sum of approximately RMB536,894,000 (equivalent to approximately HK\$516,244,000), being the aggregate consideration payable by the Purchaser under the Loan Assignment Agreement for the purchase of the Oriental Assigned Loan and the Zhaode Assigned Loan |
| “Beijing Cultural” | 北京東方文化資產經營公司 (formerly北京東方文化經濟發展集團有限公司) (Beijing Oriental Cultural Asset Operation Company), a company established in the PRC |
| “Beijing Dongfangwenhua” | 北京東方文華國際置業有限公司 (Beijing Dongfangwenhua International Properties Company Limited), a limited liability company established in the PRC |
| “Beijing Huaxia” | 北京華夏創業房地產開發有限公司 (Beijing Huaxia Chuang Ye Real Estate Development Company Limited), a company established in the PRC |
| “Beijing Oriental Agreement” | the conditional agreement dated 19 May, 2006 entered into between the Purchaser and Beijing Huaxia for the sale and purchase of Beijing Huaxia’s entire equity interest representing approximately 60.98% in Beijing Dongfangwenhua |
| “Beijing Oriental Commitment” | the aggregate of the Equity Interest Consideration, the Capital Contribution and the Assigned Loan Consideration |
| “Beijing Oriental Transaction” | the transactions under the Beijing Oriental Agreement, the Loan Assignment Agreement and the Financial Assistance Confirmation |
| “Beijing Zhaode” | 北京昭德置業有限公司 (Beijing Zhaode Property Company Limited), a company established in the PRC |
| “Capital Contribution” | the sum of approximately RMB241,000,000 (equivalent to approximately HK\$231,731,000) to be contributed by the Purchaser to the registered capital of Beijing Dongfangwenhua |
| “Company” | Hopson Development Holdings Limited |

DEFINITIONS

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| “Cultural Lot” | a site located in 北京東二環路西側，南臨東四危改小區南門倉胡同，北至東西危改小區，西臨東二環西輔路 (the west of Beijing East Second Ring Road, with Nanmencang Lane in Dongs Reconstruction District on its south, Dongxi Reconstruction District on its north, West Byroad of East Second Ring Road on its west, Beijing, the PRC) |
| “Directors” | the directors of the Company |
| “DTZ” | DTZ Debenham Tie Leung Limited, an independent property valuer |
| “Equity Interest Consideration” | the sum of approximately RMB17,690,000 (equivalent to approximately HK\$17,010,000), being the consideration payable by the Purchaser under the Beijing Oriental Agreement for the acquisition of Beijing Huaxia’s equity interest in Beijing Dongfangwenhua |
| “Financial Assistance Agreement” | the agreement dated 8 November, 2005 entered into between Beijing Huaxia and Beijing Zhaode (as supplemented by a supplemental agreement dated 19 November, 2005 entered into between the same parties) in respect of the Zhaode Loan and the Zhaode Set-up Expenses |
| “Financial Assistance Confirmation” | the confirmation dated 19 May, 2006 entered into between the Purchaser, Beijing Zhaode and Beijing Huaxia in respect of the Zhaode Assigned Loan |
| “Group” | the Company and its subsidiaries |
| “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 |
| “Huaxia Set-up Expenses” | the interest-free loan in the principal amount of approximately RMB8,652,000 (equivalent to approximately HK\$8,319,000) (subject to a cap of RMB10,000,000 (equivalent to approximately HK\$9,615,000)) due and owing by Beijing Dongfangwenhua to Beijing Huaxia as at 19 May, 2006 |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | an independent committee of the board of Directors comprising Messrs. Yuen Pak Yiu, Philip, Lee Tsung Hei, David and Wong Shing Kay, Oliver, established to review and consider the Transaction Documents |

DEFINITIONS

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|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Independent Shareholders” | Shareholders other than Sounda and its associates |
| “Joint Venture Contract” | the co-operative joint venture contract in respect of Beijing Dongfangwenhua entered into between the Purchaser, Beijing Cultural and Beijing Zhaode |
| “Latest Practicable Date” | 13 June, 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular |
| “Loan Assignment Agreement” | the conditional agreement dated 19 May, 2006 entered into between the Purchaser and Beijing Huaxia for the assignment of the Oriental Assigned Loan and the Zhaode Assigned Loan |
| “Loan Completion” | the completion of the Loan Assignment Agreement as described in sub-paragraph headed “Conditions precedent” under the paragraph headed “Principal terms of the Loan Assignment Agreement” of this circular |
| “Mr. Chu” | Mr. Chu Mang Yee, the chairman and an executive Director of the Company |
| “Oriental Completion” | the completion of the Beijing Oriental Agreement as described in sub-paragraph headed “Conditions Precedent” under the paragraph headed “Principal terms of the Beijing Oriental Agreement” of this circular |
| “Original Equity Transfer Agreement” | an agreement dated 7 November, 2005 entered into among Beijing Cultural, Beijing Huaxia, Beijing Zhaode, 北京東方世紀文化旅遊投資管理有限公司 (Beijing Oriental Century Cultural Tourism Investment Management Company Limited) and Beijing Dongfangwenhua (as supplemented by a supplemental agreement dated 18 November, 2005 entered into among the same parties) for the transfer of equity interests in Beijing Dongfangwenhua |
| “Oriental Assigned Loan” | the aggregate of the Oriental Shareholder’s Loan and the Huaxia Set-up Expenses provided by Beijing Huaxia to Beijing Dongfangwenhua pursuant to the Original Equity Transfer Agreement |
| “Oriental Shareholder’s Loan” | the interest free shareholder’s loan in the principal amount of approximately RMB369,533,000 (equivalent to approximately to HK\$355,320,000) due and owing by Beijing Dongfangwenhua to Beijing Huaxia as at 19 May, 2006 |

DEFINITIONS

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|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “PRC” | the People’s Republic of China |
| “Project Cultural” | a property development project located in Cultural Lot |
| “Purchaser” | Hopeson Holdings Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company |
| “Sections” | the three Sections of Project Cultural, namely office buildings, hotels and music halls, and a “Section” shall refer to each one of them |
| “SFO” | the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) |
| “SGM” | a special general meeting of the Company to be convened to approve the Transaction Documents |
| “Shares” | ordinary shares of HK\$0.10 each in the capital of the Company |
| “Shareholders” | holders of the Shares |
| “Sounda” | Sounda Properties Limited, a company incorporated in the British Virgin Islands |
| “Tai Fook” | Tai Fook Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction Documents. Tai Fook is a licensed corporation under the SFO to carry out Type 6 regulated activity (advising on corporate finance) under the SFO |
| “Transaction Documents” | the Beijing Oriental Agreement, the Loan Assignment Agreement and the Financial Assistance Confirmation |
| “Valuation Report” | the valuation report dated 13 June, 2006 prepared by DTZ |
| “Zhaode Assigned Loan” | the aggregate of the Zhaode Loan and the Zhaode Set-up Expenses advanced to Beijing Zhaode by Beijing Huaxia pursuant to the Financial Assistance Agreement |
| “Zhaode Set-up Expenses” | the interest-free loan in the principal amount of approximately RMB3,469,000 (equivalent to approximately HK\$3,336,000) (subject to a cap of RMB4,500,000 (equivalent to approximately HK\$4,327,000)) due and owing by Beijing Zhaode to Beijing Huaxia as at 19 May, 2006 |

DEFINITIONS

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| “Zhaode Loan” | the interest-free loan in the principal amount of approximately RMB155,240,000 (equivalent to approximately HK\$149,269,000) due and owing by Beijing Zhaode to Beijing Huaxia as at 19 May, 2006 |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “sq.m.” | square metre(s) |
| “US \$” | United States dollars, the lawful currency of the United States of America |

For illustrative purpose of this circular, RMB1.04 = HK\$1.00 and HK\$7.80 = US\$1.00.



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HOPSON DEVELOPMENT HOLDINGS LIMITED

(Stock Code: 754)

(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 June, 2006

To the Shareholders

Dear Sir and Madam,

1. INTRODUCTION

It was announced on 25 May, 2006 that the Group entered into two conditional agreements with Beijing Huaxia on 19 May, 2006, namely (i) the Beijing Oriental Agreement for the acquisition of Beijing Huaxia's entire equity interest representing approximately 60.98% in Beijing Dongfangwenhua and (ii) the Loan Assignment Agreement for the purchase of the Oriental Assigned Loan and the Zhaode Assigned Loan.

Beijing Dongfangwenhua, which is owned by Beijing Huaxia, Beijing Cultural and Beijing Zhaode (all are domestic companies), is a domestic liability company before the Oriental Completion. Subject to the fulfillment of the conditions precedent as set out under the sub-paragraph headed "Conditions precedent" of the paragraph headed "Principal terms of the Beijing Oriental Agreement" set out below, Beijing Dongfangwenhua will become a sino-foreign co-operative joint venture between the Purchaser (the foreign partner), Beijing Cultural and Beijing Zhaode (the domestic partners).

* *for identification purposes only*

LETTER FROM THE CHAIRMAN

2. BEIJING ORIENTAL TRANSACTION

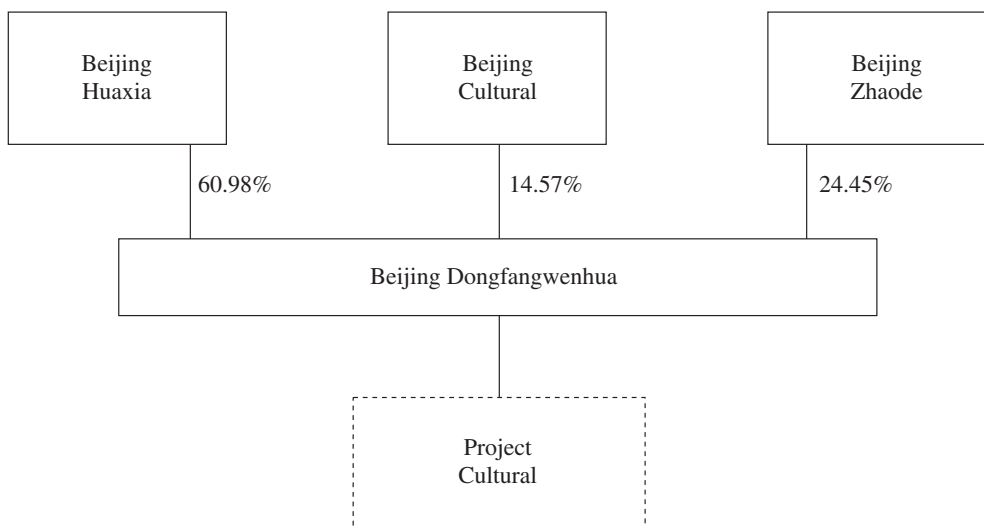
A. Background

On 19 May, 2006, the Group entered into the Beijing Oriental Agreement with Beijing Huaxia pursuant to which the Group conditionally agreed to acquire Beijing Huaxia's entire equity interest representing approximately 60.98% in Beijing Dongfangwenhua. On the same date, the Group entered into the Loan Assignment Agreement with Beijing Huaxia pursuant to which the Group conditionally agreed to purchase the Oriental Assigned Loan and the Zhaode Assigned Loan in addition to the acquisition of equity interest in Beijing Dongfangwenhua.

Beijing Dongfangwenhua is engaged in property development in Beijing, PRC. Beijing Dongfangwenhua is currently interested in one property development project, namely Project Cultural. Beijing Dongfangwenhua is the owner of the land use right in respect of Cultural Lot. Cultural Lot comprises a site of approximately 15,834 sq.m. in area, in respect of which approval for the development and construction of the Sections, namely (i) office buildings, (ii) hotels and (iii) music halls has been granted by 北京市發展計劃委員會 (Beijing Municipal Development Planning Commission) and 北京市建設委員會 (Beijing Municipal Construction Commission) to Beijing Dongfangwenhua. As the construction of Project Cultural has not yet completed, Beijing Dongfangwenhua has not yet generated any revenue.

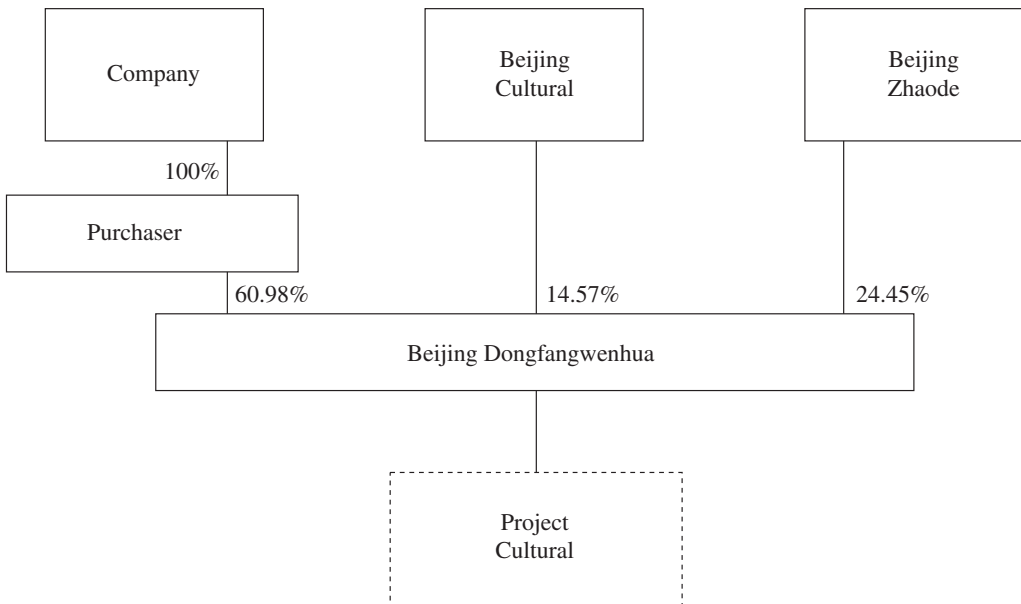
Beijing Dongfangwenhua is owned as to approximately 60.98% by Beijing Huaxia, 14.57% by Beijing Cultural and 24.45% by Beijing Zhaode. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Beijing Cultural and Beijing Zhaode and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

The chart below illustrates the shareholding structure of Beijing Dongfangwenhua as of to date:



LETTER FROM THE CHAIRMAN

The chart below illustrates the shareholding structure of Beijing Dongfangwenhua upon Oriental Completion (as defined in the paragraph headed "Principal terms of the Beijing Oriental Agreement" below):



B. Principal terms of the Beijing Oriental Agreement

Date: 19 May, 2006

Parties: Purchaser : Hopeson Holdings Limited

Vendor : Beijing Huaxia

Interests Acquired: The Purchaser agrees to purchase and Beijing Huaxia agrees to sell its entire equity interest representing approximately 60.98% in Beijing Dongfangwenhua. As a result of the said acquisition, Beijing Dongfangwenhua will become owned as to approximately 60.98% by the Purchaser, approximately 14.57% by Beijing Cultural and approximately 24.45% by Beijing Zhaode.

Total Consideration: The Equity Interest Consideration will be approximately RMB17,690,000 (equivalent to approximately HK\$17,010,000).

Joint Venture Terms: Pursuant to the Beijing Oriental Agreement, the Purchaser, Beijing Cultural and Beijing Zhaode entered into the Joint Venture Contract which, among other things, provide for the following terms:

LETTER FROM THE CHAIRMAN

(i) *Change to co-operative joint venture*

Subject to the fulfillment of the conditions precedent as set out under the sub-paragraph headed “Conditions precedent” of the paragraph headed “Principal terms of the Beijing Oriental Agreement” set out below, Beijing Dongfangwenhua shall become a co-operative joint venture as a result of the acquisition by the Purchaser of approximately 60.98% in Beijing Dongfangwenhua pursuant to the Beijing Oriental Agreement.

(ii) *Increase in registered capital:*

The total investment of Beijing Dongfangwenhua will be RMB810,000,000 whereas the registered capital of Beijing Dongfangwenhua will be increased from RMB29,000,000 to RMB270,000,000 in order to comply with the relevant requirements under the PRC law governing the acquisition of domestic enterprise by foreign companies which provides that where the registered capital of a co-operative joint venture is above US\$12,000,000 (equivalent to approximately RMB97,344,000), such registered capital shall represent not more than one third of the total investment of the co-operative joint venture. The Capital Contribution, being the increased amount of the registered capital of RMB241,000,000 (equivalent to approximately HK\$231,731,000) shall be contributed by the Purchaser by instalments, the first instalment of RMB36,150,000 and the remaining RMB204,850,000 shall be contributed by the Purchaser within 3 months and 3 years upon the issuance of a new business licence for Beijing Dongfangwenhua respectively. The Capital Contribution shall be used by the Purchaser for the construction of the relevant Section of Project Cultural in the proportion as set out in sub-paragraph (iv) below.

(iii) *Profit and loss sharing arrangement:*

- (a) With respect to the office buildings Section of Project Cultural, the Purchaser will have the management rights thereof, be solely entitled to the profits and responsible for risks arising therefrom or in connection therewith.
- (b) With respect to the hotels Section of Project Cultural, the management rights thereof, the profits and risks arising therefrom or in connection therewith shall be shared among the Purchaser, Beijing Cultural and Beijing Zhaode in the proportion of 45%, 10% and 45% respectively.

LETTER FROM THE CHAIRMAN

- (c) With respect to the music halls Section of Project Cultural, Beijing Cultural will have the management rights thereof, be solely entitled to the profits and responsible for the risks arising therefrom or in connection therewith.

Effectively, as a result of the acquisition of approximately 60.98% in Beijing Dongfangwenhua, the Purchaser will be entitled to (i) 100% of the profits arising from and in connection with the office buildings Section of Project Cultural and (ii) 45% of the profits arising from and in connection with the hotels Section of Project Cultural. Beijing Cultural and Beijing Zhaode will be entitled to the remaining 10% and 45% of the respective profits arising from and in connection with the hotels Section of Project Cultural. Beijing Cultural will be entitled to 100% of the profits arising from and in connection with the music hall Sections of Project Cultural proportion as set out above.

- (iv) *Financing for construction costs:*

The construction costs for any Section of Project Cultural shall be funded in the following manner:

- (a) Beijing Dongfangwenhua shall arrange for financing in respect of the difference between the total investment and the registered capital by pledging its assets provided that:
 - (aa) the finance obtained shall be applied solely for the construction of the particular Section of Project Cultural which is subject to the pledge; and
 - (bb) the finance obtained and the relevant costs and expenses incurred in obtaining such finance as set out in sub-paragraph (aa) above (“Finance Costs and Expenses”) shall be borne by the Purchaser, Beijing Cultural and Beijing Zhaode (as the case may be) in the same proportion as set out in the profit and loss sharing arrangement as set out in (iii) above.

LETTER FROM THE CHAIRMAN

- (b) In the event that any joint venture partner of Beijing Dongfangwenhua (the “Default Party”) shall fail to honour its payment obligation for the relevant amount of the Finance Costs and Expenses (the “Default Amount”), resulting in Beijing Dongfangwenhua having to repay the Default Amount or any assets of Beijing Dongfangwenhua being frozen or sealed up, Beijing Dongfangwenhua is entitled to dispose of the relevant interest of the relevant Section(s) of Project Cultural held by the Default Party for the purposes of honouring the Default Party’s obligations; and
- (c) In the event that Beijing Dongfangwenhua shall fail to obtain the finance as set out in (a) above or the finance obtained is insufficient for the construction of a particular Section of Project Cultural, the Purchaser, Beijing Cultural and Beijing Zhaode (as the case may be) shall be responsible for such additional construction costs for the particular Section in the same proportion as set out in the profit and loss sharing arrangement as set out in (iii) above.

Conditions Precedent:

The Beijing Oriental Agreement is conditional upon, inter alia, the fulfillment of the following conditions precedent, which cannot be waived by the parties:

- (i) the approval of the independent shareholders of the Company voting at the SGM convened to approve the Beijing Oriental Agreement on the terms specified therein;
- (ii) the granting of the approval by the relevant approval authority approving the transfer of equity interests in Beijing Dongfangwenhua contemplated under the Beijing Oriental Agreement and the obtaining of the ratification from 國家發展和改革委員會 (National Development and Reform Commission) or its local counterparts in respect of the proposed foreign investment by the Purchaser in Beijing Dongfangwenhua (which will become a sino-foreign co-operative joint venture upon the Oriental Completion) and the approvals from the relevant approval authority in respect of (a) the change of Beijing Dongfangwenhua from a domestic limited liability company to a co-operative joint venture, and (b) the Joint Venture Contract and the articles of association of Beijing Dongfangwenhua entered into among the Purchaser, Beijing Cultural and Beijing Zhaode;

LETTER FROM THE CHAIRMAN

- (iii) the granting of 外商投資企業批准證書 (Approval Certificate for Foreign Investment Enterprise) in respect of Beijing Dongfangwenhua; and
- (iv) the completion of the registration procedures for changing Beijing Dongfangwenhua to a co-operative joint venture and the obtaining of a new business licence for Beijing Dongfangwenhua.

Unless the Beijing Oriental Agreement is terminated in accordance with the terms therein and subject to the fulfillment of the above condition precedent (i), completion (“Oriental Completion”) shall take place within 5 days upon receipt by the Group of the written notice from Beijing Huaxia confirming fulfillment of the above conditions precedent (ii) to (iv) as set out in the Beijing Oriental Agreement.

Beijing Dongfangwenhua, which is owned by Beijing Huaxia, Beijing Cultural and Beijing Zhaode (all are domestic companies), is a domestic liability company before the Oriental Completion. Upon the Oriental Completion, Beijing Dongfangwenhua will become a sino-foreign co-operative joint venture between the Purchaser (the foreign partner), Beijing Cultural and Beijing Zhaode (the domestic partners).

Upon Oriental Completion, Beijing Dongfangwenhua will be accounted for in the books and accounts of the Company as a jointly-controlled entity of the Group and will not be consolidated in the consolidated accounts of the Company as a subsidiary. The Group’s investment in Beijing Dongfangwenhua will be accounted for under the equity method of accounting, whereby the investment will be initially recorded at cost and is adjusted thereafter to recognize the Group’s share of the post-acquisition results (i.e. 100% of the results of the office Section and 45% of the results of the hotels Section), distributions received, other necessary alternations in the Group’s proportionate interest in Beijing Dongfangwenhua arising from changes in equity of the Beijing Dongfangwenhua that have not been included in the income statement of Beijing Dongfangwenhua.

LETTER FROM THE CHAIRMAN

C. Principal terms of the Loan Assignment Agreement

Date: 19 May, 2006

Parties: Assignee : Hopeson Holdings Limited

Assignor : Beijing Huaxia

Assignment of Oriental
Assigned Loan and
Zhaode Assigned Loan:

Beijing Huaxia is the beneficial owner of the Oriental Assigned Loan and the Zhaode Assigned Loan. Beijing Huaxia agrees to assign and transfer and the Purchaser agrees to purchase the Oriental Assigned Loan and the Zhaode Assigned Loan.

The Oriental Assigned Loan (being the aggregate of the Oriental Shareholder's Loan and the Huaxia Set-up Expenses) was provided by Beijing Huaxia to Beijing Dongfangwenhua pursuant to the Original Equity Transfer Agreement. As at 19 May, 2006, the aggregate face values of the Oriental Assigned Loan was approximately RMB378,185,000 (equivalent to approximately HK\$363,639,000).

The Zhaode Assigned Loan (being the aggregate of the Zhaode Loan and the Zhaode Set-up Expenses) was advanced by Beijing Huaxia to Beijing Zhaode pursuant to the Financial Assistance Agreement. Under the Financial Assistance Agreement, Beijing Huaxia agreed to advance to Beijing Zhaode the Zhaode Loan and the Zhaode Set-up Expenses for the purpose of payment of the consideration by Beijing Zhaode for its acquisition of approximately 24.45% equity interest in Beijing Dongfangwenhua under the Original Equity Transfer Agreement. Under the Financial Assistance Agreement, the Zhaode Assigned Loan shall be repaid by Beijing Zhaode by two equal instalments. Payment of the first instalment shall be made within 10 days upon completion of the construction of the cement ceiling of the main structure of the hotels Section of Project Cultural. Payment of the second instalment shall be made within 6 months upon the said completion of construction.

As at 19 May, 2006, the aggregate face values of the Zhaode Assigned Loan was approximately RMB158,709,000 (equivalent to approximately HK\$152,605,000).

LETTER FROM THE CHAIRMAN

As Beijing Zhaode is not a party to the Loan Assignment Agreement, on the same date of the Loan Assignment Agreement, the Purchaser, Beijing Zhaode and Beijing Huaxia entered into the Financial Assistance Confirmation which confirms that the Purchaser shall assume Beijing Huaxia's rights and obligations under the Financial Assistance Agreement, including the following:

Pursuant to the Financial Assistance Agreement, among other things, in the event that Beijing Zhaode shall fail to repay any amount of the Zhaode Assigned Loan for more than 90 days, such outstanding amount shall be settled by either one of the following two ways as chosen by Beijing Zhaode:

- (i) according to the ratio of the outstanding amount of the Zhaode Assigned Loan to the total investment cost of the completed hotels Section of Project Cultural, Beijing Zhaode shall transfer to Beijing Huaxia its corresponding interest in the hotels Section of Project Cultural as determined by such ratio; or
- (ii) Beijing Zhaode shall transfer to Beijing Huaxia its rights to share 40% of the profits arising from and in connection with the hotels Section of Project Cultural.

Consideration:

The Assigned Loan Consideration will be the aggregate of the respective face values of the Oriental Assigned Loan and the Zhaode Assigned Loan as at 19 May, 2006, namely approximately RMB536,894,000 (equivalent to approximately HK\$516,244,000).

Conditions Precedent:

The Loan Assignment Agreement is conditional upon, inter alia, the fulfillment of the following conditions precedent which cannot be waived by the parties:-

- (i) the approval of the independent shareholders of the Company voting at the SGM convened to approve the Loan Assignment Agreement on the terms specified therein;
- (ii) the Oriental Completion having taken place; and
- (iii) the serving of written notice by Beijing Huaxia on Beijing Dongfangwenhua of assignment of the Oriental Assigned Loan in accordance with the regulations under the PRC Contract Law which provides that the assignment of loan will not be effective unless the assignor (namely Beijing Huaxia) notifies the debtor (namely Beijing Dongfangwenhua) of the assignment of the loan.

LETTER FROM THE CHAIRMAN

The Financial Assistance Confirmation is conditional upon the fulfillment of the conditions precedent set out in (i) and (ii) above, which cannot be waived by the parties.

Unless the Loan Assignment Agreement and the Financial Assistance Confirmation are terminated in accordance with the terms therein, completion of the assignment of the Oriental Assigned Loan and the Zhaode Assigned Loan (“Loan Completion”) shall take place on the same date as the Oriental Completion upon fulfillment of the above conditions precedents as set out in the Loan Assignment Agreement and the Financial Assistance Confirmation.

D. Beijing Oriental Commitment

(a) The Purchaser’s total financial commitment for the Beijing Oriental Transaction

The Beijing Oriental Commitment, being the total financial commitment for the Beijing Oriental Transaction is the aggregate of the Equity Interest Consideration, the Capital Contribution and the Assigned Loan Consideration. The Beijing Oriental Commitment of approximately RMB795,584,000 (equivalent to approximately HK\$764,985,000) was determined on an arm’s length basis between the parties.

(b) Valuation of the assets to be acquired by the Purchaser

The Valuation Report was prepared by DTZ on the market value of the proposed development of the office buildings Section and hotels Section on Cultural Lot, namely the relevant Sections of Project Cultural to which the Purchaser is entitled to 100% and 45% of the profits arising therefrom and in connection with respectively. Based on the Valuation Report, which was prepared by DTZ by adopting direct comparison method by making reference to comparable sales evidences as available in the relevant market, the capital value of 100% of the proposed office buildings Section and 45% of the proposed hotels Section of Project Cultural as at 30 April 2006 was approximately RMB559,000,000 (equivalent to approximately HK\$537,500,000). Beijing Dongfangwenhua is the owner of the land use right in respect of Cultural Lot. Upon completion of construction of Project Cultural, which comprises the Sections of office buildings, hotels and music halls, Beijing Dongfangwenhua will apply to 北京市房地產管理局(Beijing Municipal Real Estate Administration Bureau) for the building ownership certificate in respect of each building of the Sections of Project Cultural. The original purchase cost of approximately 60.98% equity interest in Beijing Dongfangwenhua was approximately RMB17,690,000 (equivalent to approximately HK\$17,010,000), which represents the par value of Beijing Huaxia’s 60.98% equity interest in Beijing Dongfangwenhua, being the actual contribution made by Beijing Huaxia to the registered capital of Beijing Dongfangwenhua, namely approximately RMB17,684,000 (being approximately 60.98% of the current registered capital of RMB29,000,000 of Beijing Dongfangwenhua).

LETTER FROM THE CHAIRMAN

(c) The effective amount payable by the Purchaser for the assets to be acquired

Effectively, the consideration payable by the Purchaser to Beijing Huaxia for the acquisition of its equity interest in Beijing Dongfangwenhua and thereby 100% interest in the office buildings Section (which is under construction) and 45% interest in the hotels Section (which is under construction) of Project Cultural will be approximately RMB395,875,000 (equivalent to approximately HK\$380,649,000), being the aggregate of the Equity Interest Consideration and the face value of the Oriental Assigned Loan, represents a 29% discount of the said value as assessed by DTZ as at 30 April 2006 as set out in paragraph (b) above.

(d) Payment of the Equity Interest Consideration and Assigned Loan Consideration

The Equity Interest Consideration shall be payable by the Group to Beijing Huaxia in cash in full within 15 business days upon the Oriental Completion. The Assigned Loan Consideration shall be payable by the Group in cash in the following manner: (a) an amount of approximately RMB189,093,000, representing 50% of the Oriental Assigned Loan shall be payable to Beijing Huaxia within 5 days upon fulfillment of condition precedent (i) set out in the sub-paragraph headed “Conditions precedent” of the paragraph headed “Principal terms of the Loan Assignment Agreement” above; (b) an amount of approximately RMB189,093,000, representing the remaining balance of the Oriental Assigned Loan shall be payable to Beijing Huaxia upon the Loan Completion and (c) an amount of approximately RMB158,709,000, being the full amount of the Zhaode Assigned Loan shall be payable to Beijing Huaxia upon fulfillment of conditions precedent (i) and (ii) set out in the sub-paragraph headed “Conditions precedent” of the paragraph headed “Principal terms of the Loan Assignment Agreement” above.

The payment of the Beijing Oriental Commitment will be funded by the Group’s internal resources and, if required, bank borrowings.

E. Reasons for Beijing Oriental Transaction

As the Group is principally engaged in property development and property investment in various cities in the PRC including Guangzhou, Beijing, Shanghai and Tianjin, PRC, the Beijing Oriental Transaction is in the ordinary and usual course of business of the Group.

The Purchaser is an investment holding company. Beijing Huaxia is principally engaged in real estate development. Beijing Cultural is principally engaged in investments and the organization of cultural activities and Beijing Zhaode is principally engaged in real estate development. The Cultural Lot is located in 東二環 (East Second Ring) of Dongcheng District between 朝陽門橋 (Chanoyangmen Bridge) and 東四十條橋 (East Fortieth Bridge), a prime business location in Beijing with a sophisticated transportation network where offices of prestigious national and multinational companies are situated. The Directors anticipate that in view of the economic growth of Beijing and the rising demand of office buildings and hotels in prime business districts in Beijing, Project Cultural, after development, will be of great commercial value and have good sale potentials and thus have a positive impact on the profits of the Group.

LETTER FROM THE CHAIRMAN

The Directors consider that the Beijing Oriental Transaction is in the ordinary and usual course of business of the Group and the terms of the Transaction Documents have been negotiated on an arm's length basis and on normal commercial terms which are fair and reasonable in so far as the interests of the Company and the Shareholders as a whole are concerned.

F. Connection between the parties and the connected transaction

Beijing Huaxia is owned by Hanjiang as to 75% and the brother-in-law of Mr. Chu as to 25%. Hanjiang is a company owned by the brother of Mr. Chu as to 90% and the brother-in-law of Mr. Chu as to 10%. As Mr. Chu is a Director, Hanjiang is a connected person of the Company under the Listing Rules. Beijing Huaxia, being a subsidiary of Hanjiang, is an associate of Hanjiang and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Beijing Oriental Transaction constitutes a connected transaction of the Company under the Listing Rules.

3. INDEPENDENT SHAREHOLDERS' APPROVAL

Pursuant to the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the Beijing Oriental Transaction constitutes a non-exempt connected transaction of the Company under Rule 14A.16(5) of the Listing Rules and is subject to the approval of the Independent Shareholders voting at the SGM to be convened to approve the Transaction Documents pursuant to Rule 14A.18 of the Listing Rules. Sounda is wholly-owned by Mr. Chu and is the controlling shareholder of the Company interested in approximately 56.28 percent. of the entire issued share capital of the Company. In view of Sounda's relationship with Hanjiang and Beijing Huaxia as described above, Sounda and its associates (as defined in the Listing Rules) will abstain from voting in respect of the Transaction Documents at the SGM. None of Beijing Huaxia, Beijing Cultural and Beijing Zhaode has any shareholding in the Company. The relevant resolution will be taken by way of poll.

4. DIRECTORS

As at the date hereof, the executive Directors are CHU Mang Yee (Chairman), WU Jiesi (Chief Executive Officer), XIANG Bin, TAM Lai Ling, AU Wai Kin, CHEN Chang Ying, 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.

LETTER FROM THE CHAIRMAN

5. FURTHER INFORMATION

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Transaction Documents.

Tai Fook has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Transaction Documents. DTZ has been appointed to prepare the Valuation Report.

Your attention is drawn to the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders set out on page 19 of this circular and the advice from Tai Fook to the Independent Board Committee and Independent Shareholders set out on pages 20 to 31 of this circular.

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

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>

13 June, 2006

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS

INTRODUCTION

We refer to the circular dated 13 June, 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 Transaction Documents, details of which are set out in the Circular. Tai Fook has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the Transaction Documents.

RECOMMENDATION

We wish to draw your attention to the Letter from the Chairman as set out on pages 6 to 18 of this Circular, and the letter from Tai Fook which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Transaction Documents as set out on pages 20 to 31 of this Circular.

Having taken into account the advice of Tai Fook and the principal factors and reasons considered by Tai Fook, we consider that the terms of the Transaction Documents are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the Transaction Documents 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 TAI FOOK

The following is the text of a letter of advice from Tai Fook to the Independent Board Committee and the Independent Shareholders in respect of the Transaction Documents for the purpose of inclusion in this circular:



25th Floor
New World Tower
16-18 Queen's Road Central
Hong Kong

13 June, 2006

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

Dear Sirs,

CONNECTED TRANSACTIONS

Acquisition of equity interest in Beijing Dongfangwenhua International Properties Company Limited, a company engaging in a property development project

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Transaction Documents, details of which are set out in the circular dated 13 June, 2006 (the "Circular") issued by the Company to the Shareholders of which this letter forms part. Capitalised terms used in this letter shall have the same respective meanings as defined in the Circular unless the context otherwise requires.

As referred to in the "Letter from the Chairman" of the Circular, Beijing Huaxia is owned as to 75% by Hanjiang and 25% by the brother-in-law of Mr. Chu, who is the Chairman of the Company and an executive Director. Hanjiang is owned as to 90% by the brother of Mr. Chu and 10% by the brother-in-law of Mr. Chu. As such, the Beijing Oriental Transaction constitutes a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules, and is subject to the approval by the Independent Shareholders at the SGM in accordance with the requirements of the Listing Rules, which will be taken by way of poll. Sounda, being the controlling Shareholder and a company wholly-owned by Mr. Chu, together with its associates, will be required to abstain from voting on the proposed resolution regarding the Transaction Documents at the SGM.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide you with our independent opinion and recommendation as to whether the terms of the Transaction Documents are fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole. The Independent Board Committee, the composition of which is set out in the "Letter from the Independent Board Committee" of the Circular, has also been established to advise the Independent Shareholders in respect of the terms of the Transaction Documents.

LETTER FROM TAI FOOK

BASES AND ASSUMPTIONS

In formulating our recommendations, we have relied on the information and facts supplied and representations expressed by the Directors and/or the management of the Group. We have been advised by the Directors and/or the management of the Group that no material facts have been omitted from the information supplied and representations expressed to us and we are not aware of any facts or circumstances which would render such information and representations untrue, inaccurate or misleading. We have assumed that the information contained and representations made or referred to in the Circular were complete, true and accurate at the time they were made and continue to be so at the date of despatch of the Circular.

Our review and analyses were based upon, among others, the information provided by the Company as set out below:

- (i) the Original Equity Transfer Agreement;
- (ii) the Financial Assistance Agreement;
- (iii) the Beijing Oriental Agreement;
- (iv) the Loan Assignment Agreement;
- (v) the Financial Assistance Confirmation;
- (vi) the Joint Venture Contract;
- (vii) the annual report of the Company for the year ended 31 December, 2005 (the “Annual Report”); and
- (viii) the Circular (which includes the Valuation Report).

In addition to the information provided by the Company, we have also reviewed:

- (i) the statistics and information published on the official website of Beijing Tourism Administration (北京市旅遊局) of the government of Beijing, the PRC; and
- (ii) a property market research report headed “Property Times – Office” issued by DTZ, an independent valuer, in April 2006 in respect of office properties in Beijing, the PRC for the first quarter of 2006.

We have also discussed with the Directors and/or the management of the Group with respect to the terms of and reasons for the Transaction Documents, and considered that we have reviewed sufficient information to reach an informed view and have no reason to doubt the completeness, truth or accuracy of the information and facts provided and representations made to us. We have not, however, conducted an independent investigation into the business and affairs of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the terms of the Transaction Documents and their effects on the Independent Shareholders and the Group as a whole, we have considered the following principal factors and reasons:

I. Background of and reasons for the entering into of the Transaction Documents

The Group's principal business activities

The Group is principally engaged in property development and property investment in various cities in the PRC including Beijing. For each of the two years ended 31 December, 2005, the turnover derived from property and hotel businesses in Beijing accounted for approximately 42% and 34% of the Group's total turnover respectively. Apart from the development of residential properties, the Group also develops commercial properties and hotels in Beijing, Guangzhou and Tianjin of the PRC.

As referred to in the Annual Report, Beijing, which will host the Olympics Games in 2008, is one of the major cities for the Group's business development, and projects in Beijing will remain the profit contributors of the Group.

Outlook of the office property market and hotel industry in Beijing

As referred to in the property market research report headed "Property Times – Office" issued by DTZ in April 2006 and as advised by DTZ, the Grade A office rental and selling price in Beijing increased by approximately 1% and 6% respectively during the year ended 31 December, 2005. In view of the fact that (i) foreign investors are permitted to participate in more industries in the PRC as a result of the admission of the PRC into the World Trade Organisation; and (ii) the hosting of the Olympic Games in 2008 in Beijing would offer more business and investment opportunities for various sectors, it is expected that the demand for offices in Beijing would continue to increase as a result of the expansion plans of multinational enterprises in the PRC.

Based on the statistics published on the official website of Beijing Tourism Administration (北京市旅遊局), the total number of travellers from foreign countries, Hong Kong, Macau and Taiwan visiting Beijing amounted to approximately 3.6 million in 2005, representing an increase of approximately 15% as compared with that in 2004. The Directors believe that there would be a growing demand for hotel rooms in Beijing from business and leisure travellers, which is mainly attributable to the continuing economic growth in the PRC and the hosting of the Olympic Games in 2008.

In light of the above, the Directors consider that there is a promising outlook of the office property market and hotel industry in Beijing which can offer new investment opportunities to the Group.

LETTER FROM TAI FOOK

Information on Beijing Dongfangwenhua and Cultural Lot

As referred to in the “Letter from the Chairman” of the Circular, Beijing Dongfangwenhua is engaged in a property development project in Beijing, namely Project Cultural. Beijing Dongfangwenhua is the owner of the land use right in respect of Cultural Lot. As at the Latest Practicable Date, Beijing Dongfangwenhua was owned as to approximately 60.98% by Beijing Huaxia, 14.57% by Beijing Cultural and 24.45% by Beijing Zhaode. As the construction of Project Cultural has commenced but not completed yet, Beijing Dongfangwenhua has not generated any revenue and has only incurred initial set-up costs and costs in relation to the acquisition of Cultural Lot and the development of Project Cultural.

As referred to in the “Letter from the Chairman” of the Circular, Cultural Lot, a site with an area of approximately 15,834 sq.m., is situated at East Second Ring (東二環) of Dongcheng District (東城區), between Chanoyangmen Bridge (朝陽門橋) and East Fortieth Bridge (東四十條橋). As advised by the Directors, the strategic location of Cultural Lot is suitable for the development of office buildings and hotels given the following:

- (i) as referred to in the property market research report headed “Property Times – Office” issued by DTZ in April 2006, the vacancy rate of Grade A offices at East Second Ring (東二環), which amounted to approximately 8.9% in the first quarter of 2006, was lower than the majority of other business districts in Beijing. The Directors also note that that East Second Ring (東二環) is a popular business district in Beijing in which many prestigious national and multinational companies are situated; and
- (ii) Cultural Lot is at Dongcheng District (東城區) in which Palace Museum (故宮博物院) and Tiananmen Square are situated. The Directors consider that hotels in Dongcheng District (東城區) are well positioned as Dongcheng District (東城區) provides travellers with convenient access to some of the famous sightseeing spots in Beijing. Based on the information published on the official website of Beijing Tourism Administration (北京市旅遊局), there are more than 15 five-star and four-star hotels situated at Dongcheng District (東城區), including Beijing Hotel (北京飯店), Grand Hyatt Beijing (東方君悅大酒店) and The Peninsula Palace Beijing (王府飯店).

Planned development of Project Cultural

As referred to in the Valuation Report as set out in Appendix I to the Circular, the land use rights of Cultural Lot have been granted for hotel, office and retail uses. As referred to in the Valuation Report, Project Cultural is proposed to comprise, among others, an office building and a hotel. The construction of Project Cultural is scheduled to be completed in 2008.

LETTER FROM TAI FOOK

Information on the existing joint venture partners of Beijing Dongfangwenhua

As referred to in the “Letter from the Chairman” of the Circular, (i) Beijing Huaxia is principally engaged in real estate development; (ii) Beijing Cultural is principally engaged in investments and the organisation of cultural activities; and (iii) Beijing Zhaode is principally engaged in real estate development.

Information on the Oriental Assigned Loan and the Zhaode Assigned Loan

As advised by the Directors, the Oriental Assigned Loan with a face value of approximately RMB378,185,000 (equivalent to approximately HK\$363,639,000) as at 19 May, 2006 is an interest-free loan provided by Beijing Huaxia to Beijing Dongfangwenhua to finance the initial set-up of Beijing Dongfangwenhua and the development of Project Cultural.

As advised by the Directors, the Zhaode Assigned Loan with a face value of approximately RMB158,709,000 (equivalent to approximately HK\$152,605,000) as at 19 May, 2006 is an interest-free loan provided by Beijing Huaxia to Beijing Zhaode for the purpose of payment of the consideration by Beijing Zhaode for its acquisition of approximately 24.45% equity interest in Beijing Dongfangwenhua. Repayment of the Zhaode Assigned Loan shall be made by two instalments, of which the first instalment shall be made within 10 days upon completion of the construction of the cement ceiling of the main structure of the hotel Section of Project Cultural and the second instalment shall be made within six months upon the said completion of construction.

Pursuant to the Financial Assistance Agreement, among others, in the event that Beijing Zhaode shall fail to repay any amount of the Zhaode Assigned Loan for more than 90 days, such outstanding amount shall be settled by either one of the following two ways as chosen by Beijing Zhaode (the “Security Arrangement”):

- (i) according to the ratio of the outstanding amount of the Zhaode Assigned Loan to the total investment cost of the completed hotel Section of Project Cultural, Beijing Zhaode shall transfer its corresponding interest in the hotel Section of Project Cultural as determined by such ratio to Beijing Huaxia; or
- (ii) Beijing Zhaode shall transfer its rights to share 40% of the profits arising from and in connection with the hotel Section of Project Cultural to Beijing Huaxia.

According to the Financial Assistance Confirmation, the Purchaser shall assume Beijing Huaxia’s rights and obligations under the Financial Assistance Agreement, including the Security Arrangement.

LETTER FROM TAI FOOK

Reasons for and benefits of the Transaction Documents

The Directors are of the view that, given the promising outlook of the office property market and the hotel industry of Beijing, as well as the favourable strategic location of Cultural Lot, it is beneficial for the Group to participate in the development of Project Cultural of Beijing Dongfangwenhua through the Beijing Oriental Transaction, which is in line with the Group's objective as stated in the Annual Report.

Based on the above, in particular the outlook of the office property market and hotel industry in Beijing and the location of Cultural Lot, we concur with the view of the Directors that Project Cultural, after development, will be of commercial value and have good potentials and thus have a positive impact on the business of the Group.

II. Major terms of the Beijing Oriental Transaction

In a nutshell, the Purchaser entered into the Beijing Oriental Transaction, which mainly comprises the following agreements, for the purpose of acquiring Beijing Huaxia's interest in Beijing Dongfangwenhua:

- (i) the Beijing Oriental Agreement in relation to the purchase of approximately 60.98% equity interest in Beijing Dongfangwenhua from Beijing Huaxia;
- (ii) the Loan Assignment Agreement in relation to the assignment and transfer of the Oriental Assigned Loan and the Zhaode Assigned Loan from Beijing Huaxia; and
- (iii) the Joint Venture Contract in relation to the setting out of the rights and obligations of the joint venture partners of Beijing Dongfangwenhua after the Oriental Completion.

Set out below is a summary of the principal terms of the abovementioned agreements, details of which can be referred to the "Letter from the Chairman" of the Circular.

Principal terms of the Beijing Oriental Agreement

Pursuant to the Beijing Oriental Agreement, the Purchaser agreed to purchase and Beijing Huaxia agreed to dispose of its entire equity interest of approximately 60.98% in Beijing Dongfangwenhua for the Equity Interest Consideration of approximately RMB17,690,000 (equivalent to approximately HK\$17,010,000). The Equity Interest Consideration will be payable to Beijing Huaxia in cash in full within 15 business days from the date of the Oriental Completion.

LETTER FROM TAI FOOK

Principal terms of the Loan Assignment Agreement

Pursuant to the Loan Assignment Agreement, the Purchaser agreed to purchase and Beijing Huaxia agreed to assign and transfer (a) the Oriental Assigned Loan for a consideration of approximately RMB378,185,000 (equivalent to approximately HK\$363,639,000), being the face value of the Oriental Assigned Loan as at 19 May, 2006; and (b) the Zhaode Assigned Loan for a consideration of approximately RMB158,709,000 (equivalent to approximately HK\$152,605,000), being the face value of the Zhaode Assigned Loan as at 19 May, 2006. In addition, according to the Financial Assistance Confirmation, the Purchaser shall assume Beijing Huaxia's rights and obligations under the Financial Assistance Agreement, including the Security Arrangement.

The consideration for the Oriental Assigned Loan shall be payable by the Purchaser in cash by two equal instalments. The first instalment shall be payable to Beijing Huaxia within five days from the approval of the Loan Assignment Agreement by the Independent Shareholders at the SGM whereas the second instalment shall be payable upon the Loan Completion. The consideration for the Zhaode Assigned Loan shall be payable by the Group in cash upon obtaining the approval of the Loan Assignment Agreement by the Independent Shareholders at the SGM and the Oriental Completion having taken place.

Principal terms of the Joint Venture Contract

Pursuant to the Beijing Oriental Agreement, the Purchaser, Beijing Cultural and Beijing Zhaode entered into the Joint Venture Contract, which sets out, among others, the following principal terms:

(i) Increase in registered capital

The registered capital of Beijing Dongfangwenhua will be increased from RMB29 million (equivalent to approximately HK\$28 million) to RMB270 million (equivalent to approximately HK\$260 million). The increase in registered capital of Beijing Dongfangwenhua, being the Capital Contribution of RMB241 million (equivalent to approximately HK\$232 million), will be contributed solely by the Purchaser and will be used solely for the construction of the relevant Sections of Project Cultural in which the Purchaser will be interested as set out in sub-paragraph (ii) below.

(ii) Profit and loss sharing arrangement

- (a) The Purchaser will be entitled to or responsible for (aa) 100% of the profits and risks arising from and in connection with the office buildings Section of Project Cultural; and (bb) 45% of the profits and risks arising from and in connection with the hotel Section of Project Cultural;
- (b) Beijing Cultural will be entitled to or responsible for (aa) 10% of the profits and risks arising from and in connection with the hotel Section of Project Cultural; and (bb) 100% of the profits and risks arising from and in connection with the music hall Section of Project Cultural; and

LETTER FROM TAI FOOK

- (c) Beijing Zhaode will be entitled to or responsible for 45% of the profits and risks arising from and in connection with the hotel Section of Project Cultural.
- (iii) Financing for construction costs of Project Cultural
- (a) Beijing Dongfangwenhua shall arrange for financing in respect of the difference between the total investment and the total registered capital by pledging its assets, provided that (aa) the finance obtained shall be applied solely for the construction of the particular Section of Project Cultural which is subject to the pledge; and (bb) the finance obtained and the relevant costs and expenses incurred in obtaining such finance as referred to in (aa) above (the “Finance Costs and Expenses”) shall be borne by the Purchaser, Beijing Cultural and Beijing Zhaode (as the case may be) in accordance with the relevant interests of the Purchaser, Beijing Cultural and Beijing Zhaode in the relevant Sections of Project Cultural as mentioned in the sub-section (ii) above;
 - (b) in the event that any joint venture partner of Beijing Dongfangwenhua (the “Default Party”) shall fail to honour its payment obligation for the relevant amount of the Finance Costs and Expenses (the “Default Amount”), resulting in Beijing Dongfangwenhua having to repay the Default Amount or any assets of Beijing Dongfangwenhua being frozen or sealed up, Beijing Dongfangwenhua is entitled to dispose of the relevant interest of the relevant Section(s) of Project Cultural held by the Default Party for the purposes of honouring the Default Party’s obligations; and
 - (c) in the event that Beijing Dongfangwenhua shall fail to obtain the finance as set out in (iii)(a) above or the finance obtained is insufficient for the construction of a particular Section of Project Cultural, the Purchaser, Beijing Cultural and Beijing Zhaode (as the case may be) shall be responsible for such additional construction costs for the particular Section in accordance with the relevant interests of the Purchaser, Beijing Cultural and Beijing Zhaode in the relevant Sections of Project Cultural as mentioned in the sub-section (ii) above.

LETTER FROM TAI FOOK

III. Financial commitment in the Beijing Oriental Transaction

As referred to in the “Letter from the Chairman” of the Circular, the Beijing Oriental Commitment, being the amount of the total financial commitment of the Purchaser in the Beijing Oriental Transaction, comprises (i) the Equity Interest Consideration; (ii) the Assigned Loan Consideration which in turn comprises the consideration for the Oriental Assigned Loan (the “Oriental Assigned Loan Consideration”) and the consideration for the Zhaode Assigned Loan (the “Zhaode Assigned Loan Consideration”); and (iii) the Capital Contribution, details of which are set out below:

| Nature | Amount | Basis |
|-----------------------------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| (A) Equity Interest Consideration | Approximately RMB17,690,000 (equivalent to approximately HK\$17,010,000) | Original investment cost of approximately 60.98% equity interest in Beijing Dongfangwenhua by Beijing Huaxia |
| (B) Oriental Assigned Loan Consideration | Approximately RMB378,185,000 (equivalent to approximately HK\$363,639,000) | Face value of the Oriental Assigned Loan provided by Beijing Huaxia to Beijing Dongfangwenhua as at 19 May, 2006 |
| (C) Sub-total (Note): | Approximately RMB395,875,000 (equivalent to approximately HK\$380,649,000) | (A) + (B) |
| (D) Zhaode Assigned Loan Consideration | Approximately RMB158,709,000 (equivalent to approximately HK\$152,605,000) | Face value of the Zhaode Assigned Loan provided by Beijing Huaxia to Beijing Zhaode as at 19 May, 2006 |
| (E) Capital Contribution | RMB241,000,000 (equivalent to approximately HK\$231,731,000) | Additional registered capital agreed to be contributed by the Purchaser |
| Total: Beijing Oriental Commitment | Approximately RMB795,584,000 (equivalent to approximately HK\$764,985,000) | (C) + (D) + (E) |

Note: Effectively, the sub-total represents the total consideration (the “Relevant Interest Consideration”) payable by the Purchaser for the acquisition of 100% beneficial interest in the office buildings Section and 45% beneficial interest in the hotel Section of Project Cultural (the “Relevant Interest”).

LETTER FROM TAI FOOK

Based on the above and as advised by the Directors, we are given to understand that:

- (i) the Equity Interest Consideration, the Oriental Assigned Loan Consideration and the Zhaode Assigned Loan Consideration are equal to the original costs of investments or advances (as the case may be) made by Beijing Huaxia;
- (ii) the Relevant Interest Consideration of approximately RMB395,875,000 (equivalent to approximately HK\$380,649,000) represents a discount of approximately 29% to the capital value of the Relevant Interest of approximately RMB559,000,000 (equivalent to approximately HK\$537,500,000) as at 30 April, 2006 as assessed by DTZ based on the Valuation Report;
- (iii) the Zhaode Assigned Loan is effectively secured by Beijing Zhaode's 45% interest in the hotel Section of Project Cultural according to the Security Arrangement. In addition, it is noted that the aggregate amount of the Relevant Interest Consideration and the Zhaode Assigned Loan Consideration of approximately RMB554,584,000 (equivalent to approximately HK\$533,254,000) is at a discount of approximately 1% to the capital value of the Relevant Interest of approximately RMB559,000,000 (equivalent to approximately HK\$537,500,000) as assessed by DTZ based on the Valuation Report. In other words, it implies that the credit risk of the Zhaode Assigned Loan of approximately RMB158,709,000 (equivalent to approximately HK\$152,605,000) is also covered by the excess of the capital value of the Relevant Interest as assessed by DTZ as at 30 April, 2006 over the Relevant Interest Consideration of approximately RMB163,125,000 (equivalent to approximately HK\$156,851,000); and
- (iv) as advised by the Directors and in accordance with the Joint Venture Contract, the Capital Contribution of RMB241 million (equivalent to approximately HK\$232 million) is the contribution to be made by the Purchaser solely for the construction cost of 100% of office buildings Section and 45% of hotel Section of Project Cultural in which the Group will be interested upon the Oriental Completion and the Loan Completion.

Based on the above, we consider that the Beijing Oriental Commitment is fair and reasonable and in the interests of the Independent Shareholders and the Group as a whole.

IV. Financial effects of the Beijing Oriental Transaction on the Group

Net asset value

As referred to in the "Letter from the Chairman" of the Circular, Beijing Dongfangwenhua will be accounted for as a jointly-controlled entity of the Group and the Group's investment in Beijing Dongfangwenhua will be accounted for under the equity method of accounting, whereby the investment will be initially recorded at cost and is adjusted thereafter to recognise the Group's share of the post-acquisition results. As further advised by the Directors, (i) the Oriental Assigned Loan will be accounted for by the Group as a receivable due from a jointly-controlled entity; and (ii) the Zhaode Assigned Loan will be accounted for by the Group as a receivable due from a joint venture partner. As such, the Directors consider that the Beijing Oriental Transaction will not have a material impact on the Group's net assets value position upon the Oriental Completion and the Loan Completion.

LETTER FROM TAI FOOK

Financial resources of the Group

As referred to in the “Letter from the Chairman” of the Circular, the Beijing Oriental Commitment of approximately RMB795,584,000 (equivalent to approximately HK\$764,985,000) will be financed by the Group’s internal resources, and, if required, by bank borrowings. The construction cost for 100% of the office buildings Section and 45% of the hotel Section of Project Cultural in which the Group will be interested upon the Oriental Completion will be principally financed by the Group through the Capital Contribution and, if required, by bank borrowings to be arranged by Beijing Dongfangwenhua and/or internal resources of the Group.

The Beijing Oriental Commitment represents approximately 32.5% of the Group’s aggregate cash and cash equivalents (excluding pledged/charged bank deposits) of approximately HK\$2,353.3 million as at 31 December, 2005. As such, we concur with the Directors’ view that the Beijing Oriental Commitment will not have a material adverse impact on the financial resources of the Group.

Gearing

As referred to in the Annual Report, the Group’s aggregate cash and cash equivalents (including pledged/charged bank deposits) amounted to approximately HK\$2,590.3 million as at 31 December, 2005, whilst its borrowings (which comprised bank borrowings of approximately HK\$4,003.3 million and senior notes of carrying amount of approximately HK\$2,660.9 million) amounted to approximately HK\$6,664.2 million as at 31 December, 2005. Based on the aforesaid, the Group’s net borrowings to equity ratio (being borrowings less cash and cash equivalents, expressed as a percentage of net assets value) was approximately 71% as at 31 December, 2005.

The Directors expect that, as a result of the payment of the Beijing Oriental Commitment (which will be financed by the Group’s internal resources, and, if required, by bank borrowings), the abovementioned net borrowings to equity ratio of the Group will increase.

As referred to in the Annual Report, (i) the Group possessed completed properties with an aggregate saleable area of approximately 0.83 million sq.m. at the end of 2005; and (ii) the construction of properties of the Group with an aggregate saleable area of approximately 1.58 million sq.m. is scheduled to be completed in 2006. The Directors expect that the sales of part of the aforesaid properties in 2006 would generate significant cash inflow to the Group, which would improve the Group’s net borrowings to equity ratio and enable the Group to maintain a healthy financial position. Accordingly, we concur with the Directors’ view that the effect of the Beijing Oriental Transaction should not have a material adverse effect on the operations and development of the Group.

LETTER FROM TAI FOOK

CONCLUSION AND RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the terms of the Transaction Documents are fair and reasonable so far as the interests of the Independent Shareholders and the Group are concerned and are in the interests of the Independent Shareholders and the Group as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Transaction Documents to be proposed at the SGM.

Yours faithfully,

For and on behalf of

Tai Fook Capital Limited

Derek C. O. Chan

Marcus Ho

Managing Director

Executive Director

The following is the texts of the letter and valuation certificate prepared for the purpose of incorporation in this Circular received from DTZ Debenham Tie Leung Ltd., the independent property valuer, in connection with the valuation as at 30 April 2006 of Cultural Lot.



10th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

香港中環康樂廣場1號
怡和大廈10樓

13 June 2006

The Directors
Hopson Development Holdings Limited
Suites 2705-2709, 27th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

Dear Sirs,

Re: A proposed development known as Beijing Oriental Culture And Art Centre (office and hotel portions only), No. D4 at Dongsi Redevelopment Area, Dongcheng District, Beijing, the People's Republic of China

**Instructions, Purpose &
Date of Valuation**

We refer to your instructions for us to value the market value of the captioned property to be purchased by Hopson Development Holdings Limited (referred to as the "Company") and/ or its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"). We confirm that we have carried out site inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 30 April 2006.

Basis of Valuation

Our valuation is our opinion of the market value which we would define as intended to mean the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Valuation Assumption

Our valuation has been made on the assumption that the Company sells the property interest on the market without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the value of such property interest.

In undertaking our valuation of the property interest which is situated in the PRC, we have, unless otherwise state, valued them on the bases that transferable land use rights in respect of the property for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the advice given by the Company and its legal adviser, Trust Law Firm, on the PRC law, regarding the title to the property interest and the interest of the Company in the property. In valuing the property interest, we have assumed that the grantee or the user of the property interest has free and uninterrupted rights to use or to assign the property interest for the whole of the unexpired term as granted. We have also assumed that the design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities.

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

In valuing the property interest, we have complied with Chapter 5 and PN12 of the Rules Governing the Listing of Securities to The Stock Exchange of Hong Kong Limited and the requirements set out in the Valuation Standards (First Edition 2005) on Valuation of Properties published by The Hong Kong Institute of Surveyors.

Method of Valuation

We have valued the property interest on the basis that the property will be developed and completed in accordance with the Group's latest development proposal provided to us. We have assumed that approvals for the proposal have been obtained. In arriving at our opinion of value, we have adopted direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the estimated construction costs remaining outstanding for completing the development.

Source of Information

We have relied to a very considerable extent on the information given to us by the Company and its legal advisers, Trust Law Firm, on the PRC law. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, development scheme, particulars of occupancy, site and floor areas and all other relevant matters.

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

Title Investigation

In respect of the property interest in the PRC, we have been provided with extracts of documents in relation to the title to the property interest. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

Site Inspection

We have inspected the property. However, we have not carried investigations on site to determine the suitability of the ground conditions and the services etc. for any future developments. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Unless otherwise stated, we have not been able to carry out on-site measurement to verify the site area of the property and we have assumed that the areas shown on the documents handed to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuation certificate are in Renminbi (RMB).

Our valuation certificate is attached.

Yours faithfully,
for and on behalf of

DTZ Debenham Tie Leung Limited

Andrew K.F. Chan

Registered Professional Surveyor (GP)

Registered China Real Estate Appraiser

MSc., M.H.K.I.S., M.R.I.C.S.

Director

Note: Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has over 18 years experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 30 April 2006 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------------|
| A proposed development known as Beijing Oriental Culture And Art Centre (office and hotel portions only), No. D4 at Dongsi Redevelopment Area, Dongcheng District, Beijing, the PRC | <p>The property comprises a proposed composite development to be erected on two pieces of land with site areas of 5,665.7 sq.m. (60,986 sq.ft.) and 8,549.4 sq.m. (92,026 sq.ft.) for composite / basement car park uses and hotel / basement car park uses respectively. Upon completion, which is scheduled in 2008, the property will comprise an office building and a hotel / serviced apartment tower, each of 18 storeys erected over 4-storey retail / car park podium.</p> | The property is currently under construction. | RMB745,000,000 |

(45% attributable interest in the proposed hotel portion and 100% attributable interest in the proposed office portion of the project: RMB559,000,000)

(Please refer to Note 8)

The property is proposed to be developed as a commercial/hotel development with planned above-ground gross floor areas approximately as follows:-

| Uses | <i>sq.m.</i> | Gross Floor Area <i>sq.ft.</i> |
|---------|---------------|------------------------------------------|
| Retail | 6,000 | 64,584 |
| Office | 27,899 | 300,305 |
| Hotel | 45,781 | 492,787 |
| Total : | <u>79,680</u> | <u>857,676</u> |

In addition, the property upon completion will provide a total gross floor area of approximately 37,954 sq.m. (408,537 sq.ft.) in basement, including retail spaces of 5,736 sq.m. (61,742 sq.ft.), 444 car parking spaces and the ancillary facilities.

The land use rights of the property have been granted for a term expiring on 30 August 2044 and 30 August 2054 for commercial use and basement car park use respectively and for a term expiring on 30 August 2054 for composite and basement car park uses.

Notes:

- (1) According to Certificate for the Use of Stated-owned Land No. (2005) A00569 issued by Beijing Land Resources Bureau on 18 August 2005, the land use rights of the property, comprising a site area of 5,665.70 sq.m., have been vested in 北京東方文華國際置業有限公司 for a term expiring on 30 August 2054 for composite and basement car park uses.

According to Certificate for the Use of Stated-owned Land No. (2005) A00571 issued by Beijing Land Resources Bureau on 18 August, 2005, the land use rights of the property, comprising a site area of 8,549.40 sq.m., have been vested in 北京東方文華國際置業有限公司 for a term expiring on 30 August 2044 and 30 August 2054 for commercial and basement car park uses respectively.

- (2) According to Grant Contract of Land Use Rights No. (2004) 0848 entered into between Beijing Land Resources Bureau and 北京東方文華國際置業有限公司 in 2004, the land use rights of the property have been granted to 北京東方文華國際置業有限公司 as follows:

| | | | |
|-------|------------------------|---|--------------------------------------------------------------------------|
| (i) | Site Area | : | 5,665.7 sq.m. |
| (ii) | Total Gross Floor Area | : | 46,408 sq.m. (Above ground: 34,545 sq.m.; Below ground: 11,863 sq.m.) |
| (iii) | Land Use Terms | : | Composite and basement car park uses: 50 years |
| (iv) | Land Grant Fee | : | RMB67,362,000 |

According to Grant Contract of Land Use Rights No. (2004) 1092 entered into between Beijing Land Resources Bureau and 北京東方文華國際置業有限公司 in 2004, the land use rights of the property have been granted to 北京東方文華國際置業有限公司 as follows:

| | | | |
|-------|------------------------|---|--------------------------------------------------------------------------|
| (i) | Site Area | : | 8,549.40 sq.m. |
| (ii) | Total Gross Floor Area | : | 70,028 sq.m. (Above ground: 45,543 sq.m.; Below ground: 24,485 sq.m.) |
| (iii) | Land Use Terms | : | (a) Basement car park: 50 years (b) Commercial: 40 years |
| (iv) | Land Grant Fee | : | RMB99,111,540 |

- (3) According to Planning Permit for Construction Use of Land No. 2004-0006 issued by Beijing Planning Bureau on 20 April 2004, the whole project of Beijing Oriental Culture And Art Centre was permitted to cover a site area of 15,834.977 sq.m.

- (4) According to Planning Permit for Construction Works No. 2004-0290 issued by Beijing Planning Bureau on 9 November 2004, the basement portion of the whole project of Beijing Oriental Culture And Art Centre with a development scale of 42,181 sq.m. was permitted to be built.

According to Planning Permit for Construction Works No. 2004-0316 issued by Beijing Planning Bureau on 15 December 2004, the office portion of Beijing Oriental Culture And Art Centre with a development scale of 33,899 sq.m. was permitted to be built.

According to Planning Permit for Construction Works No. 2004-0314 issued by Beijing Planning Bureau on 10 December 2004, the hotel portion of Beijing Oriental Culture And Art Centre with a development scale of 45,781 sq.m. was permitted to be built.

- (5) As advised by the Group, a total gross floor area of 11,736 sq.m. (in which approximately 6,036 sq.m. will be above ground whilst approximately 5,700 sq.m. will be below ground) is planned for retail use. However, we have not been provided with such government approval. In the course of our valuation, we have assumed the proposed scheme is in compliance with the local planning regulations and all pre-requisite planning approval documents have been issued to the Group.

- (6) As advised by the Group, as at the date of valuation, the total construction cost expended in the proposed development was approximately RMB40,780,000 and the total outstanding cost to complete the same is estimated to be approximately RMB969,000,000. We have taken into account such costs in our valuation.
- (7) The capital value when completed of the proposed development is approximately RMB1,995,600,000.
- (8) According to Agreement of Shares Transfer of 北京東方文華國際置業有限公司 (the “EJV”) dated 7 November 2005 and its supplementary agreement both entered into between 北京東方文化經濟發展集團公司 (“Party A”), 北京東方世紀文化旅遊投資管理有限公司 (“Party B”), 北京華夏創業房地產開發有限公司 (“Party C”) and 北京昭德置業有限公司 (“Party D”), the structures of shares after transfer among Party A, Party B, Party C and Party D shall be revised to 14.5674%, 0%, 60.9837% and 24.4489% respectively. In addition, Party C will be entitled to 45% and 100% of interests in the hotel and office portion of the site for the proposed Beijing Oriental Culture And Art Centre respectively.
- (9) According to Business Licence No. 1101011458792 (1-1) dated 13 January 2004, 北京東方文華國際置業有限公司 (the “EJV”) has been incorporated with a registered capital of RMB29,000,000 for a valid operation period from 11 September 2002 to 10 September 2052.

According to Business Licence No. 1101091634616 (1-1) dated 4 August 2005, 北京華夏創業房地產開發有限公司 (Party C) has been incorporated with a registered capital of RMB29,990,000 for a valid operation period from 16 December 2003 to 15 December 2023.

- (10) The opinion of the Group’s legal adviser on PRC law states, inter alia, that:
- (i) 北京東方文華國際置業有限公司 has been issued with a business licence and was legally established under the PRC law as a limited company with a registered capital of RMB29,000,000 and an operation period from 11 September 2002 to 10 September 2052;
- (ii) According to two Certificates for the Use of State-owned Land, Nos. (2005) A00569 and (2005) A00571 issued by Beijing Government, 北京東方文華國際置業有限公司 has obtained the land use rights of the property, comprising a total site area of 14,215.1 sq.m., for a term due to expire on 30 August 2044 for commercial use and due to expire on 30 August 2054 for composite and basement car park uses;
- (iii) 北京東方文華國際置業有限公司 has settled in full the land premium of the property agreed in the Grant Contracts of Land Use Rights;
- (iv) 北京東方文華國際置業有限公司 is entitled to use, occupy, transfer, lease or mortgage the property at no extra land premium.
- (11) According to the legal opinions of the Group’s legal adviser, 北京東方文華國際置業有限公司 has fully settled the land premium of the property and has been granted the relevant Certificates for the Use of State-owned Land. Our valuation of the property interest is based on a vested legal right, assuming the property is freely transferable without payment of extra land premium.
- (12) The status of title and grant of major approvals and licenses in accordance with the information provided to us by the Group and the aforesaid legal opinion are as follows:
- | | |
|----------------------------------------------|-----|
| Certificate for the Use of State-owned Land | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Official Reply to the Project Proposal | Yes |
| Business License | Yes |

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the 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) | – | 686,400,000 |
| 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 Director, 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 | 686,400,000 |

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 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 had 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. EXPERTS

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

| Name | Qualification |
|-------------|-----------------------------------------------------------------------------------------------------------|
| Tai Fook | licensed corporation to carry out Type 6 regulated activity (advising on corporate finance) under the SFO |
| DTZ | property valuer |

As at the Latest Practicable Date, neither Tai Fook nor DTZ had 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.

Each of Tai Fook and DTZ has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which they appear.

As at the Latest Practicable Date, neither Tai Fook nor DTZ had 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 June, 2006 to 29 June, 2006 (both dates inclusive):

- (i) the Beijing Oriental Agreement;
- (ii) the Loan Assignment Agreement;
- (iii) the Financial Assistance Confirmation;
- (iv) the Financial Assistance Agreement;
- (v) the Original Equity Transfer Agreement;
- (vi) the Joint Venture Contract;
- (vii) the letter from the Independent Board Committee, the text of which is set out on page 19 of this circular;
- (viii) the letter from Tai Fook, the text of which is set out on pages 20 to 31 of this circular; and
- (ix) the Valuation Report.

11. LITIGATION

As at the latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no other litigation or claim of material importance was 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.

NOTICE OF SPECIAL GENERAL MEETING



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 Thursday, 29 June, 2006 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution which will be proposed as an ordinary resolution:

ORDINARY RESOLUTION

“THAT:

1. the conditional agreement dated 19 May, 2006 and entered into between the Group and Beijing Huaxia Chuang Ye Real Estate Development Company Limited (“Beijing Huaxia”) for the sale and purchase of Beijing Huaxia’s entire equity interest representing approximately 60.98% in Beijing Dongfangwenhua International Properties Company Limited;
2. the conditional agreement dated 19 May, 2006 entered into between the Group and Beijing Huaxia for the sale and purchase of the Oriental Assigned Loan (a term as defined in the Company’s circular dated 13 June, 2006) and the Zhaode Assigned Loan (a term as defined in the Company’s circular dated 13 June, 2006); and
3. the conditional confirmation dated 19 May, 2006 and entered into between the Group, Beijing Zhaode Property Company Limited and Beijing Huaxia in respect of the Zhaodo Assigned Loan (a term as defined in the Company’s circular dated 13 June, 2006),

be and are hereby approved, confirmed and ratified, and the directors of the Company be and are hereby authorised on behalf of the Company to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as they may in their discretion consider necessary or desirable for the purposes of or in connection with the implementation of the above mentioned agreements, confirmation and transactions contemplated thereunder.”

By Order of the Board

Chu Mang Yee

Chairman

Hong Kong, 13 June, 2006

* *for identification purposes only*

NOTICE OF SPECIAL GENERAL MEETING

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.